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Report of the Forestry Committee

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CHAPTER I.

THE CONSTITUTION OF THE COMMITTEE.

1. Personnel and terms of reference.—The following press communiqué was issued by the Government of India on the 5th February 1929 :—

“ In order to define the lines of future activity and advance of the Forest Research Institute which is now nearing completion, the Government of India have decided to appoint a small committee consisting of Sir Chunilal Mehta, K.C.S.I., M.A., LL.B., J.P., who will be Chairman, and of Professor F. A. Lindemann, F.R.S., Professor of Experimental Philosophy, Oxford, and Mr. F. H. Wroughton, Manager, Bombay Burma Trading Corporation, Limited, Rangoon, who will be members.

“ 2. The terms of reference to the Committee are as follows :—

“ To enquire into—

“ (a) the organisation, working and control of the Forest Research Institute at Dehra Dun, with special reference to the scientific and economic value of the work already done, and the desirability, or otherwise, of periodical scrutiny in the future ;

“ (b) the need for ensuring co-ordination, with a view to the achievement of scientific accuracy and to the better interchange of knowledge, between the enquiries in progress at the Institute and similar investigations abroad, especially in America and Europe, and for ensuring suitable publicity of such results as are capable of utilisation for industrial purposes ;

“ (c) the system of recruiting members of the staff, especially technical experts and

“ (d) the system of training Indians for scientific research :
“ and to make recommendations.

“ 3. The Committee will start work at Dehra Dun from about the middle of February.”

2. Acknowledgments.—In accordance with the above the Committee met at Dehra Dun ; and they wish to thank the Inspector General of Forests and President of the Forest Research Institute and all the officers who supplied whatever information was required and who gave every assistance to the Committee. The report itself was written in Delhi.

CHAPTER II.

INTRODUCTION.

3. Introduction.—We would premiss our report by remarking that we have taken full advantage of the latitude allowed us by our terms of reference. Where they are precise they would appear to be merely illustrative and where they are general they are so wide as to set no bounds to our enquiries. We have interpreted them as a general commission to inquire into the working of the Institute and we have endeavoured, in accordance with the spirit and letter of the last term of reference, to sketch out a nucleus about which we hope the various activities of the Institute will crystallise into a harmonious configuration.

The Institute has passed through a period of rapid development and change, but it has still far to go before it reaches the stage when the mode of its activities and the nature of its external relationships have been finally determined. It is a comparatively easy task to organise the parts of a static body in such a way that the combination will produce the maximum efficiency. But it is always difficult to control and direct a growing body. In a period of growth it is too much to expect that all the members should develop with equal success and that there should be no lack of balance and proportion between them. The moment for reviewing the activities of the Institute and making suggestions for its future has, we believe, been well chosen. The development of the different parts of the Institute has not been uniform; the scope of its activities has not always been defined with great precision, and staff and equipment have necessarily expanded, not so much in accordance with any pre-conceived policy, as to meet the demands of the moment. We have endeavoured in our recommendations to systematise the existing methods and to co-ordinate the various activities of the Institute rather than to propose any radical changes. For such, indeed, we see no need. We do not pretend that our proposals are exhaustive, but we believe that their adoption will assist the Institute to develop along healthy lines. In any case, details of organisation can only play a minor part. The future of the Institute lies in the hands of those who work there. If an atmosphere of harmony and mutual confidence is established, the pre-eminence of the Institute in forestry research should be assured. The task of building up a great institution is no light one. It demands energy, foresight and enthusiasm in those who undertake it, and, where the institution is one whose aims are largely scientific, far more than mere administrative ability is required to direct its activities aright. We consider that the men who initiated and built up the Forest Research Institute have shown capacity and ability beyond all praise. They have laid a firm foundation for the future; and if the spirit which actuated them lives on in the Institute its work cannot fail to be of great and lasting benefit both to the Government and the peoples of India.

CHAPTER III.

HISTORY OF THE INSTITUTE.

4. **The Creation of the Institute.**—The history of the Forest Research Institute is intimately connected with that of the College for the training of forest officers, which is also located at Dehra Dun, and in tracing the development of the Institute during the last 23 years it will be necessary to refer to changes in the College which themselves affected that development.

In the years 1904 and 1905 there was protracted discussion on the means which should be adopted to establish a centre at which forestry research could be carried on. It was realised that executive officers could not undertake specialised work in the normal course of their duties, and examination of the arrangements prevailing in other countries showed that in them special facilities were invariably afforded for research into problems connected with forestry. The urgency of the need for inaugurating research work in India was, indeed, never questioned, and when the Inspector General of Forests, Mr. (later Sir) Sainthill Eardley-Wilmot, prepared a scheme which would enable research work to be started, it was accepted and supported by Government.

In 1906 there existed at Dehra Dun a school, known as the Imperial Forest School, for giving elementary training in forestry to Rangers. This school was staffed at the time by a Director, a Deputy Director, two Imperial Service Instructors, and two Assistant Instructors drawn from the Provincial Service; an Imperial Service Entomologist had also been appointed three years earlier. It was decided to reorganise the school completely and to re-establish it with different functions and with an increased staff. The school accordingly ceased to exist in its original form and was reconstituted as the Imperial Forest Research Institute and College. Not only was research work to be undertaken for the first time, but the educational activities of the new College were to be different from those which had been carried on by the old School. In the past recruitment to the Provincial Forest Service had been made by promoting Rangers of standing and experience from the Subordinate Service. It was now decided to start a system of direct appointment to the Provincial Service, and probationers were to undergo a third year's training at Dehra Dun on completion of the two years' course prescribed for Rangers. To provide this additional training and to carry out research work the staff of the new Institute and College was reorganised so as to include the following posts:—

- An Imperial Silviculturist,
- An Imperial Superintendent of Forest Working Plans,
- An Imperial Forest Zoologist,
- An Imperial Forest Botanist,
- An Imperial Forest Chemist,
- An Imperial Forest Economist.

These officers were to devote their attention mainly to research work but they were also to deliver lectures at the College and take part in the training of candidates for the Provincial and Subordinate Services. The

educational work, however, was to be carried on mainly by four Assistant Instructors selected from the Provincial Forest Service. The post of Principal was to be held by one of the Imperial Service officers in addition to his other duties. The Imperial Forest School had been under the administrative control of the Inspector General of Forests ; but this officer had been assisted ever since 1891 by a Board of Control, of which he was *ex-officio* President. The members of this Board included the Director of Public Instruction of the United Provinces, the Director of the School, and one Conservator from each Province (not more than three serving in any given year) whilst the Assistant Inspector General of Forests acted as Secretary. The function of the Board had been mainly to conduct examinations and advise on the curriculum of studies at the School, and for some years it continued to act in the same capacity with reference to the activities of the new Institute and College. The buildings of the old Forest School, together with those which had been occupied by the Conservator of the recently abolished School Circle, were found adequate to supply the immediate needs of the new Institute and College ; and there were already at Dekra Dun a good library, a good forest museum and herbarium, and fairly equipped laboratories.

5. The period 1906 to 1909.—The new scheme was put into immediate practice, but between 1906 and 1909 several modifications were made in it. An Imperial Superintendent of Working Plans was appointed at once, and the post of Imperial Silviculturist was held by the Principal. This arrangement did not prove satisfactory, as it led to the neglect of silvicultural research. After three years the post of Principal was made separate and the posts of Superintendent of Working Plans and of Silviculturist were amalgamated.

The system by which the educational work was done by Assistant Instructors drawn from the Provincial Forest Service also proved unsatisfactory, and it was found necessary to depute both the Imperial Forest Zoologist and the Chemist (who had been appointed on a seven years' contract from outside) to act as Instructors, whilst a third Instructor had also to be specially appointed.

6. The period 1909 to 1914.—Up to 1909 changes mainly consisted in re-adjustments of the existing staff and only one extra Imperial Service officer was appointed. In 1909 a matter of major importance came under discussion. It was proposed to constitute a Board of Forestry which would supersede the existing Board of Control and which, without exercising any executive control over the Research Institute or College and without interfering in any way with the functions of Local Governments, would advise on the management and work of the Forest Research Institute. The Board of Forestry was finally constituted in 1910 and was composed of the following members :—

President ;

The Inspector General of Forests,

Members ;

A Chief Conservator or Conservator from each province where officers of that rank were stationed.

The President of the Imperial Forest Research Institute.

Secretary ;

The Assistant Inspector General of Forests.

The Board was to be convened on each occasion at such time and place as might be fixed by the Inspector General of Forests with the approval of the Government of India. The Board met for the first time at the end of March 1910, and one of its first actions was to express its entire agreement with a resolution passed in the previous year by the Board of Control advocating the institution of an entirely separate course of training at the College for Provincial Service probationers. Local Governments were consulted on the advisability of adopting this suggestion and proved unanimous in favour of it. Accordingly the Government of India, with the sanction of the Secretary of State, instituted the new course in November 1912. The new system could not be operated without some addition to the staff, and three additional Instructors' charges for Imperial Forest Service Officers were created, while one Assistant Instructorship manned from the Provincial Forest Service came under reduction. This increase in the educational activities of the College coincided with a period of development on the research side of the work of the Institute. Progress had been continuous since 1906, and in 1910 it had been found necessary to create four temporary non-gazetted posts of assistants, two to the Silviculturist and one each to the Economist and Botanist. The sphere of the Institute's activities had widened; new investigations were continually being started, and a definite connection had been established with local forest officers with railway engineers and with the commercial world. It became increasingly obvious that the existing accommodation and scientific equipment were alike inadequate; and in 1914 it was decided to erect a large building surrounded by laboratories and workshops which would prove equal to the demands likely to be made upon them for many years to come. In accordance with this decision the buildings at Chand Bagh were erected and for several years the work of the Institute and College was carried on there.

7. The period 1914 to 1918.—The period of the Great War was marked in India by a rapid development in the utilisation of its forest resources, and great stimulus was given towards rendering the country less dependant on foreign supplies. The necessity for extending the scope of the Institute's work yet further was fully recognised; but the financial stringency of the time rendered any large increase in expenditure impossible. More permanent assistants were, indeed, appointed to the staff of the Institute; but it was not possible to fill immediately, owing to the necessity for economy, the two posts of Imperial Assistant to the Forest Economist and Imperial Assistant to the Forest Botanist which had been sanctioned by the Secretary of State in 1915. One of these posts was, indeed, abolished in 1916 on the creation of two posts filled by Indian Assistants. The period 1914-1918 was one which, while it contributed little to the actual development of the Institute, made manifest the need for development and drew attention to the many problems which had to be solved if the forest resources of India were to be exploited to their full extent.

8. The New Institute.—In 1918 the report of the Industrial Commission stressed the need for expanding the Institute in order to meet the rapidly increasing demands of the country; it characterised the equipment of the Institute as wholly insufficient and pointed out the necessity for increasing the number of research officers. The view of the Industrial Commission was strongly supported by the Board of Forestry which, meeting at the end of March 1919, made the further recommendation that

large area in the neighbourhood of Dehra Dun should be acquired and new buildings erected sufficient to provide for all present and future requirements of the Institute. The Government of India, therefore, with the approval of the Secretary of State, decided to strengthen the staff of every branch of the Institute, (and especially of the Economic Branch, which was to devote itself primarily to utilisation work) ; to establish the Institute on a new site in new buildings ; and to equip it with the most modern apparatus. The main divisions of the Institute, comprising the Silvicultural, Botanical, Zoological (or Entomological), Economic and Chemical Branches, were not altered, but the staff of each Branch was largely increased and the Branches themselves were sub-divided into Sections, wherever a marked differentiation of functions made such a division desirable. The greatest development was that of the Economic Branch. In 1919 it was staffed by two Imperial Forest Officers holding the posts of Forest Economist and Assistant Economist respectively, and by a temporary Tan Expert. To these were added the posts of Wood Technologist and Minor Forest Products Expert, - to be held by Imperial Forest Service Officers, and the posts on temporary establishment of Pulp Expert, Engineer Mechanic, and Expert Wood Worker ; and within a year sanction had been given to making Seasoning, Timber Testing and Wood Preservation the charge of special Sectional Officers working under the Forest Economist.

The existing accommodation at Chand Bagh, which, it had been hoped, would be sufficient for many years to come, was found inadequate to meet the demands made upon it by an Institute whose activities were to be expanded in the way proposed. It was decided, therefore, to acquire an area of some 1,200 acres two miles away from the town of Dehra Dun. There were many reasons for acquiring so large an area ; houses for the staff could be built near enough to the Institute to be convenient and far enough away to leave the immediate surroundings of the Institute spacious and unencumbered ; room for any possible future expansion would be available ; and it would be possible to start a demonstration forest near the Institute itself. The site was acquired and building operations started immediately.

9. The Development of the New Institute.—The first buildings erected were the workshops for the Economic Branch which included a saw mill and wood workshop, a timber testing workshop, seasoning kilns, an experimental wood preservation plant, a pulp and paper plant, and the necessary offices and godowns. These were practically completed by the end of 1922, but they were only opened, after machinery had been installed, in the year 1923-24. Since March 1924 the work of the Economic Branch has been in full progress in its new quarters, and the only check to its development was the closing down of the Minor Forest Products Section from the end of 1922 to April 1926. The Section of Tans was also abolished in 1923 owing to shortage of funds at the Institute and the general slump in the tanning trade. The other Branches too were transferred to the new Institute as accommodation became available, and the Chemical Branch is the only one which is still located at Chand Bagh.

In February 1921 a large increase in the staff of the Economic Branch was sanctioned, and ten posts of Assistant were added ; it was also arranged to train certain of the senior Assistants abroad so as to enable them to take charge of Sections after a few years. Other posts were also added outside the Economic Branch and the degree of expansion which

The Institute has now attained may be judged by reference to the table in Appendix I which shows the present constitution of the staff of the Institute.

Only two other changes in the last decade need be mentioned. The first concerns the educational side of the Institute's activities. In 1926 it was decided to inaugurate at the Institute a course of instruction in forestry up to the standard required for the Indian Forest Service. The training is supervised by the President of the Institute assisted by a Professor of Forestry. The evacuation of Chand Bagh left the buildings there available for housing the students and the teaching staff, and the first course commenced in November 1926. The Institute buildings were considerably altered to make them suitable for a College. At the same time it was decided to discontinue the two years' Provincial Forest Service course which had started in 1912 and that of 1926-28 was the last one held. The second change referred to was also made in 1926. The Retrenchment Committee presided over by Lord Incheape had recommended the abolition of the post of Inspector General of Forests but the Government of India felt the need for an expert of experience and standing to advise them on forestry matters. They therefore made a compromise by amalgamating the posts of President of the Forest Research Institute and College with that of Inspector General of Forests; and to aid the President in his work they appointed a Vice-President who would also hold the post of Professor of Forestry the most important instructional post in the re-organised Institute and College.

10. Expenditure on the Institute.—Such, in outline, has been the history of the Forest Research Institute and College since its inception in 1906. Not all the new buildings have been completed; but the Central Building is now finished and stands out a solid and imposing landmark for all the country round. The total expenditure on the new Institute will come to over a crore of rupees; and the annual expenditure on the maintenance of the buildings and staff will be between ten and twelve lakhs of rupees.* These are large sums of money; but it has been ensured that the activities of the Institute will not be limited in the future, as they were, to some extent, in the past, by inadequacy of equipment or exigencies of space.

*This sum includes expenditure on the Indian Forest Service and Rangers' Colleges;

CHAPTER IV.

CONTROL OF THE INSTITUTE.

(A).—*External.*

11. **The Board of Forestry.**—We have considered with care the possibility of establishing some suitably constituted body which might help in directing the activities of the Institute from outside. Ultimately responsibility for the control of the Institute must rest in government ; but no government department can supply the scientific or technical knowledge necessary either for directing the work of research in detail or for making a correct estimate of the value of that work. At present the only outside influence which is brought to bear on the Institute is that of the Forestry Board. The constitution and functions of this Board have been outlined in para. 6. The last meetings of the Board were in 1919 and 1925. At the meeting of 1925 it was decided that the Board should meet every three years, or more often if necessary, and should consist of the Inspector General of Forests, the President of the Forest Research Institute and one representative from each of the Governors' provinces. The proposal that the Board should form an Advisory Committee to assist the President of the Institute was also approved. At the meeting of 1925 several matters were discussed which were of interest and importance to the Institute, and there is no doubt that the Board has proved of use in defining the relations between the central Institute and the Provincial Forest Departments and in suggesting methods by which they could be of mutual assistance. At the same time it cannot be held that the Forestry Board is capable of fulfilling all the functions of a really efficient Advisory Committee. It does not meet often enough ; and it is, from the very nature of its constitution, only qualified to deal with that branch of the Institute's activities which is concerned with forestry proper. Even if it did meet more often, its members would doubtless be the first to agree that its outlook would be enlarged and its utility increased if it contained members with that scientific, technical or commercial knowledge which would enable them to criticise with greater effect these aspects of the activities of the various departments of the Institute ; and it is from this point of view that the President would most welcome helpful advice.

12. **The Constitution of an Advisory Board.**—It may happen in the future that the greater independence of Provincial Forest Departments will involve some reduction in the degree of contact between the central Institute and the Provinces. In such circumstances the creation of an Advisory Board, meeting at least once a year and representing provincial interests, would certainly be desirable. It may happen, too, that the President of the Institute will feel the need for outside advice before establishing new sections or inaugurating schemes of research which involve large sums of money. There is also the possibility that Government, before sanctioning new and elaborate proposals originating in the Institute itself, might be anxious to obtain some independent opinion on their value. In view of these possibilities we suggest that consideration might be given to the expediency of establishing in the future an Advisory Board which would both assist the President in determining the general policy of the Institute and aid Government in discharging its responsibilities for the effective supervision of work there.

The Board would be empowered to enquire into the financial and administrative activities of the Institute ; it would approve annual programmes of work ; it would recommend the budget estimates and it would advise on and criticise the general policy of the Institute especially in connection with the adoption of new research projects. We suggest that the Board might be composed of the following members :—

The Secretary of the Department of Education, Health and Lands.

The Inspector General of Forests or the President of the Forest Research Institute,

Two Conservators from Governors' Provinces,

A representative of the Railway Board,

A scientist nominated by the Government of India,

A member of the Indian Associated Chamber of Commerce, and

A member of the European Associated Chamber of Commerce.

Ministers of Forests in provinces where forests are transferred might also be invited to join the Board.

We do not desire to define too closely either the composition or constitution of the Board but, generally speaking, our idea is that representatives should be selected from various provinces in rotation and that, with a view to continuity of policy, seats should be vacated at intervals of either two or three years. A Board so constituted could give helpful advice from an independent viewpoint on both departments of the Institute's activities—the one which deals with forestry proper and the one which deals with the utilisation of timber and other forest products. We are convinced however, that the Board can only be of real use of its membership is small, if it represents adequately the interests of forestry proper as well as of science and industry, and if it meets at least once a year. If these conditions are not fulfilled the Board might be a cumbrance rather than a help to the President of the Institute and its *raison d'être* would disappear.

(B).—*Internal.*

13. **Control by the President of the Forest Research Institute.**—The need for harmonious relations between the Institute and the controlling Government department is obvious. If they understand each other's problems, mutual sympathy and tolerance will be the result. But the relation in which they stand to each other involves certain difficulties. The similarity between research work and artistic work is not always realised. In the nature of things it is almost as difficult for a public department to carry on research as it would be for it to produce literature. Both forms of creative effort are impatient of regulation or control. In both the main desideratum is the utmost possible liberty for the artist ; and this every public department of its very nature abhors. We are strongly of the opinion that the best way for a government to assist research is to get a good man and trust him to carry on the work with the minimum amount of interference or control.

We understand that the President of the Institute is entitled within limits, provided he does not overstep his budget or incur any commitments for future years, to sanction expenditure for staff or apparatus. We are of the opinion that this system should be extended as far as is constitutionally possible and that the necessity for reference to the department, with the inevitable delays which this involves, should be reduced to an absolute minimum. We understand that the advice of the President is always taken before staff is to be engaged and we are of the opinion that this arrangement should continue. One cannot expect the Head of an Institute to inspire, or accept responsibilities for, research work if he does not believe in the men who are working for him.

CHAPTER V.

ORGANISATION OF THE INSTITUTE.

14. The President and Vice-President of the Forest Research Institute.—It has been represented to us that the present administrative machinery of the Institute is inadequate in several respects. It is said, in the first place, that the amalgamation of the posts of Inspector General of Forests and President of the Forest Research Institute has operated to the detriment of the Institute's best interests. The responsibilities of the President of the Forest Research Institute are heavy ; it is his duty to control the whole of the work in progress in the various Branches of the Institute ; to examine the accounts of his own and other offices ; to control the establishment and administer the estate of the Institute ; to carry on correspondence about forest research with all parts of the world ; to examine and authorise publication of all literature issued by the Institute ; to examine and criticise all working plans submitted to him, and generally to inaugurate, and direct the development of, particular lines of research. In addition to these duties he has to supervise the administration of the Rangers' College and the Indian Forest Service College. In the performance of these multifarious duties the President of the Institute is assisted by the Vice-President ; but the Vice-President is himself Professor of Forestry at the College and it is regrettable that half the time of a highly paid and experienced forest officer should be devoted, as it is at present, to the routine work of the President's office. The main objection urged against the present system is that the duties enumerated above cannot be satisfactorily performed by a man who, as Inspector General of Forests, must tour extensively in the provinces ; and it is clear that the dual responsibility, constituted as it now is, cannot be adequately discharged by one man.

15. Lack of scientific control in the Institute.—Consideration of the objects which a Research Institute must have continuously in view and of the means which it must adopt to achieve those objects leads us to think that the controlling elements in the organisation of the Institute are not at present ideally constituted. The work of the Economic Branch is largely technical and the activities of the different Sections within that Branch are highly specialised. Unless there is some controlling authority which will limit and define the scope of individual investigations and co-ordinate the work of the different Sections, it is probable that effort will be wasted, unnecessary expense will be incurred, and confusion will ensue. Sections will concentrate more and more closely on the particular problems associated with their own work and will lose touch, to an increasingly greater extent, with the work of other Sections ; it is possible moreover, that they will adopt wrong methods of attacking new problems or will be led into investigations which have no immediate relevance to the task actually entrusted to them. The Forest Economist, as Branch Officer, is supposed to direct and control the Sections under him. But the Forest Economist must be a forest officer, with practical experience of forest conditions and with a knowledge of the methods and costs of extraction and other considerations which affect the possibilities of utilising timber for commercial or industrial purposes. It is impossible to expect such a man to have the detailed scientific knowledge necessary for the control, on the technical

side, of the Sections under his charge. It is equally impossible to expect from the President of the Forest Research Institute, a man whose life has been spent in administrative posts in the Forest Service, such exceptionally high scientific qualifications as would enable him to supervise efficiently the work of the Sectional heads in the Economic Branch. We have little doubt that the work of the Institute would have gained in value in the past, as it will in the future, by the appointment of a man of high scientific qualifications to whom the various officers could turn for advice in attacking the problems which inevitably present themselves in the course of investigations, and whose function it would be to see that research was being undertaken on scientific lines. We have little doubt too that the Branches on the Biological side would gain if there were some eminent scientist on the staff of the Institute who could give advice as to the lines on which work should proceed.

16. **The appointment of a Director of Research.**—These considerations have led us to the conclusion that the appointment to the staff of the Institute of some scientist with outstanding qualifications is most desirable. We have given careful thought to the possibility of appointing such a man President of the Forest Research Institute. The separation of the posts of Inspector General of Forests and President of the Forest Research Institute would provide the simplest solution of the difficulties which we have mentioned in para. 14. This separation was in force up to 1926, but on the recommendation of the Incheape Committee the Government of India, in their despatch No. 7, dated the 12th August 1926, substituted the present system. The main consideration which influenced Government in making the change was that the duties of the Inspector General of Forests were not in themselves sufficient to occupy fully the time of that officer. We see in the future no prospect that the duties of the Inspector General of Forests will grow more arduous or more numerous, and we would not wish to change the present system except for the most cogent reasons. There are, indeed, advantages in retaining the Inspector General of Forests as President of the Forest Research Institute. The Institute must remain in the closest touch with the forest services; its work must be known to and command the respect of forest officers as well as of industrial concerns; and the appointment of any but a Service man to the post of President of the Forest Research Institute might endanger the present happy co-operation between the Institute and forest officers working in the provinces. It may happen, however, that, at some period in the future, the administration of Forests will be transferred to provincial Governments and the post of Inspector General of Forests abolished. Under such circumstances we see no reason why, if no senior forest officer with suitable scientific qualifications were available, the Director of Research, whose appointment we are recommending, should necessarily be debarred from holding the post of President. But such an appointment would be conditional on his having shown, as Director of Research, that he possessed a broad and sympathetic outlook and was capable of maintaining friendly relations with all. To have the work of the Institute stigmatised as academic and unpractical by the forest officers would be fatal to its utility. A scientist appointed President of the Forest Research Institute would have to dissolve many doubts in many practical minds before full confidence was established that the true interests of forestry had been safely committed to his

charge. There is no doubt, however, that the association of a scientist with a forest officer in the direction of the Institute would ensure in the control of the work itself the proper representation of its two main aspects. The forest officer knows the forests, and he knows the difficulties which are found both in the culture and the utilisation of timber and other forest products. His task is to outline the problems with which forestry is faced ; the task of the scientist is to solve them. Neither can succeed without the co-operation of the other ; and it is our hope that the association in the direction of the Institute of two men, each distinguished in his separate vocation, will promote alike the interests of the Economic and the Biological Departments of the Institute.

We recommend, therefore, that a Director of Research be appointed to the staff of the Institute. His function in relation to the Institute would be that which the Institute itself performs in relation to the provinces " to deal with the more strictly scientific portion of research and in general to guide and co-ordinate investigations ". The Director of Research would be subordinate to the President of the Forest Research Institute, but he would be given the greatest freedom in the direction of the work of the Institute so far as its scientific aspect was concerned. Harmonious co-operation between the Director of Research and the President of the Forest Research Institute would be essential to the success of our proposal. We do not despair of the possibility of such harmony ; on the contrary, we expect it. But the selection of an individual to fill the post of Director of Research would have to be made with the greatest discretion. He would have to be a man not only eminent as a scientist but endowed with such personal qualities as would enable him both to work in the most friendly co-operation with the President of the Forest Research Institute, and to temper and direct the enthusiasms of Sectional heads without offending their susceptibilities. The work of the Director of Research would, we anticipate, be largely concerned with the Economic Branch of the Institute ; and we consider that a man who has made a special study of the physical aspects of chemistry or the chemical aspects of physics would be best qualified to hold this post. The post should be tenable, in the first instance, for a period of three years, after which it should be made permanent. The salary attached to it should commence with at least Rs. 2,500 per mensem. It is possible, perhaps probable, that no suitable candidate will be immediately available. The appointment of an unsuitable person would, we believe, be most injurious to the interests of the Institute ; and, in our opinion, it would be better to postpone the appointment till the right man is available. The scientific attainments and personal qualities of the holder of this post are so important that we recommend that, before making an appointment, the Public Service Commission be asked to take the advice, through the High Commissioner, of the Council of the Royal Society and the Advisory Council of the Department of Scientific and Industrial Research.

17. The appointment of a Personal Assistant to the President of the Forest Research Institute and abolition of the post of Vice-President.— Whether a Director of Research is appointed in the first instance or not, we recommend the abolition of the post of Vice-President of the Institute. Education should not, we consider, be included amongst the activities of the Institute, though we approve of the present system whereby the services of officers of the Institute are used for giving lectures at the College. The Institute and the College should be administratively separate and the

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College should have a separate Principal under the Inspector General of Forests. Certainly the present anomalous position whereby the Vice-President's activities are divided between his educational work at the College and his work in the office of the President of the Forest Research Institute should be discontinued. We therefore recommend the creation of the post of Personal Assistant to the President of the Forest Research Institute. We were at first of the opinion that the administration of the whole Institute should be under the Director of Research, and that the Personal Assistant should be attached to him. But we have come to the conclusion that the Director of Research would be able to devote his attention more exclusively to scientific matters if he were relieved of responsibility for the administrative work of the Institute and did not have his time taken up with the performance of routine duties. The possibility of friction would also be reduced if responsibility for the administrative and scientific control of the Institute were separately apportioned. The post of Personal Assistant should normally be filled by an officer of the Indian Forest Service with several years' experience. All the administrative work connected with the Institute, and especially that connected with the management of the estate, would be performed by him subject to the control of the President. The administrative control of the Institute should, we have said, remain in the hands of the President; but any question affecting the work or the efficiency of the Branches should be referred by the Personal Assistant to the Director of Research, though there would be no need, unless the Director of Research especially wished it, to refer questions of mere routine. The main advantage of this proposal is that, when the President of the Forest Research Institute was away on tour in the capacity of Inspector General of Forests, the work of the Institute would not suffer in any way. The Director of Research would continue to control the work of the Institute on the scientific side, and the Personal Assistant would attend to all administrative details. The management of the Central Office, the formation of which we recommend below, would also be in the hands of the Personal Assistant.

18. Centralisation of Branch Offices.—The heads of all Branches have brought to our notice the disproportionate amount of time which they are compelled to devote to routine work in their offices. Officers engaged in research work should have as few distractions as possible, and though a certain amount of office work is inevitable, we consider that it should be reduced as far as is compatible with efficiency. The present system under which each Branch (except that of the Chemist) has an office of its own and deals with all correspondence, files and accounts independently of other Branches, is uneconomical and involves extensive duplication of work. The centralisation of offices would help to establish that close touch between Branches which it is our aim to encourage in every possible way. The advantages of a Central Office which would act as a distributing agency and would also dispose directly of all matters which did not demand the personal attention of the heads of Branches or Sections are obvious. Only two questions have exercised us in any degree. The first is whether the office of the Forest Economist should remain independent of the Central Office or not. The work of the Forest Economist's office far exceeds in bulk that of the other offices; it is different, too, in quality, as the task of the Forest Economist is largely to answer technical enquiries concerning the work of the Sections under him. We do not consider, however, that the difference in the nature

of the correspondence carried on by the Forest Economist justifies the retention by him of a separate office. His correspondence could be handled equally well by a department in the Central Office specially devoted to the purpose ; and the connection of this department with the Central Office would be wholly beneficial. There is no reason too, why the Central Office should not be located near the Economic Branch. The other question which we have considered is whether the accounts of the whole Institute should be made up in one office or whether they should be dealt with separately by Branches as is at present the custom. The accounts of the Economic Branch are again the largest and most complicated ; but we have little doubt that the centralisation of the accounts work of all Branches would entail great advantages. The sums involved annually amount to several lakhs of rupees ; and we consider that some trouble might be saved if an accountant were specially delegated from the Accountant General's Office to deal with this work. We therefore recommend the amalgamation of all Branch Offices with that of the President of the Forest Research Institute, and the formation of an Accounts Office, attached to the Central Office, which will deal with the Accounts of the whole Institute. The management of this Central Office would be in the hands of the Personal Assistant to the President of the Forest Research Institute, and the officer delegated from the Accounts Office would work under his general supervision.

19. The Forest Economist and Utilisation Work.—The appointment of a Director of Research will ensure that the work of the Institute is controlled on its scientific side and we do not think that the detailed supervision of the work of his Sections by the Forest Economist will be so necessary in the future. The Forest Economist has, at present, to combine in himself the most varied abilities. He must supervise, on the scientific side, the highly specialised work of his Sections ; he must co-ordinate their various activities ; he must control them on the administrative side of their work ; and, most important of all, he must act as publicist and utilisation officer for the Institute ; as it is to his Branch that all enquiries from the Railways, the Public Works Department, timber merchants and industrialists in general come for disposal. The work of the Forest Economist as a publicist has been strictly limited in the past by the exigencies of his other duties. He would have been neglecting his responsibilities at the Institute had he been frequently on tour in the Provinces ; and he has been compelled to do a great deal of work by correspondence which could have been done by personal intercourse with greater efficacy and with greater benefit both to the Institute and industry. The importance of the work done by a Utilisation Officer we consider paramount. It was recognised in the Report of the Imperial Economic Committee on Timber which says* : " An interesting feature of the organisation at Princes Risborough is the presence on the staff of a special officer whose duty it is to be in constant touch with the timber market and with the users of wood and generally to act as a liaison officer between the scientific staff and the timber-using industries. He is described as a " timber utilisation " officer. An extension of the Forest Products research laboratory to enable it to deal freely with Empire timbers would probably necessitate the appointment of a second timber utilisation officer. We should consider this appointment an important part of our proposals in regard to Princes Risborough. If it ever became necessary to appoint yet further utilisation officers to devote their whole time to the timbers either of a single Empire country or of groups of

*Para. 87 : Report of the Imperial Economic Committee on Timber ; August 1928.

countries, we consider that the cost should be borne by the country or group of countries requiring that service". The Royal Commission on Agriculture in India* was equally emphatic on the desirability of appointing special agencies for the exploitation of forest products with a view to industrial development, and they recommended the appointment of a forest utilisation officer in every province.

It appears to us that the appointment of an officer at the Institute to do the work of utilisation is an urgent necessity. The Sections of the Economic Department are particularly concerned with investigations which interest and affect the timber trade and the general public; and we consider that the Forest Economist who is familiar with the work of those Sections and under whose nominal control they would remain, is the most suitable person to do the work of utilisation. The new duties of the Forest Economist will be to interest the public in forest products, to supply information of every possible kind, to travel all over India and meet representatives of firms interested in forest products, and generally to act as a medium of communication between the forest department and the public. The Forest Economist should normally be a Forest Officer and should be retained in the post as long as possible, for his utility will increase with his experience. When a vacancy occurs in the post the head of a Section with forest experience or the utilisation officer from some province could suitably be appointed.

20. Personal Assistant to the Forest Economist.—The duties of the Forest Economist as a utilisation officer will necessitate his being on tour for a large part of the year, though he must be at the Institute for several months in the year to familiarise himself with the progress made in the different Sections in his Department, and to acquaint the officers of the Institute with the views of the public and the requirements of the timber trade as they have been formulated to him. The control of the Sections of his Department on the scientific side will be in the hands of the Director of Research. We recommend that, in place of the post of Assistant Forest Economist as now constituted, the post of Personal Assistant to the Forest Economist be created. The Personal Assistant would be responsible, in the absence of the Forest Economist, for the supervision of the Sections on the administrative side. By this system the work of the Sections would proceed smoothly even in the absence of the departmental head.

21. Transitional Scheme.—We have recommended the abolition of posts of Vice-President and Assistant Forest Economist, and the creation of the posts of Director of Research, Personal Assistant to the President, and Personal Assistant to the Forest Economist. At the same time we have stressed the inadvisability of appointing a Director of Research until a person suitable in every respect is found. Whilst we have every hope that a person with the necessary qualifications will eventually be found we cannot pretend to any confidence that such a person will be immediately available, and we are unwilling that delay in appointing a Director of Research should involve the postponement of our other proposals. If no suitable candidate offers himself for the post of Director of Research we suggest that the following temporary arrangement be adopted:—

The posts of Personal Assistant to the President of the Institute and Personal Assistant to the Forest Economist should be filled, and the post of Vice-President abolished. The present head of the Timber Testing Section should be appointed Assistant Forest Economist, with power to supervise and control, on the scientific side, the work of all Sections in the Economic Department. Some such temporary and transitional provision we consider essential if any delay occurs in the appointment of a Director

of Research. At the head of several Sections there are now young Indian officers carefully trained and prepared to take responsibility. They will be in independent charge of their Sections and will be responsible for the work done in these Sections. But we consider it desirable that there should be someone at the Institute with more general experience whose name will carry greater weight outside. If Mr. Seaman, the head of the Timber Testing Section, had been an expert only, we should not have suggested the retention of his services. But he is a man, not only intimately conversant with the work of the Timber Testing and Wood Technology Sections, but of general scientific knowledge, with outside experience, well capable of directing and co-ordinating the work of several Sections without restricting the independence or affecting the sense of personal responsibility of the heads of those Sections.

If such an arrangement is necessary and can be made, we believe that it would be of the greatest practical value, both in promoting efficiency and in safeguarding the best interests of the Institute. Diagrams explaining the proposed changes are attached in Appendix II.

22. Grades of Assistants.—The present grading of the various Assistants, Computers, Moisture Determinators, Machine Operators and other members of the staff of the Institute is unsatisfactory. Members of the staff are placed in certain grades with a fixed rate of increment, and in those grades they must remain till their term of service expires or better prospects lure them away. We realise that the development of the Institute has been rapid and that the continual creation of new posts or the appointment of new men with varying qualifications has led almost inevitably to the present situation ; but it appears to us that a stage has now been reached when the position can with advantage be reviewed, and a new, carefully planned system be established which would give every man an incentive to increase his utility and secure promotion. We do not consider the present rates of pay inadequate ; some, for example the initial pay of Upper Grade Assistants, we even consider unduly generous ; but it is necessary not only to attract but to retain the best men, and we consider this impossible under the present scheme. We recommend the constitution of a number of grades on definite scales of pay so related to each other that promotion from one to the other would be the normal method of filling vacancies or recognising ability. Promotion would be by selection and not by seniority. Selection would be on grounds of merit alone, and while the uninspired routine worker would rise automatically to the top of his grade and remain there, men who showed special ability would have every opportunity of rising to better paid and more responsible positions. We believe that the introduction of such a system would promote a healthy competitive spirit amongst members of the staff and would ensure that the work in the lower grades of the Institute was inspired by a greater degree of enthusiasm. In determining the mutual relation of these standard grades and in formulating the scales of pay attached to them, due regard would have to be paid to the claims of the members of the present staff. But we do not anticipate that there would be any insuperable difficulty in fitting the existing posts into a new scheme. We have not thought it part of our duties to work out such a scheme in detail, but we attach (in Appendix III) an outline which was suggested to us and which might form a suitable basis for more detailed examination. We are of opinion, however, that the scales of pay suggested for the higher grades should be carefully scrutinised and that facilities should be freely afforded to really good men for more rapid promotion through several grades.

CHAPTER VI.

RECRUITMENT AND TRAINING.

23. Special qualifications necessary for Research.—Before discussing the methods of recruitment to the staff of the Institute which have been adopted in the past, and before suggesting any improved scheme, we wish to emphasise the fundamental distinction between research and administrative work. Research at the Institute is not of the type which discovers new principles of general application, but of the type which applies known principles to new material in the hope of making some discovery of economic, and perhaps of scientific, value. But research, whether operating in the realm of pure or applied science, demands imagination and the ability to extract a principle or derive a law from a mass of observations. To be successful it demands, more than any other kind of work, highly trained and specialised men. A formula or law evolved from insufficient or faulty data, even a single mistake in calculation, may entail the wreckage of a whole project. The publication of results arrived at from consideration of erroneous data may do incalculable damage to a commercial enterprise which has staked its future prosperity on the accuracy of those results. Administrative work normally demands neither such specialised training nor such meticulous accuracy. Any reasonably intelligent person can be made into an administrator; only a small fraction of humanity could ever do the work of research. It differs from the work of administration as does the work of a portrait painter from that of a house painter: The qualities of mind, the outlook, the training it demands are all different; and unless a suitable person is found to do it, it were better left undone.

In view of the unique nature of the work of research and the exceptional qualities it demands in those who undertake it, we believe that the Institute can only prove of value in the future if its staff is recruited by methods of strict selection from suitable candidates.

24. Past method of recruiting Upper and Lower Grade Assistants.—In the past, as each post of Upper Grade or Lower Grade Assistant fell vacant or was created, special recruitment was made to fill that post, and the most suitable candidate was appointed without regard to his capacity for adapting himself to other kinds of work or eventually rising to a position of greater responsibility. Each Assistant was placed in a grade, with a fixed scale of pay, without any hope of promotion to a higher grade or of transference to a similar grade in another Section where work might be more congenial. As a result the most promising Assistants, deprived of the chance of self-advancement, are continually tempted to leave the Institute to take up other posts with more favourable prospects. Such a system is obviously unsatisfactory: It leads to discontent amongst Assistants themselves: It deprives the Institute of the services of the most promising members of the subordinate staff; and research itself must suffer when the heads of Sections are compelled to give so much of their time to the training of newly recruited Assistants in the highly specialised work which they have to undertake.

25. Past method of recruiting Imperial Assistants.—Above the Upper Grade Assistants in certain Sections of the Economic Branch are Assistants, or Imperial Assistants, as they are sometimes called. These men were specially recruited with a view to their taking over charge of the Section to which they were attached when they were sufficiently trained. We do not wish to call in question, in any way, the abilities or qualifications of

those Assistants who have already been selected ; some method of direct recruitment was necessary in a transitional period, and the Institute can congratulate itself on having engaged men of considerable promise ; but we believe that this method of recruitment should be discontinued in the future. In principle, we consider it undesirable that any person, however distinguished his academic career may have been, should be placed under the head of a Section for training in research work on the definite understanding that, in the course of a few years, he will take charge of that Section. Research demands exceptional qualities of mind, and the charge of a Section lays on its holder many and great responsibilities. Only after he has done a considerable amount of work at the Institute itself can it be satisfactorily determined whether a man possesses those qualities which will enable him both to direct the work of a Section on scientific lines and to undertake the responsibilities inseparably connected with the administration of a large staff. In practice, too, it is unjust to the individual to appoint him on the understanding that he will be promoted to the charge of his Section when he is competent to carry on the work independently, and then to postpone his promotion on the grounds that he is not, and perhaps never will be, competent to carry on the work without impairing the reputation of the Institute. Under such a system the rights of the individual and the interests of the Institute must inevitably come into conflict.

26. Proposed new method of recruitment.—Under the system which we propose, any post, as it falls vacant, will be filled by selection from men already on the staff of the Institute. Initial recruitment to a grade equivalent to that in which Lower Grade Assistants, Head Computers, etc., are now placed would take place in the following manner:—

Two or three graduates with recognised degrees would be selected by the Public Service Commission from amongst candidates for the post. These graduates would be given probationary scholarships (of a maximum value of Rs. 150 per mensem) tenable for one year, and would be given work in some Section at the Institute. These scholarships would be given on the clear and definite understanding that they were probationary only and did not give their holder any right to permanent employment on the expiration of the probationary period. At the end of the year, the President of the Forest Research Institute would consider reports on the work of the probationers and would select one only for further probation and training. Those not selected would either leave the Institute or be appointed to such subordinate positions on the staff of the Institute as the President thought fit. The man selected would undergo another two years' probation, being placed in an appropriate grade on a definite scale of pay (*e.g.*, Rs. 150—5—200). During these two years he would do further work in a Section, and would, on the recommendation of the President of the Forest Research Institute, be sent on an eight months' course to the Indian Forest Service College, in which course there would be included several months of actual touring in the forests. In special cases it may be desirable to attach the probationer to some forest division for further training. The object of this provision is to ensure that, when posts fall vacant in those Sections where the work can only be done efficiently by men who have some experience of actual forest conditions, there would be, amongst the Assistants in the various grades, men with the requisite experience from whom selection could be made. On the completion of these two further

years the probationer would be made permanent at such a scale of pay in such grade as the President of the Forest Research Institute thought fit.

27. Candidates who have taken the Forestry Course at the College.—Preference in the selection of probationers should, we consider, be given to those candidates who have taken a Forestry course at the College in a private capacity, and who also have the necessary scientific qualifications. The fact that they took the course on their own initiative would be evidence of their predilection for work in connection with forests ; and there would be the additional advantage that their character and ability would already have been gauged with sufficient accuracy to determine their suitability or otherwise for selection. Nor would we wish, by our proposed system, to exclude from direct appointment those members of the Provincial Forest Service who have completed a course of Forestry at the College and have shewn that they possessed a scientific outlook and a bent for research.

28. Interchange between Sections.—We consider it most important that Assistants, of whatever grade, should be freely interchanged amongst the different Sections whenever a suitable opportunity occurs. It is true that the work in the various Sections differs in its nature ; but the general principles underlying the work are not so dissimilar as to make this interchange impossible. Such interchanges we consider both necessary for the adequate training of Assistants and desirable as promoting closer touch between the Sections themselves. An additional advantage, too, is that they would provide Assistants with further avenues for promotion.

29. The proposed system in practice.—The proposed system would, we anticipate, operate in the following way if it is fully established : When the Head of a Section retires, his place would be filled by an Assistant either from his own or some other Section. The place of that Assistant would, in turn, be filled by another Assistant from the same or a lower grade working in either the same or a different Section. The charge of a Section would almost inevitably be taken by an Assistant in that Section ; but the less specialised and technical the work of any post was, the greater would be the possibility of filling it from another Section. In individual cases it might happen that there was no person on the staff of the Forest Research Institute capable of discharging adequately the responsibilities of a particular post. In such cases direct recruitment would have to be made from outside ; but such recruitment should only be made in the last resort, and we believe that, if the proposed scheme is adopted in the immediate future, no such contingency should arise.

30. Conditions of selection.—We have explained that research work is of such a nature that it can only be undertaken successfully by men with special qualities of mind who have been carefully trained over a period of years. We attach the greatest importance, therefore, to the initial selection of suitable candidates. Every candidate will have the opportunity of rising to the highest position, and only those candidates should be selected in the first instance who give promise of developing the necessary ability. The President of the Institute, moreover, must have absolute power to dispense with the services of those probationers whose work does not come up to the standard of proficiency required.

We hope that, in a few years' time, there will be, distributed amongst the various Sections in different grades, a number of Assistants anxious to rise and capable of rising, to posts to which they cannot now aspire. But promotion must be by merit alone. On this we insist with all the emphas-

at our command. Our proposed system will be not only useless but pernicious if the principle of selection by merit alone is not adhered to most rigidly. The reputation and the value of the Institute depend entirely on the reliability of the men to whom the work of research is entrusted ; a man's generosity to his own impressions in selecting and interpreting results may lead to the promulgation of faulty theories ; and inefficiency on the part of a single officer in a responsible post may do grave damage to the reputation for sound and trustworthy work which it is the task of years to establish and without which no Research Institute can be of any practical value. We should not have proposed this scheme if we did not earnestly hope that no racial or communal considerations of any kind whatsoever should affect detrimentally the opportunity for selection or promotion of those persons whose intrinsic abilities have made them worthy of it. It is particularly important in the case of a Research Institute that this principle should be followed ; unless it is adhered to strictly any scheme of recruitment must prove futile.

31. Recruitment of experts.—One of the advantages of the proposed scheme is that it obviates the need for recruiting experts at frequent intervals. Within a short period of time young Indians, trained at the Institute and abroad, will have taken the place of the European experts employed in the past. It will be the task of these young men to train their successors who will, under the proposed scheme, be men specially chosen for their aptitude for research. The recruitment of experts will, however, be occasionally necessary in the future. It will, from time to time, be necessary to start some new and specialised work, and an expert will be needed to initiate the new project and put it on a sound basis. We do not anticipate that any expert would be needed to do actual research work. That is the task of the scientist trained at the Forest Research Institute. But, before the scientist can devise new methods of attacking a problem, he must be fully acquainted with the old methods ; and this knowledge he can acquire with the least waste of time and effort from someone who has had practical experience. Such experts as are required should, we consider, be recruited on short term contracts, as has been the custom in the past ; but it should seldom or never be necessary to renew these contracts, as members of a scientifically trained staff should be well able to pursue investigations independently after a short period of initiation. We consider the present method of selection adequate. The Public Service Commission recruits in India, and the High Commissioner invites applications from abroad. The Public Service Commission seeks the advice of the staff of the Forest Research Institute in appraising the technical qualifications of candidates, and the High Commissioner in London is aided by Forest Experts such as Professor Troup and Mr. Pearson. The names and qualifications of experts in any particular line are well known, and there is no reason to suppose that the present method of selection leaves any field of possible recruitment unexplored.

32. Necessity for immediate adoption of new system.—We recommend strongly that the proposed system of recruitment and probationary training be adopted immediately, so that there may be, as soon as possible, a supply of adequately qualified Assistants to fill the higher posts in the Institute as they fall vacant. The working of the proposed system would be facilitated if there were standardised grades throughout the various Branches and Sections of the Institute (as suggested in paragraph 22 of this Report), but the success of the system is not dependent on the

prior establishment of these standardised grades. Any posts other than those which are to be held by officers of the Forest Service should be filled in accordance with our scheme of recruitment ; and we are firmly convinced that only the strongest reasons should justify a deviation from this method.

33. Necessity for training abroad.—We have stated our view that the system of appointing particular persons as Assistants with the express object of making them eventually heads of Sections, though perhaps unavoidable in the past, will be unnecessary in the future ; and we have suggested methods of recruitment and of interchange between Sections which should secure good men and give them an admirable all round training. The introduction of properly scaled grades and the possibility of rapid promotion through these grades strictly by selection should also give an opportunity to promising men to come to the front. We hope that as a result of the adoption of our proposals the Institute will have been supplied, in a few years' time, with a number of well trained Indian Assistants, some of whom will be qualified eventually to take charge of Sections. But we do not believe that training at the Institute alone is sufficient to give a man the detailed knowledge and wide experience which form the necessary equipment of the head of a Section. Our view is that outside training is essential, and we suggest that a year or two before the post of head of a Section falls vacant, the prospective successor should be sent abroad for such training as has been given in the past to the Imperial Assistants who have already taken charge of Sections.

We consider it desirable that a system of control over young Assistants sent on deputation abroad should be devised. The control of the High Commissioner in London cannot be more than nominal ; and we think that, on their return to Dehra Dun, Assistants should submit to the President of the Institute a detailed account of their work while on deputation. We would suggest that the duty of supervising the studies of these Assistants should, whenever practicable, be delegated to some expert, who, on payment of a small fee, would keep in touch with them and advise the President of the Institute, through the High Commissioner, of their progress. We certainly think that these Assistants should be charged to ask those professors, lecturers or research workers under whom they study to send to the High Commissioner certificates that they have attended properly to their work and reports containing other remarks which may be considered applicable. We are aware that such certificates or reports are not always a reliable guide to a correct estimate of the quality of a student's work ; but the necessity of obtaining them would, at least, prevent flagrant abuse of the privileges and liberties allowed by deputation.

34. Interchange of research workers.—We believe, however, that cheapest and most effective method of providing the necessary outside experience and training would be by mutual interchange of research workers with similar Institutes abroad. We have read with interest the recommendation approved by the Committee on the Organisation of Medical Research* that " Efforts should be made under the Research Fund Association to facilitate the ' interchange ' of workers engaged in laboratory or field work in India with similar workers in England or elsewhere. Men sent home temporarily from India in this way, if carefully chosen, might not only gain much benefit to themselves but do much to attract

*Page 65, Report of the Committee on the Organisation of Medical Research' under the Government of India, 1923.

other workers to take advantage of the great opportunities for research that India has to offer". The Royal Commission on Agriculture in India formulated the yet more ambitious scheme of creating a chain of Empire Research stations which would facilitate arrangements for the interchange of visits between research workers in India and those in other parts of the Empire, and might eventually lead to the development of a system of exchange of research workers for definite periods.* Such a system of interchange, facilitated by the grant of scholarships, is already established between certain English and American Universities and has worked to their mutual advantage. We see no reason why a system of interchange of research workers should not be established between the Institute at Dehra Dun and the Institutions at Madison, Ottawa, Princes Risborough and other places abroad. The advantage to Assistants who shewed promise of abilities which would enable them to take charge of Sections would be great. It would save the expense of deputation ; it would ensure adequate control of the individual ; it would give opportunities of doing practical work under expert tuition, and it would broaden the outlook and enhance the subsequent utility of the Assistant selected. It is possible, too, that the introduction to Dehra Dun of young students from England, Canada or America would stimulate the activities of Sections and inspire fresh lines of thought. We have no reason to suppose that young Assistants would not be welcomed at Princes Risborough and we believe that if the authorities at Madison and Ottawa were approached on the subject, they would not be unwilling to enter into an arrangement which secured for members of their own staff an opportunity of seeing the work which is being done in India. We do not propose that any system of exchange scholarships should be adopted. We would wish the arrangements to be as informal as possible. Whenever it appeared desirable to send a young Assistant abroad for training and experience, the President of the Institute would get into communication with the authorities at the Institutions which we have mentioned, and if they wished to send some member of their staff to India, the exchange could be effected without further trouble. Each institution would pay the travelling expenses and salary of its own delegate who would, on arrival, start work in that Section which was of particular interest to him. It would not be necessary for research workers who were changing places to have worked in exactly the same line, as arrangements could be made at Dehra Dun for such an interchange of Assistants as would leave a vacancy in the Section in which the visitor from abroad was anxious to work. In our opinion it would be advisable for the President of the Institute at Dehra Dun to explore the possibilities of this suggestion without delay, so that any general difficulties may be disposed of before the question of exchanging particular individuals arises. We suggest this scheme not as a vague ideal but as a solution, capable of being put into immediate practice, of some of the difficulties incidental to the training of Indian research workers of the best type.

*Paragraphs 558 and 559, Report of the Royal Commission on Agriculture in India, 1928.

CHAPTER VII.

ORGANISATION—BRANCHES AND SECTIONS.

Silvicultural Branch.

35. **Conditions of Central Research in Silviculture.**—It has been said that good silviculture is the basis of all good forestry, and we have no desire to question the accuracy of this dictum. We would, however, add that good silviculture will only be possible if there is a co-ordinating centre which maintains the closest touch with the provinces and notifies them, without undue delay, of the results of experiments made elsewhere. This function is admirably performed by the Central Silviculturist, although the amount of research work which can be carried out at Dehra Dun itself is inevitably limited by geographical and climatic considerations, and only a restricted range of investigations is possible there. For silvicultural research the laying out of sample plots and the organisation of experimental and acclimatisation stations is essential; but we do not consider it practical for this work to be done wholly, or even partially, by the Central Silviculturist. Sample plots started by the Institute have already been handed over to the provincial departments for supervision; and we do not consider it feasible to enlarge the staff of the Central Silviculturist to such an extent that local experimental or acclimatisation stations could be under his direct control. The institution and supervision of such stations is properly the work of Provincial Silviculturists and it would hardly be feasible, whilst it would be certainly undesirable, to deprive them of their responsibilities in this respect. At the same time, unless uniform methods of laying out plots, estimating growth and compiling other data from investigations in progress are adopted, such investigations will be of local interest only, the work done in one Province will have to be done again in another Province, and the interests of silviculture as a science will not be promoted. These considerations lead us to think that one of the most important functions of the Central Silviculturist should be, not to carry on local research work himself, but so to co-ordinate the work done in the provinces that the results obtained may be of more than local value. There is yet another aspect of the problem. The duties of the Central Silviculturist must obviously not be confined to the collation of the results of local investigations and the deduction from them of certain general propositions. The value of those propositions is negligible if they are not applied in the actual practice of silviculture and the Central Silviculturist must be in a position to advocate, even though he cannot enforce, improved methods of silviculture throughout the provinces.

36. **Relations of the Central Silviculturist with the Provinces.**—The relation of the Central Silviculturist to Provincial Silviculturists and the organisation of work at the Institute on the lines best calculated to promote the interests of silviculture in the provinces are subjects which were discussed at the Silvicultural Conference in 1922, and are being further discussed at the Conference of 1929. We cannot contemplate the institution of a system which would give the Central Silviculturist any kind of official control over Provincial Silviculturists; but we suggest that the programmes of Provincial Silviculturists should normally be submitted to the Central Silviculturist for his comments. The Central Silviculturist from his acquaintance with the work being done in other provinces and from his

knowledge of recent developments could point out deficiencies or superfluities in the programmes ; he could make additional suggestions for work which would prove of more than provincial interest and value ; and his inspection of these programmes would ensure the adoption of standardised methods of experiment throughout India. Not less important than the co-ordination of the work of research in the provinces is the speedy application to working plans of the latest conclusions which have been drawn from silvicultural experiments. To achieve this object the scrutiny of all working plans by a central authority is very desirable. Working Plans Officers are not always conversant with the latest developments in silviculture ; and it is not easy for them to keep in touch with the latest methods of estimating yield or growth and of making other similar technical calculations. We have reason to believe that the provincial officers themselves welcome outside advice ; and we think that the practice of submitting working plans for approval to the Inspector General of Forests is one which should continue whether or not the Inspector General of Forests has power to alter them. As long as the Inspector General of Forests is also President of the Research Institute he will be in the closest touch with improved methods of silviculture and will continue to have the advice of the Central Silviculturist in commenting on or suggesting alterations in proposed working plans.

37. Co-operation with the Provinces.—The importance of securing co-operation between the Provinces and the Central Institute in the work of research is especially great in this Branch, and we have given careful consideration to the various means by which we think that such co-operation could be promoted. We think it desirable that Provincial Silviculturists and Working Plans Conservators should visit Dehra Dun at least once in every two years, and that other provincial officers, even if they are not definitely engaged in research work, should be encouraged to visit the Institute in order to gain some idea of the scope of the work done at Dehra Dun. There can be no compulsion about these visits ; but we believe that if the Provincial Forest Departments realised the benefits that would accrue from them they would give more opportunity to the officers under their control to come to Dehra Dun and study for a while certain aspects of forest work with which they might never otherwise become acquainted.

We also consider it desirable that before any officer takes up the post of Provincial Silviculturist he should spend a month or two at Dehra Dun in collaboration with the Central Silviculturist. It is not our suggestion that he should be trained by the Central Silviculturist, but that he should be given an opportunity of familiarising himself both with the methods of carrying out research work and with the methods of recording the results of that work. This short period at Dehra Dun might later prove of inestimable value to a Provincial Silviculturist in ensuring that his experiments were carried out in such a way as to be capable of comparison with work done in other provinces ; and we trust that Provincial Forest Departments will not allow minor considerations of convenience or the small expense involved to prevent the utmost use being made of the central organisation which exists for their benefit and their benefit alone.

38. The post of Central Silviculturist.—If the Central Silviculturist is to discharge effectively the responsibilities entailed by his position of authority as it has been outlined by us, he must be a man of exceptional qualifications. He must be a man not only of experience and seniority, but also of tact, or his advice will go unheeded ; he must be a man with the

original mind required for research, or his advice will be valueless ; he must, above all, be a man with an intimate knowledge of forest conditions, well acquainted with the nature of the difficulties which forest officers have to overcome, or his advice will be unpractical and useless. Such a man is difficult to find, and the post of Central Silviculturist should be sufficiently attractive to secure the best men available. We do not recommend that the post should automatically carry with it the rank of Conservator, as this might add to the difficulties of selection in particular cases. But we recommend strongly that occupation of the post should be given full weight when Provincial Conservators are to be appointed and should not be allowed to interfere in any way with its incumbent's chances of promotion. Facilities greater than are at present afforded should be given to the Central Silviculturist to study methods of silviculture on the Continent and in America ; and he should have every opportunity of touring the Provinces as frequently as possible.

39. **The post of Assistant Silviculturist.**—The post of Assistant Silviculturist is, in our opinion, a necessity. We suggest that, as far as possible an officer should be selected for this post who would be capable of becoming eventually a Provincial Silviculturist. After serving for five years as Assistant Silviculturist he would return to his Province to the ordinary forest work, and after a few more years of service there his claims to the post of Provincial Silviculturist when it fell vacant would merit the strongest consideration. Eventually such an officer might return to Dehra Dun as Central Silviculturist, for we anticipate that, in filling that post, prior consideration would be given to the claims of those officers who had held the post of Provincial Silviculturist.

Botanical Branch.

40. **General.**—This Branch, though an indispensable part of the Institute, is more self-contained than other Branches and its well-being is not dependent on the establishment and maintenance of a close connection with them.

With reference to the constitution of this Branch, we may observe that we see no reason why the post of Systematic Botanist should automatically carry with it the headship of the Branch. The present structure of Branches and Sections must not be considered immutable and the existing subordination of the Mycologist to the Systematic Botanist must not be held to imply the inherent inferiority of a Mycologist to a Systematic Botanist. The system now in force is one which has worked satisfactorily ; it was presumably adopted to suit the needs of the moment and we see no reason why, in the future, it should not be changed to suit the needs of the moment. When the present head of the Branch retires it might be desirable to regard Systematic Botany and Mycology as parallel Sections immediately under the Director of Research. We do not suggest that this should necessarily be done ; but we desire to point out that the present system should not be regarded as constituted by some irrevocable decree, but should rather be considered as a flexible, impermanent one capable of adaptation to suit the demands of expediency. We consider recruitment from the Forest Service desirable in this Branch if a suitable officer is available.

Entomological Branch.

41. **General.**—The Entomological Branch, like the Botanical Branch, works in comparative independence of other Branches. Its work is, however, of great importance to Forest Departments, especially in connection:

with the control of insect pests. The dissemination of information which it acquires from outside sources as well as from consideration of results obtained locally constitutes an important part of its activities. We have no particular recommendations to make in regard to the work of this Branch, but we consider it advisable in the interests of forestry that officers in this Branch shou'd, whenever possible, be recruited from the Forest Service. The observations which we have made with respect to the relations between the Systematic Botanist and the Mycologist apply *mutatis mutandis* to this Branch also.

Chemistry Branch.

42. Reconstitution as a Central Branch.—The Chemistry Branch undertakes a large amount of work for all Branches and Sections in the Institute and, in our opinion, its importance is great enough to justify its retention as a separate Branch working immediately under the Director of Research and the President of the Institute. In the past, there have been occasions when, to cope with the large amount of chemical work which has had to be undertaken in particular Sections, special recruitment of an Assistant with an adequate knowledge of chemistry has been made. Such occasions will recur in the future, but we think it undesirable, from an economic point of view, that this system of special recruitment should continue. We consider that the Chemistry Branch should be so adequately staffed that, whenever a Section requires a chemist either for whole-time or part-time work, a man could readily be supplied from the staff of that Branch who would return to it when his services were no longer required.

43. Expansion of the Staff.—The constitution of a Central Chemical Branch whose functions would be not only to perform the work of analysis and to carry out the experiments required by heads of Branches or Sections, but also to depute men to work in these Branches or Sections when needed, would undoubtedly be an economy. Already the staff of the Chemical Branch has more work than it can cope with, and it would thus be impossible, at the present time, to depute men to work in other Branches, as we have suggested. We consider that the staff shou'd be strengthened either by transfer or recruitment. We have pointed out in para. 29 that direct recruitment of Upper Grade Assistants should only be resorted to as an exceptional measure and in connection with the activities of this Branch also we wish to emphasise the necessity of such careful selection as will ensure the appointment as Assistants of only highly qualified and reliable men.

ECONOMIC DEPARTMENT.

Minor Forest Products Section.

44. Activities of the Section.—The Royal Commission on Agriculture called attention to the importance to the agriculturist of the development of forest industries by the various Forest Departments and of investigation into the commercial possibilities of minor forest products.* But the field of exploitation lying open to this Section is so large that the activities of the staff should be most carefully directed if they are not to be dissipated. In the case of the majority of the minor forest products the methods of collection, sorting, preparation and marketing are unsatisfactory, and the need for improvement is manifest. In this matter the Section can help; but its activities must be

*Para. 224, Report of the Royal Commission on Agriculture in India, 1928.

carried on in the closest co-operation with the provinces. The Royal Commission on Agriculture have given their opinion that "In exploiting forest produce of all kinds it is very desirable that Forest Department should work in close touch with those responsible for the development of rural industries".* Only through co-operation between the Central Institute and Utilisation Officers and Directors of Industries in the provinces, and between Provincial Utilisation Officers and local industries, can effect be given to the improved methods which it is the task of the research worker to devise. It is desirable that both the head of the Section and his Assistant should be forest officers. We suggest that the Assistant should normally be recruited from the Provincial Forest Service as such an officer would be specially qualified to trace out the complicated course which forest products take between their collection in the forest and their appearance in a transformed state upon the market.

Wood Technology Section.

45. **Connection with other Sections.**—This section is at present working under the part-time direction of the Officer-in-Charge of the Timber Testing Section. A young Indian Officer is being trained in America and will take charge of the Section on his return. Though this is the youngest Section in the Economic Department it is one of the most important. The functions of the Wood Technologist are described in the Report of the Imperial Economic Committee on Timber in the following terms:—

"The first step in the determination of the probable uses of a timber is the microscopic examination of its cellular structure by a trained wood technologist. This examination not only enables a correct identification of species, but may disclose such a structure and properties as to render improbable any important industrial use. Thus, expense and effort in endeavouring to market a new timber for which the market prospects are small may be avoided. On the other hand, such examination may reveal a similarity of structure to a timber of proved commercial value and thereby afford a preliminary indication of profitable uses." What we wish to emphasise, however, is not so much the importance of this Section as its connection with other Sections. Timber Testing, Seasoning, Wood Preservation and Wood Working must all take into account the structure and composition of wood elements, and a knowledge of its individual characteristics is an indispensable preliminary to research work on any species of wood. We consider this Section, then, as one to which Assistants from other Sections might with profit be attached from time to time so that they could learn the work in greater detail than would be possible from casual visits. Such knowledge as they obtained would be of value to them subsequently in whatever work they were engaged, and it is on Assistants conversant with the work of several Sections that the Institute will rely in the future for the investigation of fresh problems as they arise.

Paper Pulp Section.

46. **Activities of the Section.**—In view of the fact that India has large supplies of bamboo and grass, work has been carried out by the Institute for a number of years on the conversion of bamboo into paper pulp. These experiments have now reached some degree of finality and it is

*Para. 224, Report of the Royal Commission on Agriculture in India, 1928.

†Para. 77, Report of the Imperial Economic Committee on Timber, 1928.

claimed that the process may be regarded as a commercial proposition. We are not in a position to estimate the prospects of further progress in this matter, but there is considerable field for investigation into the uses of savannah and similar grasses, and since the Institute has a trained man available as well as the necessary plant, the investigation can be undertaken without any great capital expenditure. The increasing cost of timber used for the purpose of paper-making has also led western countries to devote constant attention to the problem of making pulp manufacture cheaper, and we are of opinion that work should continue on these lines for the present. We think that the whole question should be reviewed in a few years' time with the object of determining whether the Section should continue or whether the money and effort involved could not be devoted to some more profitable object.

47. Upper Grade Assistant.—At present the Assistant is only on a temporary engagement. His main duty is to do the chemical work for the Section. We have recommended that all the chemical activities of the Institute should remain under the supervision of the head of the Chemical Branch* and we suggest that the present Assistant be transferred on probation to the Chemical Branch. If the head of the Chemical Branch considers him suitable for permanent appointment, he should be confirmed in a suitable grade and either he or some other person with the necessary qualifications would be deputed for chemical work in the Paper Pulp Section.

If it is found necessary to appoint an Upper Grade Assistant to the Paper Pulp Section it is hoped that the person selected would be capable of doing, in addition to his other duties, the comparatively simple chemical work of that Section. There would then be no necessity to delegate an Assistant from the Chemical Branch exclusively for the purpose.

Seasoning Section.

48. Expansion of Section.—In view of the fact that some form of seasoning is necessary for many types of timber and the results of experiments are capable of immediate application in practice, we would recommend sympathetic consideration of well thought out schemes of expansion and acceleration for the work of this important Section. It may be remarked that artificial seasoning is especially necessary for the refractory timber which grows in India. The Section has already given its advice and help in the erection of kilns at Lilloah on the East Indian Railway, and at the Gun Carriage Factory at Jubbulpore, and it is hoped that, as a result of its investigations, many more hardwoods will be brought on the market which will, when kiln seasoned, be able to take the place of teak. Though the investigations of this Section should deal mainly with methods of kiln seasoning, air seasoning cannot be neglected. The varied climatic conditions of India do not allow the results obtained at Dehra Dun to be taken as a basis for calculations in other places; and any research into the reactions of timber to air seasoning which is to prove of value must be undertaken in conjunction with the Provinces. It is part of the work of this Section to give advice in the erection of kilns; and we would echo here the opinion given elsewhere in our report (para. 61) that it is not and should not be the task of the Institute to make estimates of commercial costs which are more properly the concern of industrial enterprises. The

*Para. 42.

work of this Section may give results of immediate practical utility and should be encouraged ; and steps should be taken as soon as possible to make provision for additional staff in the way we have recommended.

Timber Testing Section.

49. **Desirability of avoiding disproportionate expansion.**—In the number of its staff and the amount of its expenditure this Section has progressed beyond the stage yet reached by other Sections doing research work. Credit is, indeed, due to the Officer-in-Charge whose ability and enthusiasm have advanced the status and developed the activities of his Section to such an extent ; but we feel that it would be more desirable if Sections advanced *pari passu* and more regard were paid to their relative and proportionate development. We realise that an enormous field of investigation still lies before this Section unexplored, but there are problems no less important awaiting the investigation of other Sections, and we would advocate a more even degree of expansion by Sections doing work of equal importance. We recommend, therefore, that until other Sections have developed to a similar extent, proposals for engaging fresh staff in this Section should be entertained most cautiously. It might even be possible, on occasions, to transfer selected men from this Section to other Sections.

Wood Preservation Section.

50. **Co-operation with Railways and Expansion of Section.**—We have noted with regret that this Section has been without an Officer-in-Charge for over 18 months at a time when it might have provided particularly valuable service. The Railways are devoting considerable attention to the comparative merits of steel and wooden sleepers, and if a suitable treatment can be devised which will establish the supremacy of wooden sleepers the gain to the Forest Departments would be immense. One of the main lines of investigation by this Section has been to reduce wastage of timber by demonstrating that sapwood can be treated in such a way as to give it the durability of heartwood and to reduce the expense of treating sleepers with creosote, so that they may be used at a cost which compares favourably with that of steel sleepers. The introduction of half-round sleepers is also a matter which has engaged the attention of this Section. The necessity for continual skilled investigation into these matters is great and we may also call attention to the necessity of maintaining intimate touch with the Railways whose interests should be studied no less closely than those of the Forest Departments. In many cases the interests of the two are identical, and it is in such cases that the investigations of the Institute must prove of exceptional economic value. We consider that the importance of this Section requires that suitable additions to the staff should be made at an early date.

Wood Workshop Section.

51. **Scope of its Activities in the Past.**—The work of this Section falls naturally into three divisions, and these may be separately considered :—

- (i) *The Saw Mill.*—It is the main task of this part of the Section to convert logs into material required by other Sections for experimental purposes, of the size and shape specified by them. It is also claimed that advice is given to saw mills and that artisans are trained in Saw-doctoring, but we are doubtful whether the resources of the Institute ought to be, or can be, profitably employed on this task.

- (ii) *The Wood Workshop*.—A large amount of time is devoted to the production of specimens for the Timber Testing Section. Investigation into the working qualities and possible uses of Indian woods for furniture making is also carried on.
- (iii) *Veneers*.—This is a branch of the Section's activities which in the past has been somewhat neglected owing to the pre-occupation of the Officer-in-charge with other work. For several years attention was given almost exclusively to the task of panelling the New Delhi Secretariat and Legislative buildings.

52. Scope of its Activities in the Future.—We have examined the work of the Wood Workshops Section with considerable care and we do not think that its proper functions are of such a nature as to justify the retention by it of its present status as a Section. The main task of this Section is to prepare wood for experimental use by other Sections. In performing this task it undertakes a service of utility only and no such elaborate or technical processes are involved as would necessitate supervision by a highly paid expert. Nor can we see how the services of such an expert are essential to the proper investigation of the workability of Indian woods or their suitability for specific purposes.

It is claimed that new Indian woods whose suitability for manufacture into furniture has been established at the Institute can only be introduced into the market and popularised when samples of furniture made of these particular woods are available ; and that it is desirable that such furniture should be so exquisitely finished that it will attract the attention and compel the admiration of all who see it. We cannot admit that the obligations of the Institute to the public extend as far as this. It is reasonable that the possible uses of Indian timber should be investigated at the Institute, and it is desirable that the results of those investigations should be advertised in such a way as to secure a market for the wood in question. But we cannot agree that it is proper for a Research Institute to expend a disproportionate amount of the funds at its disposal not so much on the work of research itself as in making articles to illustrate the results obtained. We advocate a marked diminution in the cabinet making activities of this Section and suggest that the Wood Workshops should become a utility service whose function would be to supply the internal needs of the whole Institute. They should be under the control of a head mistri with sufficient technical skill to direct the staff and sufficient education to understand the full import of written orders. The fact that the charge of the workshops will fall vacant in a few years' time should be borne in mind, and the mistri who is ultimately to take full charge might well be found among the staff of the Institute.

53. Investigation into Methods of Veneering.—In recommending the reorganisation of this Section on a new basis we have not overlooked the fact that there are at present attached to it two European specialists on contracts of 7 and 5 years respectively, with technical knowledge and experience which render them capable of doing work of far greater skill and importance than would be required of the mistri in charge of workshops reorganised as we propose. The first of these, Mr. W. Nagle, has already carried on some investigation into the suitability of various Indian woods for purposes of veneering and into the properties of the different glues utilised in the manufacture of ply wood. The importance of such

investigations was emphasised in the Report on the Ply wood and Tea Chest Industry made by the Tariff Board in 1927. The Tariff Board said :—

“ Ply wood manufacture on a commercial scale being an industry of comparatively recent growth, there is still much scope for scientific investigation both into the processes followed and the suitability of the raw material used. In India in particular where climatic conditions are so different from those existing in Europe and America, considerable research is necessary before methods of manufacture which have been proved suitable elsewhere can be accepted as giving the best results in this country. Investigation is required into such matters as the best temperature and period for soaking logs, the proper moisture content of veneers at the time of gluing, the best combinations of different species of timber and the suitability of various kinds of timber for the manufacture of ornamental ply wood, to mention but a few of the pressing problems which are now engaging the attention of the authorities at the Forest Research Institute. We wish, therefore, to emphasise the great importance to the future of the industry of careful and reliable investigations being undertaken at the Institute at Dehra Dun ”.*

We ourselves are of opinion that this work is of far greater importance than the manufacture, for purposes of advertisement, of high class furniture and we recommend that Mr. Nagle's time be devoted to investigating the problems mentioned above.

54. Investigation into the Suitability of Indian Woods for Match Manufacture.—The second of the men to whom we referred above is Mr. Gray ; we suggest that when the Wood Workshops are re-organised his services might be employed in connection with the projected scheme of investigation into the manufacture of matches from Indian wood, whilst in the interval he might be employed on veneering work. It is clear that such research is necessary. The Indian Tariff Board recommended that a definite research project into the Match Industry should be drawn up at Dehra Dun Institute and elaborated their recommendation in the following terms :—

“ The problems to be investigated will include the suitability of the various kinds of Indian timber for match manufacture, the best method of storage, the extent to which the quality of the wood can be improved by previous treatment such as steaming or boiling and the prevention of attack by insects. We mention these merely as an indication of the extent to which investigation is needed in this industry and the list is by no means exhaustive.”†

*Chapter VI, paragraph 77, Report of the Indian Tariff Board regarding the grant of protection to the Ply wood and Tea Chest Industry, 1927.

†Paragraph 25, Memorandum on the Supply of Indian Wood for Match Manufacture. Annexure to the Report of the Indian Tariff Board regarding the Grant of Protection to the Match Industry, 1928.

We fully agree that an investigation into the suitability of Indian woods for the manufacture of matches is one which should and must be undertaken by the Institute. But before any project is initiated it is essential in the interests of economy that the limits and scope of the proposed investigation should be most carefully defined. The first question which suggests itself is "What is the criterion of suitability? How can it be determined whether a certain wood is or is not suitable for the manufacture of matches?" Experience in the past has shown that certain woods split and peel well and appear to be eminently suitable for use as match splints. But they fail when subjected to the later processes of dipping, polishing, packing, etc. It might be imagined at first sight that if the recommendations of the Institute with respect to match wood were to have any value, the Institute itself must instal a match manufactory, that it must put match splints through all the processes precedent to their appearance packed in boxes in marketable form; and that if it is to estimate the cost of production, it must carry out the manufacturing process on a commercial scale. The expenditure involved in such an undertaking would be enormous, and it would be unreasonable in our opinion for the Institute to devote so disproportionate a part of its income to research on one particular project. There is, however, an alternative. Any investigations carried on by the Institute into the manufacture of matches from Indian woods are of immediate interest to match manufacturers, and would, if successful, be of direct advantage to them. We suggest that before any project is drawn up or any elaborate manufacturing plant installed, the Forest Economist should convene a meeting of representatives of the match trade, and consult them as to their exact requirements. We suggest as a possible arrangement that the Institute should test the *prima facie* suitability as match splints of all those woods which are available in any considerable quantity and are also easily accessible, and should then send samples of the splints to match manufacturers in India who would report to the Institute on the way in which the splints had stood the final processes. Information would then be available for determining what Indian woods were most suitable for conversion into matches and whether the cost of extraction, treatment, etc., was such as to make their exploitation commercially profitable. We are inclined to indicate this as a possible line of attack and make the further suggestion that Mr. Gray's abilities might suitably be devoted to the preliminary investigations.

55. **Personnel.**—The proposal to train a young Indian Assistant to take Mr. Nagle's place as an expert cabinet maker will, if our recommendations for the future of the Wood Workshops are accepted, be superfluous. If, contrary to expectations, research into the manufacture of ply wood is not finished by the time Mr. Nagle's contract expires it should be possible to entrust the conduct of further investigations to an Assistant trained in accordance with our general scheme.

CHAPTER VIII.

GENERAL WORKING OF THE INSTITUTE

56. **Internal co-ordination and co-operation.**—We have discussed the problems with which individual Branches and Sections in the Institute are faced, but there are a number of considerations which affect them all. Chief amongst these is the necessity for encouraging amongst members of the Institute knowledge of each others' work and sympathy with its aims. We are in complete accordance with the views of the Royal Commission on Agriculture in India on this matter. They say "The co-ordination of the research work carried on in the various sections of a research institute is only a degree less important than that of co-ordinating the work of the institution as a whole with that of other research institutions. Work is apt to get into a groove. Barriers are apt to rise, especially when research institutions are located in remote places where the intellectual stimulus provided by intercourse with intelligent outside opinion, not necessarily of a scientific character, is absent*." The Report goes on to describe the system in force at Rothamsted :—

"The whole of the staff together with any post-graduate and other workers at the Institute assembles twice a month, except in the holiday season, to hear from some one person an account of the work he has done and to discuss it. All the work of the station is thus brought under review before it is published. The laboratory assistants are also invited to attend when the subject interests them. The entire body of workers also meets daily; there are no formalities, but every worker has the opportunity of meeting the others. All the junior members of the staff are expected to have a general acquaintance with the work of every department of the Institute, to be able to show scientific visitors round and to explain, in broad outlines, the investigations in progress. To facilitate acquisition of this knowledge, statements are drawn up periodically by the heads of the various departments and circulated among the staff; staff tours of the laboratories and fields are also arranged when suitable demonstrations are given. It is held that the result of these activities is that the work of the various departments tends to grow into one whole; much joint work is arranged and there is considerable discussion and interchange of views". We do not make the definite recommendation that this system should be adopted *in toto* at Dehra Dun. It is a system which cannot usefully be forced on a scientific body by higher authorities, as it depends for its success so largely on its informality and the enthusiasm with which it is operated by members of the staff. We do believe, however, that a periodical colloquium of the type suggested would do much to break down the barriers which are already growing up between the different Sections and Branches in the Institute; it would promote, too, an atmosphere of friendliness in which discussion could be carried on without resentment or bitterness. We commend this system to the authorities at the Institute as being worthy of at any rate a trial.

57. **Temporary appointments to be avoided.**—No less important than the establishment of a friendly atmosphere throughout the Institute is the possession, by the research worker himself, of a tranquil mind. We are aware that this is largely a personal matter which cannot be regulated

*Para. 64, Report of the Royal Commission on Agriculture in India, 1923.

by any external agency. At the same time something can be done to prevent anxiety about their future from worrying and distracting members of the staff of the Institute. Temporary appointments and short term agreements give a feeling of impermanence and insecurity which is bound to affect a man's work. It is particularly important that a man doing research should see his future clear before him and be able to plan out his work ahead without having to make the term of his project coincide with the term of his contract. We consider that the appointment of members of the staff on short term agreements should be avoided as far as possible. A term of probation followed by permanent appointment is the most satisfactory method of engaging members of the staff and we hope that it will be followed in the future whenever possible.

58. Continuity of work.—We had occasion to observe* that the work of the Wood Preservation Section had suffered from having no officer in charge for a period of over eighteen months. Any work must suffer when the person most qualified to do it is away ; but we think that steps should be taken to prosecute investigations as vigorously as possible even in the absence of the special officer in charge of a Section. We hope that the system of generalised training of Assistants which we have advocated, and their interchange between different Sections, will make this easier. There should be at least as many officers in the Economic Department in the grade corresponding to that of what are now known as Upper Grade Assistants as there are Sections in that Department, and if the services of these Assistants are utilised in different Sections as opportunities arise, there will be a broad field of selection whenever a vacancy occurs. No officer should go on leave without satisfying himself that the work committed to his charge will be carried on in his absence as satisfactorily as circumstances permit. If such provision is not made, expensive plant will lie idle and the progress of investigations of practical urgency will be delayed.

59. The keeping of Records.—If the work done by different Sections is to be continuous and is to remain comparatively unaffected by changes in the personnel of these Sections, it is essential that the records of that work should also be continuous. The keeping of records is a dull and exacting task, but it is, none the less, essential. Results which appear unimportant at the time they are obtained may prove of the greatest value in later years ; and if a research worker conscientiously records all negative results obtained by him he may save a successor many hours of labour. Such records must be kept in an easily intelligible form. It is not enough that their author can understand them. They should be in such a form that outside inquirers can make use of them, and they should be readily intelligible to any officer who eventually succeeds to the charge of the work. There must be no mysteries and no secrets in the work of the Institute. Its results must be available for the use of all without prejudice or favour ; and this can only be achieved by filing all information and recording all results with clarity, accuracy and despatch. Special precautions should, we consider, be taken to preserve all records from fire and other potentially destructive agencies and there must be no risk of losing forever information which it has been the task of many years to compile.

60. New Sections.—There is one difficulty which, we anticipate, will constantly recur, particularly in connection with the activities of the Minor Forest Products Section. From time to time problems will arise which

*Para. 50.

will demand for their solution specialised research and, perhaps, the erection of elaborate plant. The question must then be faced whether, under these circumstances, separate *ad hoc* sections should be formed. In general we are opposed to the multiplication of Sections. Each case will, of course, be judged on its merits and the definite recommendation of the Advisory Board, if constituted, would, we assume, be a necessary preliminary to the inauguration of a new Section. But it is our own opinion that new Sections should only be opened after the most careful consideration of possible alternatives. We anticipate that members of the staff, with the general scientific training which it is the object of our proposed scheme of recruitment and interchange between sections to secure, will themselves be capable of undertaking new projects. We see no reason why, in the majority of cases, new Sections need be opened or the services of experts recruited from outside. In special cases time and labour may be saved by recruiting expert assistance for a short period; but we are of opinion that the staff of the Institute should be selected and trained in such a way that they are capable of tackling such problems as arise, and the necessity for engaging experts should become increasingly rare.

61. **Limitations to the scope of the Institute's activities.**—One difficulty with which the Institute is faced is that of determining how far it is justified in subjecting results obtained in the laboratory to further tests and experiments on a quasi-commercial scale. In a great many cases such testing would involve the erection of elaborate machinery which it is beyond the resources of the Institute to provide, and where such testing has not been undertaken we think that the Institute should exercise considerable caution in making estimates of commercial costs. To confine the Institute's activities to those matters which come properly within its cognisance as a body of research workers is not to limit unduly the sphere of those activities but to ensure that their value is not obscured by the introduction of such things as commercial factors (*e.g.*, overhead charges) which vary from place to place. The Institute cannot be expected to give an accurate estimate of commercial costs, though in many cases what is believed to be a typical example may prove of use. The responsibility of the Institute should not extend beyond the computation of the actual costs of production or treatment as manifested in their own experiments. Any calculations of the costs of working on a commercial scale can only be provisional and we think that the Institute should only publish these with great caution. We realise that the potential costs of a commercial undertaking must always be borne in mind in considering the possible utility of any work of research, but we do not think that it is the function of the Institute to make detailed calculations of those costs.

62. **Contributions by Industrial concerns.**—There is no doubt that, if a correct estimate of production on a commercial scale can be made, industrial concerns will benefit. We have considered whether, where the resources of the Institute are inadequate to enable manufacturing processes to be undertaken on a large scale, or where the investigation of some new and pressing problem demands a greater capital outlay than the Institute can afford, the co-operation of industrial concerns which are directly interested in those investigations and would benefit from their successful issue, might not be invited*. Thus, they might effectively help by contributing to the cost of the investigations or by supplying, at their own

**Cf.* para. 54 on the subject of the co-operation of match manufacturers.

expense, experts to initiate inquiries and provide the technical skill required in their preliminary stages. The difficulty of proceeding in this way is that Government can scarcely pay a part of the costs of an investigation whose results are to be kept private, whilst few firms would be prepared to contribute to the expense of experiments whose results were to be broadcast to their competitors. The difficulty, indeed, appears to be almost insuperable, but the suggestion might well be borne in mind for, as a result of such co-operation, the maximum use would be made of any results obtained. People are apt to minimise the importance of information given gratis ; but they will do their utmost to extract its full value from the result of any investigations to whose cost they have themselves contributed.

63. Visits to the Research Institute by Forest officers.—We have given our opinion* that the maintenance by the Institute of close touch with forest officers is no less important than contact with the business world. We believe that the most effective method of establishing this touch is for forest officers themselves to visit Dehra Dun and see the activities that are in progress there. The staff of the Institute would benefit from such visits, for their attention would be attracted to difficulties or possibilities perhaps unrealised before, which had presented themselves to officers in the course of their daily life in the forest. But the advantage to provincial officers themselves would be yet greater. They would realise the broad scope of the work of the Institute : They would realise that the Provinces could not fail to derive benefit from it ; and they would realise that members of the staff of the Institute were in a position to give not only information but also helpful advice on most subjects connected with forestry. We have suggested, in connection with the co-operation of the Central Silviculturist with the Provinces†, that even those Provincial forest officers who are not definitely engaged on research work should be encouraged to visit Dehra Dun as much as possible ; we know that they will be welcomed there ; and we trust that Provincial Forest Departments will realise the advantages of encouraging them to go.

64. The Buildings.—The buildings of the new Institute are very large, and the staff will not occupy them fully for many years to come. If it is decided that the Indian Forest Service College should leave its present situation at Chand Bagh, it could be suitably located in the Institute, where museums and other objects of interest would be available for instructional purposes.

65. Patents.—We are of opinion that whenever a process is invented or perfected at the Institute the desirability of protecting it by a patent should be considered. This patent should be the property of the Government of India and if it has to be taken out in the name of the original inventor, regulations should be made requiring him to transfer it to Government. It would be for the department to consider in which cases a royalty should be charged for the use of this patent and it would also be within their power to make an *ex gratia* payment to the original inventor.

66. Study leave.—It has been represented to us that the facilities given to officers at the Institute for studying abroad are inadequate. We consider it desirable that every encouragement should be given to research workers to familiarise themselves, by personal inspection, with the work, similar to their own, which is being done abroad. We are not prepared

to make a definite recommendation for the introduction of the "Sabbatical Year" system which is very generally employed at research institutions in other countries and allows research workers to travel abroad for purposes of study once in every seven years. Study abroad is not equally necessary for all research workers at the Institute. But the value of a research officer is undoubtedly increased if he can see in actual practice methods or systems of which he has only heard, if at all, through books. Under the present rules for study leave, it is only in exceptional cases that an officer of the Forest Department does not have to pay his own travelling expenses and the fees for any course of study which he takes. Special arrangements have been made by which selected forest officers can tour on the Continent to "keep their professional knowledge up-to-date", and are allowed their travelling expenses from and back to London; they are also given a daily allowance: But these arrangements are only applicable to officers on leave in England, and will need readjustment in the future if they are to be of use to men whose leave is not normally taken in England. The terms on which deputation is allowed are more favourable, but no officer can go on deputation without the sanction of the Secretary of State, and it would be unreasonable to refer to so high an authority applications which should not, we think, be considered in any way abnormal or exceptional. We have not thought it our duty to suggest the actual means whereby greater facilities for study leave or deputation may be given; but we wish to record our opinion that the need of outside study for research workers is a special one, and that opportunities should be given to them of increasing their value without involving them personally in pecuniary loss.

CHAPTER IX.

EXTERNAL RELATIONS OF THE INSTITUTE.

I.—*Co-ordination of Research Work.*

67. *Difficulty of sharing programmes of work.*—Co-ordination of research work throughout the world is an impracticable ideal ; but it is desirable that scientists and research workers should be acquainted as intimately as possible with investigations proceeding in other parts of the world which are similar to those on which they are themselves engaged. If they are not intimately acquainted with the development of such external investigations, they are liable to waste their energies in attempting to discover a solution to problems which have been already solved or in working on hypotheses which have already proved erroneous. All research work involves the application of general principles to particular material : knowledge of those general principles is a necessity for every research worker ; but the distinguishing feature of the work at the Institute at Dehra Dun is that the material treated is, in the majority of cases, of a peculiar nature. We refer particularly to the work of the Economic Department where the material treated is peculiar to the forests of India. The Indian forests contain timber and other products which are unknown in foreign countries ; their properties must be discovered, their composition must be analysed and their economic value must be determined. The task of the Institute is, therefore, a special one and we do not consider it possible for its programme of work to be very closely co-ordinated with that of other similar institutions abroad. In the Entomological and Botanical Branches such co-ordination is easier and the Systematic Entomologist at Dehra Dun has taken as his share of an international project the identification of certain groups of beetles and the description of the larval stages of forest insects. We understand that it is intended to locate the new Institute of Medical Research at Dehra Dun ; and we hope that the Minor Forest Products Section of the Forest Research Institute will be able to co-operate with the Medical Research Institute in determining the value, both medicinal and economic, of those drugs and herbs which grow in such profusion in the Indian forests and whose properties are as yet largely unknown. We do not suppose that any programme of work could profitably be shared by the Minor Forest Products Section of the Forest Research Institute and that Section of the Medical Research Institute which deals with the medicinal herbs and drugs, but we do believe that many questions which either Section would be inadequate to dispose of by itself will be quickly answered when expert knowledge from two aspects is brought to bear upon them.

68. *Methods of promoting co-ordination.*—We have stated* that the forest products whose qualities are investigated at Dehra Dun are, in the majority of cases, of a nature peculiar to India. But though the subject of investigation is different it is not an implication of our statement that the methods of investigation should also be different. They are, and must continue to be, in many cases identical with those adopted

*Para. 67.

at similar institutions abroad. It is our task to consider means whereby the research worker at Dehra Dun may be in the closest touch with similar workers abroad. There are several methods of achieving the desired end. The first and most beneficial method is to send workers at the Institute abroad for training either on deputation or by mutual interchange with the staff of other similar Institutes or laboratories. These suggestions are dealt with in paras. 66 and 34 of our report. Another method is to send representatives to attend the major forestry conferences which take place at frequent intervals. Only officers who may be able to make some definite contribution to the discussions which take place should be sent to these Conferences. We understand that representatives have been sent from the Institute in the past and we recommend the continuation of the practice. Yet another method is to ensure that all publications of the Institute are distributed as widely as possible and conversely, that all publications of interest to workers in the Institute should be not only available to them, but brought to their individual notice. The establishment at the Institute of a colloquium (which we have discussed in para. 56) would undoubtedly be of advantage in this respect. "The value of additions to knowledge secured by research is conditioned by the extent to which information regarding them is disseminated among the workers concerned. If steps are taken to secure adequate publicity for scientific results both the time of the scientists and, in the case of research financed by the Government, public funds will be saved".* Publicity, then, should be given to the results of investigations held at the Institute as well in the interests of science as in the interests of trade. We have found research workers at Dehra Dun well aware of the nature of investigations proceeding in Canada, in the United States of America and at Prince's Risborough in England; and we have no doubt that the interchange of publications will continue to have beneficial results.

II.—*Publicity and Utilisation.*

69. *Association with Railways.*—Means to promote more intimate and permanent contact between the Institute and the consumer have been discussed in connection with the duties of the Forest Economist and the distribution of publications in paras. 19 and 74. But we wish to draw particular attention to the desirability of the closest touch being maintained with the railway administrations. The Railways are by far the largest consumers of wood in India and it is possible that investigations now in progress at the Institute may result in a greatly increased consumption of indigenous timber by the Railways. It is essential that the Institute should know in detail the requirements of the Railways; and it is equally essential that the Railways should, on their side, be fully aware of the advantages which may accrue from their employment of the resources of the Institute. At present the Timber Advisory Officer to the Railway Board acts as a liaison officer between the Railways and the Forest Departments. We see no reason to suppose that the work of the Forest Economist in his capacity as Utilisation Officer will duplicate that of the Timber Advisory Officer to the Railway Board. On the contrary, the co-operation of these two officers should promote at once the interests of

*Para. 328, Report of the Research Co-ordination Sub-Committee (H. M. Treasury), 1928.

the Institute and the Railways. Investigation at the Institute into the suitability of various woods for use in coach building cannot be of anything but benefit to the Railways as well as the Forest Departments, and if the Institute can devise methods of extending the life of sleepers or reducing the cost of treatment, a double advantage will be again achieved. But the Institute must know in detail what is required of it ; and the Railways must realise the limitations of work done at a research laboratory on a small scale.

70. Timber Adviser to the High Commissioner.—The Forest Economist will, it is hoped, keep the Institute in touch with requirements in India and help to introduce new woods on the Indian market. But England and America too are markets for Indian woods with great potentialities and it is essential that more effort should be made to keep the Institute informed not only about the developments in those markets but also about the requirements of the principal consumers of Indian wood in those countries. The task of maintaining this contact is at present entrusted to the Timber Adviser to the High Commissioner in London, who works in conjunction with the Trade Commissioner of the Government of India. We consider that this officer should be a man in close touch with recent developments and the progress of research in India itself. The post should, we consider, be held by someone who has recently been associated with the Institute, either the retiring Inspector General of Forests or the President of the Institute or some other man equally acquainted with its work and conversant with modern forest practices and possibilities. The post should not, we consider, be tenable for more than a maximum period of five years. The result of such an appointment would be the creation of a wider sphere of influence for the Institute and the continued utilisation of the services of men with an up-to-date knowledge of Indian forests and the possibilities of exploiting them.

III.—*Publications.*

71. Means to ensure accuracy of publications.—The present method of checking those literary contributions by members of the Institute which are intended for publication by the Government of India in the form of memoirs, records and bulletins is as follows :—

Branch Officers submit all such contributions to the President, who examines the papers and suggests any alterations which may appear desirable to him. He also decides what illustrations are necessary and arranges for the printing of illustrations and letter press. Contributions intended for publication by the Government of India must also be examined by two independent experts in accordance with the orders of Government issued on the recommendation of the Public Service Commission.

We do not think that the present arrangements need any substantial modification. We understand “two independent experts” to mean two authorities who have not been directly responsible for or connected with the inquiries on which a report is being made. If, “independent experts” meant “independent of the Institute”, the delays in securing the publication of any report or bulletin would be so great as to render the report or bulletin itself already antiquated when it first

appeared in print. In India the only experts in certain branches of the work of timber utilisation are themselves on the staff of the Institute ; and if the examination by other experts in England and America of contributions by members of the Institute were made a necessary preliminary to publication, there would, we think, be no advantage such as would afford adequate compensation for the delay involved. In a subject like forestry there are no governing fundamental principles by which the results of particular investigations can be tested. Effective checking is therefore impossible. In estimating the scientific value of the Institute's publications the criterion which will probably appeal most strongly to those who find the money will be the practical results obtained from the data provided in those publications. We suggest, however, that a general view of the value or accuracy of proposed publications might be provided by a discussion of them at the meetings of the staff which we recommend in para. 56 of our Report. A colloquium of the nature suggested may bring to light deficiencies which might pass unnoticed by a revising authority acting independently, and would provoke free discussion and criticism.

72. Responsibility for publications.—We have pointed out that any effective checking by outside authorities is impossible. The only effective check which could be applied to the majority of the technical publications of the Institute would be to carry out the experiments again *in toto*. Such a course is impossible, and it is clear that ultimately responsibility for the accuracy of any publication must lie on the author and on the author alone. Permission to publish should be given by the President on the recommendation of a Branch Officer ; and though these officers are expected to satisfy themselves that contributions have been carefully and conscientiously compiled, they can in no way be brought to account for any inaccuracy which may subsequently be discovered.

73. Publication in Trade and Scientific Journals.—We are of opinion that the Institute should not rest content with the publication of its official bulletins as a wholly adequate method of bringing results of investigations to the notice either of scientific workers or the general public or the intermediary timber merchants. The Research Co-ordination Sub-Committee have emphasised in their report the necessity of publishing results in such a form as will ensure their maximum publicity and utility. They say—“ If the best results are to be obtained from the Government contribution to the common stock, care must be taken to ensure not only that results are published but that they are published in such a manner as to be most readily available to scientific workers. One of the greatest difficulties with which workers are faced at the present time is the immense growth in recent decades of the number of scientific journals with which they have to deal. The question is one that will require to be tackled at an early date by the workers themselves in the various branches of science. In some directions efforts have been made to compile periodical bibliographies of current publications, but much remains to be done. This is probably not a matter in which Government effort is either possible or desirable. It is, however, incumbent on the Government to avoid adding to the mass of publication that must be searched by scientific workers if there already exist adequate means for the purpose in the scientific world. The great bulk of scienti-

ic papers has in the past been published in the Proceedings and Transactions of the various learned Societies and in the Technical Journals and the whole of it has been undertaken at the charge of individual workers banded together for the purpose. This process will no doubt continue, and no Government Department could hope to obtain for material published directly by itself the authority and freedom obtained for papers accepted by the leading Societies for publication in their Transactions. By this means results receive the most effective publicity by being brought directly to the notice of the workers concerned.”*

An interesting parallel is also afforded by a note on the work of the Forest Products Laboratory at Madison in the U. S. A. This note says “ Formerly the investigations of the laboratory were all published in Government bulletins. This practice has given way to publications in trade and scientific journals until the more complete or exhaustive monographs are issued by the departments.”†

We therefore recommend that officers of the Institute should be encouraged in every possible way to publish scientific or semi-scientific papers in trade and other journals. It would serve a most useful purpose, if, for instance, notes were written periodically on subjects of interest to Railways and published in Railway Magazines such as the Quarterly Technical Bulletin which has a wide circulation amongst railway officials. Proposals to publish in outside periodicals and journals should be submitted in the first instance to the President of the Institute for approval.

74. Distribution of publications.—Copies of all reports and bulletins of the Institute should, we consider, be distributed free to all Chambers of Commerce, approved Associations and Directors of Industries throughout India. There are few people engaged in business on any considerable scale who do not belong to the particular Chamber or Association concerned with their interest and the free distribution of publications through those bodies should bring more effectively to the notice of those people the work of the Institute. Every opportunity should be taken by the Central Publication Branch of the Government of India to advertise the Institute’s publications as widely as possible. The suggestion has also been made to us that it would be to the advantage of commercial interests, if, in the list of previous issues contained in official publications, a separate classification were made which would keep distinct those publications which are primarily of interest from the theoretical point of view from those which have a more practical bearing. We are of opinion that the adoption of this suggestion would prove of practical utility. Many of the publications of the Institute embody the results of research work and experiments of direct interest to the Railways and we suggest that these should be circulated free of cost to those branches of the Railways immediately concerned.

*Para. 328, Report of the Research Co-ordination Sub-Committee (H. M. Treasury), 1928.

†P. 37, Industrial Research in the U. S. A., by A. P. M. Fleming, M.I.E.E., 1927.

CHAPTER X.

CONCLUSION.

75. **Table of Contents.**—We have considered the advisability of embodying our conclusions in a summary. Our proposals, however, range from definite recommendations to tentative suggestions ; they are already entered under appropriate headings ; and in the circumstances we consider that the table of contents will serve the purposes of reference adequately.

76. **Acknowledgments.**—We wish to take this opportunity of placing on record our sense of appreciation for the very valuable assistance which the Secretary, Mr. E. B. Wakefield, I.C.S., has given us. He was asked to take up this duty at a day's notice and indeed arrived at Dehra Dun a couple of days after two members of the Committee had assembled. Were it not for his conspicuous ability and strenuous labours, we could not have completed our investigation and report in the short space of less than one month and a half.

The staff have also had a heavy task to perform and we would like to express our obligation to them.

(Sd.) C. V. MEHTA.

Chairman.

(Sd.) F. A. LINDEMANN,

Member.

(Sd.) F. H. WROUGHTON,

Member.

(Sd.) E. B. WAKEFIELD,

Secretary.

New Delhi, the 30th March 1929.

APPENDICES.

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APPENDIX

Classified list of Officers at the Forest Research Institute

No.	Designation.	Name.	Date of Birth.	Date of appointment to present post.
1	2	3	4	5
				I.—DIREC
1	Inspector General of Forests and President of F. R. I. and College.	*Mr. A. Rodger, O.B.E.	11th Aug. 1875	1st April 1926
2	Vice-President and Professor of Forestry.	*Mr. C. G. Trevor	28th Dec. 1882	4th Oct. 1926
				II.—RESEARCH
				A.—SILVICULTURAL
3	Silviculturist	*Mr. H. G. Champion, M.A.	17th Aug. 1891	2nd Jan. 1926
4	Assistant Silviculturist	Vacant	..	..
5	Assistant, Upper Grade	Pandit Bhawani Dat Pant, B.Sc.	8th Feb. 1896	18th Oct. 1926
6	Assistant, Upper Grade	Lala Ishwar Das Mahendra, M.A.	15th June 1895	1st Feb. 1928
				R.—ECONOMIC
7	Forest Economist	*Mr. H. Trotter	16th Aug. 1890	1st May 1928
8	Assistant Forest Economist	*Mr. B. H. Osmaston	30th Mar. 1895	14th May 1928
	MINOR FOREST PRODUCTS SECTION.			
9	Officer in charge	*Mr. F. D. Ardagh, M.A.	7th Dec. 1893	27th April 1926
10	Assistant, Upper Grade	S. Ramaswami, M.A.	..	22nd March 1926
	WOOD TECHNOLOGICAL SECTION.			
11	Wood Technologist	Mr. K. A. Chowdhury, B.A., B.Sc.	1st Feb. 1902	1st June 1927
	PAPER PULP SECTION.			
12	Officer in charge	Mr. W. Raitt, F.C.S., M.I. Chem. E.	23rd March 1866	1st Dec. 1920
13	Assistant	Mr. M. P. Bhargava, M.Sc.	19th Dec. 1891	1st Aug. 1923
14	Assistant, Upper Grade	Mr. Chatter Singh, B.Sc.	9th Sep. 1898	3rd Aug. 1926
	SEASONING SECTION.			
15	Officer in charge	Dr. S. N. Kapur, Ph.D., A.M.I.Chem.E.	20th Aug. 1895	23rd June 1928

* Indicates members of the Imperial Forest Service of

† Overseas pay drawn in sterling in England by members of the Imperial Forest Service

† Personnel

I.

and College corrected up to 1st April 1929.

No.	Head-quarters.	Emoluments.				Remarks.
		Substantive pay.	Over-seas pay.	Allowance.	Total.	
	6	7	8	9	10	11
TION.		Ra.	Ra.	Ra.	Ra.	
1	Dehra Dun .	3,250	..	..	3,250	
2	Do. .	2,150	†	350†	2,500	Conservator of Forests, United Provinces.
STAFF.						
BRANCH.						
3	Dehra Dun .	1,000	†	S. P. 150	1,150	Deputy Conservator of Forests, United Provinces.
4	..	..	..	..	..
5	Dehra Dun .	450	..	S. P. 75	525	Extra Assistant Conservator, United Provinces.
6	Do. .	425	..	S. P. 75	500	Extra Assistant Conservator, Punjab.
BRANCH.						
7	Dehra Dun .	1,050	†	S. P. 250 †Ra. 100 Charge allowance.	1,400	Deputy Conservator of Forests, Burma, also charge holds of the Wood Preservation Section in addition, from 22nd April 1927, until further orders.
8	Do. .	900	†	S. P. 150	1,050	Deputy Conservator of Forests, United Provinces.
9	Dehra Dun .	950	†	S. P. 150	1,100	Deputy Conservator of Forests, Madras.
10	Do. .	250	..	S. P. 75	325	
11	Dehra Dun .	350	..	..	350	Under training. To be engaged on a 5 years contract on a pay of Rs. 350—50—550 after satisfactory conclusion of his studies in America.
12	Do. .	1,850	..	..	1,850	Term extended up to 31st October 1929; on leave.
13	Do. .	625	..	S. P. 150	775	Offg. Officer in charge.
14	Do. .	270	..	..	270	Appointment to be continued for a further period of one year, from 3rd August 1928 on Rs. 270 per mensem.
15	Do. .	625	..	S. P. 150	675	

India recruited in England, who are not of Asiatic domicile has not been shown in column 8. pay.

Classified list of Officers at the Forest Research Institute

No.	Designation.	Name.	Date of Birth.	Date of appointment to present post.
1	2	3	4	5
				IL—RESEARCH
	PAPER PULP SECTION— <i>contd.</i>			R.—Economic
16	Assistant, Upper Grade . . .	Vacant . . . . .	..	..
	TIMBER TESTING SECTION.			
17	Officer in charge	Mr. L. N. Seaman, M.A., B.Sc., M.E.I.C.	20th Aug. 1882.	11th Sep. 1920
18	Assistant	Mr. R. K. Banerjee, B.Sc., C.P.E.	30th Jan. 1899	10th Dec. 1920
19	Assistant, Upper Grade	Mr. Syed Mohammad Hasnain.	31st March 1897	1st April 1924
	WOOD PRESERVATION SECTION.			
20	Officer in charge	Vacant . . . . .	..	..
21	Assistant	Mr. S. Kamesam, B. E., (Mech.), M.E. (Dom.), A.M.I.E.	12th April 1899	5th Sep. 1923
22	Assistant, Upper Grade	Vacant . . . . .	..	..
	WOOD WORKSHOPS SECTION.			
23	Officer in charge	Mr. W. Nagle	12th June 1885	11th Feb. 1924
24	Cabinet Maker	Mr. W. Gray . . . . .	..	24th Sep. 1928
25	Mechanical Engineer	Mr. Ram Das Tandan	23rd July 1887	1st Aug. 1923
26	Assistant Electrical Engineer	Vacant . . . . .	..	..
				C.—Botanical
27	Systematic Botanist	*Mr. R. W. Parker, F.C.H.	4th Dec. 1884	5th Sep. 1924
28	Oecologist	Vacant . . . . .	..	..
29	Mycologist	Dr. K. D. Bagchee, M.Sc., (Cal.), D.Sc. (Lond.), D.I.C.	19th Jan. 1898	1st Mar. 1927
30	Assistant, Upper Grade	Mr. Basant Lal Gupta, M.Sc., F.L.S.	Dec. 1889	1st Mar. 1920
31	Assistant, Upper Grade	Mr. Abdul Hafiz Khan	July 1884	1st Mar. 1920
				D.—ENTOMOLOGICAL
32	Forest Entomologist	*Dr. C. F. C. Beeson, M.A., D.Sc., F.E.S.	10th Feb. 1889	7th Aug. 1913

* Indicates members of the Imperial Forest

† Overseas pay drawn in sterling in England by members of the Imperial Forest

and College corrected up to 1st April 1929—contd.

No.	Head-quarters.	Emoluments.				Remarks.
		Substantive pay.	Over-seas pay.	Allowance.	Total.	
	6	7	8	9	10	11
STAFF—contd.		Ra.	Ra.	Ra.	Ra.	
BRANCH—concl'd.						
16	..	..	..	..	..	..
17	Dehra Dun .	1,950	..	100 Charge al- lowance	2,050	Re-engaged for 5 years from November 1925. Holds charge of W. T. Section from 11th August 1927 in addition.
18	Do. .	575	..	..	575	Engaged temporarily for 5 years.
19	Do. .	350	..	S. P. 75	425	
20	..	..	..	..	..
21	Dehra Dun .	575	..	S. P. 50	725	
22	..	..	..	..	..
23	Dehra Dun .	950	..	..	950	Term extended up to 10th February 1937, on leave.
24	..	..	..	..	500	500—50—700. Engaged for 5 years. Offg. as Officer in charge, W. W. Section.
25	Dehra Dun .	650	..	..	650	Re-engaged for 5 years from 1st August 1928. Pay Ra. 650—25—750.
26	..	..	..	..	..
BRANCH.						
27	Dehra Dun .	2,150	†	S. P. 150	2,300	Conservator of Forests (Substantive).
28	..	..	..	..	..
29	Dehra Dun .	700	..	..	700	For 3 years. (Pay Ra. 600—50—700).
30	Do. .	430	..	S. P. 75	505	
31	Do. .	430	..	S. P. 75	505	
BRANCH.						
32	Dehra Dun .	1,150	†	S. P. 150	1,300	Deputy Conservator of Forests, Punjab.

Service of India recruited in England.

Service who are not of Asiatic domicile has not been shown in column 8.

Classified list of Officers at the Forest Research Institute

No.	Designation.	Name.	Date of birth.	Date of appointment to present post.
1	2	3	4	5
	WOOD WORKSHOPS SECTION— <i>contd.</i>			II.—RESEARCH
				D.—ENTOMOLOGICAL
33	Divisional Forest Entomologist	Vacant . . . .	..	..
34	Ditto.	Vacant . . . .	..	..
35	Systematic Entomologist . .	*Mr. J. C. M. Gardner, A.R. C.S., D.I.C., F.E.S.	15th March 1894	1st Aug. 1923
36	Assistant, Upper Grade . . .	Mr. N. C. Chatterjee, B.Sc., F.E.S.	Dec. 1890 .	1st March 1920
37	Assistant, Upper Grade . . .	Mr. R. N. Mathur, M.Sc. .	19th July 1903	30th Sep. 1927
				E.—CHEMICAL
38	Bio. Chemist	Dr. Sri Krishna, Ph.D., D.Sc. (London), F.I.C.	July 1896 .	23rd June 1928
39	Organic Chemist	Vacant . . . . .	..	..
40	Assistant, Upper Grade . . .	Vacant . . . . .	..	..
41	Assistant, Upper Grade . . .	Mr. T. P. Ghose, B.Sc., F.C.S.	Oct. 1889 .	1st April 1925
42	Assistant, Upper Grade . . .	Vacant . . . . .	..	..
				III.—EDUCATIONAL
43	Lecturer	*Mr. C. E. Simmons, B.A. .	29th Jan. 1889	9th Jan. 1922
44	Do.	*Mr. C. T. Trigg, M.A. . .	15th March 1894	15th March 1926
45	Instructor	Mr. B. B. Cornwell	20th Feb. 1890	17th Sep. 1924
46	Do.	*Mr. H. P. W. Davis, B.A., B.Sc.	7th Dec. 1893	28th June 1926
47	Assistant Instructor	Mr. Shah Nawaz Khan, B.Sc.	16th Aug. 1896	3rd Nov. 1926

*Indicates members of the Imperial Forest Service of
† Overseas pay drawn in sterling in England by members of the Imperial Forest

and College corrected up to 1st April 1939—concl'd.

No.	Head-quarters.	Emoluments.				Remarks.
		Substantive pay.	Over-seas pay.	Allowance.	Total.	
	6	7	8	9	10	11
STAFF—concl'd.						
BRANCH—concl'd.						
33	..	..	..	..	..
34	..	..	..	..	..
35	Dehra Dun .	900	†	S. P. 150	1,050	Deputy Conservator of Forests, Bengal.
36	Do. .	430	..	S. P. 75	505	
37	Do. .	250	..	S. P. 75	325	On probation for one year.
BRANCH.						
38	Dehra Dun .	1,000	..	..	1,000	Temporary for 3 years pay Rs. 1,000—50—1,100 (on probation for one year).
39	..	..	..	..	..
40	..	..	..	..	..
41	Dehra Dun .	350	..	S. P. 75	425	
42	..	..	..	..	..
STAFF.						
43	Dehra Dun .	1,050	†	S. P. 150	1,200	Deputy Conservator of Forests, Assam.
44	Do. .	900	†	S. P. 150	1,050	Do. do. Bengal.
45	Do. .	900	..	S. P. 150	1,050	Do. do. Madras.
46	Do. .	850	†	S. P. 150	1,000	Do. do. Bombay.
47	Do. .	475	..	S. P. 75	550	Extra Assistant Conservator of Forests, United Provinces.

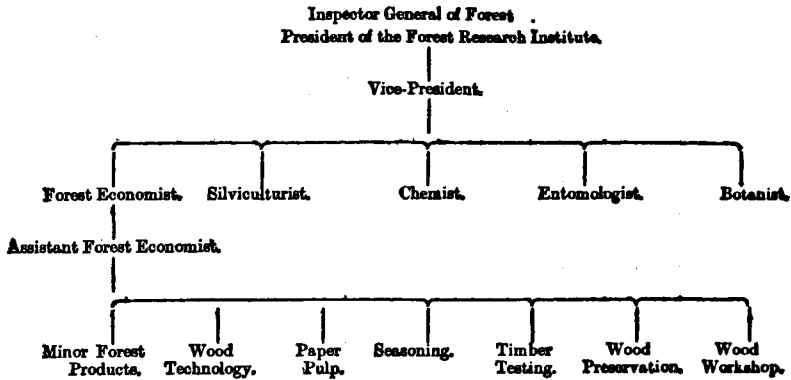
India recruited in England.

Service who are not of Asiatic domicile has not been shown in column 8.

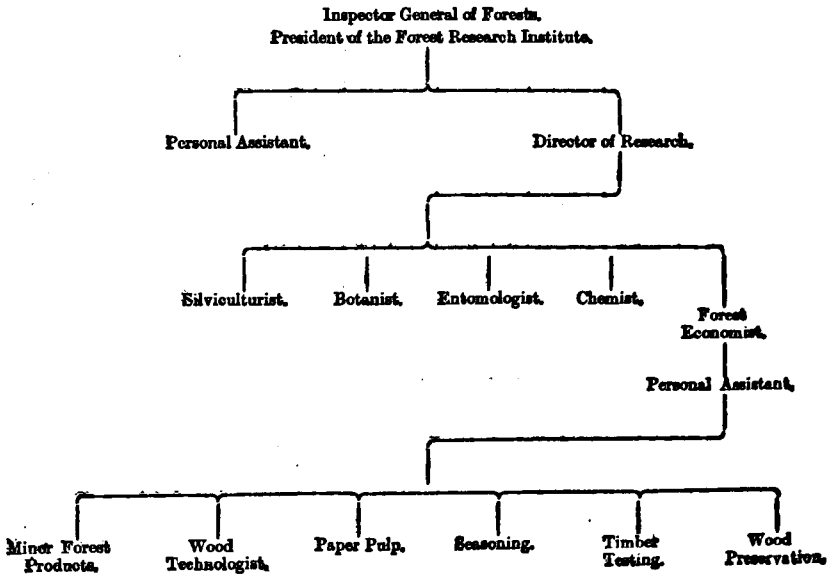
APPENDIX II.

These diagrams are designed to illustrate the changes which it is proposed to make in the organisation of the staff of the Institute.

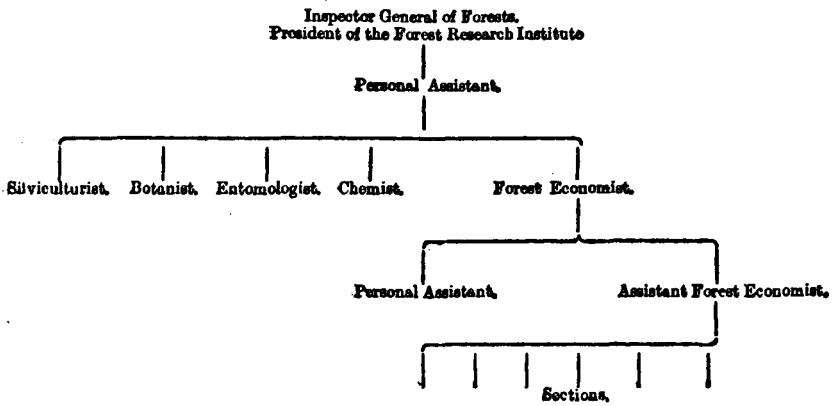
(i) *The present organisation is :-*



(ii) *The proposed organisation is :-*



(iii) *The proposed transitional scheme is :—*



APPENDIX III.

TENTATIVE SCHEME FOR THE RE-ORGANISATION OF THE CADRE OF THE FOREST RESEARCH INSTITUTE.

1. The scheme aims at giving an officer the opportunity of passing up through 3 grades during 30 years' service.

2. Promotion from one grade to another will be by selection only and not by seniority. This will mean that the good men will advance while the ordinary routine worker will automatically remain at the top of his grade until he is selected for promotion.

3. The scheme is, in principle, the same as the present arrangement in force for the Indian Forest Service, the Provincial Forest and the Ranger Services, *e.g.*, a good Provincial Forest Service officer can be promoted to the Indian Forest Service, while a really brilliant Ranger can be promoted to the Provincial Forest Service and through it to the Indian Forest Service.

4. In the same way, under the proposed scheme, a Grade III man (who will presumably start with good qualifications) will be able to pass through Grade II and after 20 years' service be eligible for selection to Grade I.

5. The pay of grades I, II and III will correspond approximately to the pay of the existing Imperial, Provincial and Ranger Services.

6. The details of any such scheme will have to be worked out carefully after due considerations have been made regarding the existing staff, but so far as can be ascertained there will be no great difficulty in fitting the existing posts into some such scheme.

Grade.	Posts.	Scale of pay.	Remarks.
		Ra.	
Grade I ..	Equivalent to Imperial Service. (Section officers and Assistants)	375—50—1,500	
Grade II ..	Equivalent to Provincial Service. (Upper Grade Assistants, etc.)	250—25—500	
Grade III ..	Equivalent to Ranger Service. (Lower Grade Assistants, Head Computers, etc.) ..	150—10—250	
Grade IV ..	Equivalent to Head Laboratory Assistants, Computers, etc.	100—5—150	
Grade V ..	Equivalent to Laboratory Assistants, Assistant Computers, etc.	60—4—100	
Grade VI ..	Equivalent to Machine operators, Moisture Determinators, etc.	45—3—75	
Grade VII ..	.. ..	30—2—50	
Grade VIII ..	.. ..	20—1—30	



Government of Bengal
Agriculture and Industries Department

Report of the
Opium Enquiry Committee
With Appendices

CALCUTTA
Bengal Government Press
1928

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F.8

**OPIUM ENQUIRY COMMITTEE'S REPORT
WITH APPENDICES.**

No. 7140 E.

FROM THE PRESIDENT AND MEMBERS, OPIUM ENQUIRY
COMMITTEE,

TO THE SECRETARY TO THE GOVERNMENT OF BENGAL,
AGRICULTURE AND INDUSTRIES DEPARTMENT.

Calcutta, the 15th/17th December 1927.

SIR,

In reference to the Resolution of Government, No. 135 T.A.L., dated the 12th May 1927, we have the honour to submit herewith our Report regarding the question of the excessive consumption of raw opium in the Calcutta area and in the industrial areas of Serampore and Barrackpore.

We have the honour to be,

SIR,

Your most obedient servants,

J. N. ROY,
HARIDHAN DUTT,
HERBERT ANDERSON,
S. K. RAHA,

Members of the Committee.

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Introduction.

I. The consumption of raw opium in the Calcutta area (in which are included the suburbs and the towns of Howrah and Bally) and in the industrial centres of Serampore and Barrackpore, which has been in marked excess of the standard indicated by the League of Nations, has for sometime engaged the earnest attention of the Government of Bengal in the Ministry of Excise. Government realised that it was necessary to ascertain correctly the reasons for such excessive consumption with a view to its ultimate reduction and felt that an exhaustive enquiry should be made into the local conditions before any action was taken. Accordingly, by Resolution No. 135 T.A.I., dated the 12th May 1927, Government appointed a Committee to carry this out and to suggest possible remedial measures. At the same time they issued a *communiqué* inviting members of the public interested in the subject to place themselves in communication with the Commissioner of Excise.

II. The Committee consisted of (1) Mr. J. N. Roy, O.B.E., Officiating Commissioner, Presidency Division, (2) Rai Bahadur S. K. Raha, Officiating Commissioner of Excise and Salt, Bengal, (3) Rev. Herbert Anderson, and (4) Dr. Rai Haridhan Dutt Bahadur nominated by the Calcutta Temperance Federation.

III. They were asked to ascertain—

- (1) What proportion approximately of the opium sold was consumed by people solely for medicinal purpose and what proportion was consumed otherwise, *i.e.*, as an intoxicating drug.
- (2) To what extent the consumption in the areas concerned was really an evil, *i.e.*, a menace to the health, morality and social well-being of the community.
- (3) To what extent opium was administered by parents to young children and how far this affected the health of the child population.
- (4) What remedies were possible in order to reduce the excessive consumption of opium, and whether any method of registration of opium consumers was advisable or practicable.

IV. The Committee prepared and circulated a questionnaire for the general public, and another for the medical profession. The questionnaires were sent to 16 public associations, 22 editors of newspapers and magazines, 10 members of the Legislative Council, 15 members of the Calcutta Temperance Federation, 3 missionary gentlemen and 839 medical practitioners.

V. The response was fairly satisfactory. Five associations and 2 editors of newspapers sent in their replies while 182 medical practitioners were good enough to respond to the invitation. Several public gentlemen interested in the question were also kind enough to help the Committee by an expression of their views.

VI. Under instructions from the Committee, the Excise Commissioner directed—

- (i) the maintenance of records of consumers for a fortnight from the 1st June 1927, and again for a week from the 1st July, by the licensed opium-dealers of Calcutta and for the entire month of June by the licensed dealers in Barrackpore and Serampore;
- (ii) the collection of statistics regarding the amount of raw opium used by manufacturing chemists, licensed *kabirajes* and *hakims*;
- (iii) an enquiry into the opium habit among the Chinese, Sikh and the Burmese population in Calcutta;
- (iv) the preparation of the life histories of some excessive opium eaters, and
- (v) the collection of information as to how far the use of opium was prevalent amongst ascetics and amongst prostitutes.

The information gathered under each head has been discussed as necessary in the appropriate sections.

VII. The Committee were favoured with the evidence of thirty-three gentlemen. They visited 21 licensed premises in different localities in the areas under enquiry, to ascertain the actual conditions under which sales were made and to acquaint themselves directly with the experience and views of as many consumers as possible. They also visited a fairly large number of smoking dens in the area called China town, Kidderpore and in the northern quarters of the city of Calcutta with a view to see for themselves the actual conditions under which opium was smoked in smoking dens.

VIII. The thanks of the Committee are due to all those public gentlemen, associations, medical gentlemen, managers of mills, Police officers as well as to the officers of the Excise Department, and specially to Babu A. K. Basu, Officiating Deputy Commissioner of Excise, who have helped them in their enquiry.

Section I.—Survey of the areas under review from the social and economic standpoints.

I. The areas under enquiry consist of three distinct but adjoining tracts, namely, Calcutta, Barrackpore and Serampore. For excise purposes, Calcutta has, within its limits, the Corporation of Calcutta as at present constituted and the municipalities of Howrah and Bally. Barrackpore includes 14 municipalities and 2 cantonments, namely, Barrackpore and Dum Dum, while Serampore consists of 7 municipalities. Statements I to IX show the areas, the population, the number of opium shops, the incidence of consumption per 10,000 of the population and other relevant information.

II. The areas mentioned above may be termed the main industrial centres in the Presidency, containing numerous factories, engineering works, iron foundries, iron and steel works, jute, cotton, oil, flour, rice and other mills, railway workshops and docks. Besides a large industrial population consisting of skilled and unskilled labourers,

the city of Calcutta contains a mixed population of almost all nationalities in India. Thus out of the total population (1,295,774) in Calcutta Excise district, approximately 700,000 are Bengalis, while about 550,000 are immigrants from Bihar, Orissa, the United Provinces, the Punjab, Rajputana and other parts of northern and western India. Silimilarly, in Barrackpore and Serampore, there are the local Bengali residents, as well as a large industrial population composed of people who have come from the provinces and territories mentioned above, and are working in the various jute and other mills, situated along the banks of the Hooghly.

III. It appears from the last Census Report that in Calcutta and its suburbs there were in 1921 one thousand and seven industrial concerns, employing 154,890 persons. The statistics gathered by the Committee for the Barrackpore and Serampore areas show that, in the former, there are at present 118 industrial concerns registered under the Factories Act in which 179,359 operatives are employed, while in the latter there are 29 such concerns in which 61,191 work.

IV. Socially as well as economically these three together form the most important area in Bengal. Life is strenuous and the climate is moist and damp. Within the last 30 years sanitation has been very considerably improved with the result that many diseases common before have been brought under control. The spread of education has been more rapid and wide than in any other part of the Presidency. Facilities for medical assistance have improved. As a collective result of these circumstances, public opinion, so far as the use of intoxicating drugs is concerned, has progressed, and has silently worked against the spread of the use of opium. It has also effected a gradual diminution in consumption, specially among the middle class Bengali community.

Section II.—Extent of consumption and of the classes among whom it prevails. Results of statistical enquiries made by the Committee.

I. The figures for the sale of opium during the last 15 years are shown in Appendix VI. It will be observed from these that the issues in Calcutta have come down from 21,175 seers (43,408 lbs.) to 11,097 seers (22,748 lbs.), while the consumption in Barrackpore and Serampore has decreased from 1,679 seers (3,441 lbs.) to 1,588 seers (3,255 lbs.) and from 1,231 seers (2,523 lbs.) to 1,169 seers (2,396 lbs.) per annum, respectively.

II. The reasons for the appreciable reduction in Calcutta are many and a few may be mentioned. In the first place, there was more systematic administrative control over the issues to the shops. This began to be exercised about the year 1912-13 and disallowed any excess over the average of the previous year unless very satisfactory reasons could be given. In the second, there was a change in the system of licensing introduced in the year 1917. This, together with the gradual increase of price, effected a considerable check on the issues and consumption by removing the necessity on the part of the licensed dealers, under the previous system of auctioning of licenses for the sale of the drug, to sell the drug as cheaply as possible. And lastly there has been a wholesome change in the point of view of

the middle class Bengali population in Calcutta as regards the supposed usefulness of raw opium as a cure or preventive of certain ailments like diarrhoea, asthma, etc., or as a protective measure in old age. The use of opium, except by aged people, is now looked upon with disfavour, though not to the same extent as the use of alcohol or of drugs like *ganja* and *charas*.

III. In spite, however, of the appreciable decrease, we are convinced that the consumption in the city is still excessive, due chiefly to the taking of heavy doses of opium by a considerable number of addicts and we recommend in a subsequent section the measures we consider suitable to reduce it to reasonable proportions. The figures for Barrackpore and Serampore do not show a similar decrease. The principal reason for this is the large increase of the industrial population in these areas, many of whom are recruited from provinces and territories where people are habituated to the use of opium.

IV. Our enquiries have elicited the fact that the use of raw opium in all these areas is not confined to any particular creed or class amongst the Indian population. Its consumption is to be found amongst the rich as well as the poor in the Bengali society, amongst the Sikh working people, the industrial workers recruited from Bihar, Orissa, the United Provinces and certain parts of the Central Provinces, as well as amongst the Chinese population.

V. The statistics we have gathered which, we admit, are only an approximation to the actual facts, give us an indication of the extent of the use of the drug. The licensed dealers in Calcutta sell daily an average number of approximately 29,333 packets varying in weight from $1\frac{1}{2}$ grains to 1 tola (180) grains, while in Barrackpore the number of such packets sold is 3,542, and in Serampore 3,202. Making some allowance for the increase in population since 1921, the last census year, it would seem that not more than 1 person in every 50 in Calcutta, 1 in every 100 in Barrackpore, and 1 in every 57 in Serampore use raw opium for some reason or other.

VI. Analysing the figures further, it is found that—

- (a) the consumption amongst the males is very largely in excess of females, possibly a factor which is to be found in regard to the use of intoxicating liquors or drugs all over the world;
- (b) there are very few casual consumers and the large majority are habitual. Casual consumption is mostly confined to medical purposes;
- (c) the habit is far from common among the masses of the people and is relatively small. Even in the mill areas of Barrackpore and Serampore, the number of daily purchasers is comparatively few; and
- (d) that out of approximately 29 seers of opium daily sold in Calcutta, the quantity sold in doses of 12 grains and less forms only about $\frac{1}{4}$ th of the total sale, though it is distributed among a much larger number of consumers than those who consume the remaining $\frac{3}{4}$ ths of the total sale.

The statistical results in Barrackpore and Serampore point to the same conclusions as in Calcutta.

Section III.—Administration of opium to children and how far it affects the health of the child population;

Speaking broadly the habit of doping children in the areas concerned is comparatively rare. We came across reliable instances of the practice in a few cases in Calcutta, Howrah, Serampore and Barrackpore, but it was, we found, confined mostly amongst certain classes of labourers in mills and factories who came from Orissa and the Central Provinces. It seems that they dope the children with opium while they go out for work, but it is not an indigenous habit among the Bengali population, either Hindu or Muhammadan. Some Muhammadan gentlemen informed us that the habit could still be found amongst certain upcountry Muhammadan families resident in Calcutta, though the custom was dying out. It was alleged that this practice prevailed in Oudh and a few other parts of Northern India, and had its origin in the belief that opium protected little children against ordinary ailments incidental to child life. The belief is perhaps erroneous, but, at the same time, it appears from the evidence adduced that no serious results are noticeable on the health of the child population of these areas. We, however, consider that the habit is a pernicious one and should be suppressed.

Section IV.—(1) Reasons for which raw opium is alleged to be used.

(2) The extent to which the present habit is a menace to the health, morality and social well-being of the communities concerned.

(1) Our enquiries have elicited the fact that, though the majority of the consumers of opium are above the age of 40 years, there is a considerable portion below that age. By far the larger number among them allege that they take the drug for some disease or physical ailment, or for the prevention of such ailments as are attendant on old age.

It is not possible to differentiate between the use of the drug purely for medical and purely for intoxicating purposes.

It is a fact admitted on all hands that opium is a powerful but an insidious drug with valuable properties for allaying pain or discomfort in the human system. There is also a popular belief, based on practical experience, that it is a remedy and a cure for certain ailments. This belief may or may not be based on facts, but it is beyond doubt that it is generally acted upon especially by the poor who cannot afford to call in doctors for regular treatment, and who have a rooted dislike to going to a hospital or a dispensary unless they are seriously ill.

The evidence before us shows that the addicts generally start taking the drug on account of some physical ailment or pain, or occasionally to get over the habit of excessive use of alcohol, and become habituated to its use and do not give it up even after the ailment has disappeared or the craving for alcohol has passed away. If they try, the ailment is said generally to reappear, and the habit is continued with increasing doses to obtain the necessary relief or to procure a feeling of well-being. It is only in a smaller number of cases that the drug is resorted to *ab initio* for the sole purpose of intoxication or pleasure. Mr. P. O. Philip, Secretary, National Christian Council of India, Burma and Ceylon, has informed us that the enquiry conducted by the National

Christian Council) on the use of opium in India showed that people often took opium on the suggestion of a friend or a neighbour to alleviate pain caused by illness. By removing pain it removes symptoms, but does not touch the ailment or disease at its root. To keep the pain caused by the disease suppressed, they have to continue to take it in larger and larger doses till they become slaves to it. We are in entire accord with this view. *The doses such addicts take cannot be said to be medicinal, and must be regarded as intoxicating.* In addition, traditional tendencies amongst some classes of the immigrant population (*e.g.*, Uriyas, Sikhs, Chinese and others), relief from the monotony of industrial working conditions, absence of home life or community restraints, easy availability of the drug, and association with addicts, according to our opinion, contribute further to this result.

(2) Coming to the question how far the use of opium as at present practised is an evil and a menace to the health of the population at large or the communities concerned, we generally agree in the view expressed by Sir D. P. Sarvadhicari, who stated that no particular community had such a large number of addicts as to suggest that there was any communal menace to the health, morality or social well-being of the population at large. Both Sir D. P. Sarvadhicari and Rai Bahadur Chuni Lal Bose, who have extensive experience of the Indian middle and higher class society, informed us that the number of addicts amongst the Bengali *bhadralok* class in these areas has considerably diminished during the last 20 or 25 years, and that therefore it is much less of a menace now than it was formerly.

Section V.—Summary of medical opinion.

I. There is a general consensus of opinion amongst medical gentlemen that raw opium has no curative value, but that it is a good palliative medicine to relieve painful symptoms in many diseases. Major Chopra, I.M.S., on special work in the Tropical School of Medicine, Dr. Muir of the same Institution, Rai Bahadur Chuni Lal Bose, late Chemical Examiner to the Government of Bengal, Lieutenant-Colonel Simpson, I.M.S., in charge of the Presidency Jail, Calcutta, Dr. K. Ahmed, Kavi-raj Gananath Sen, were all at one in holding this view. Others, however, but very limited in number, gave it as their opinion that a small quantity of opium used regularly in old age is not harmful to health and, in some cases, might be beneficial. It must, however, be used, they said, in small doses with a supply of good food and sufficient milk. Our esteemed colleague, Dr. Dutt, agrees with the majority, and the rest of us, who are laymen, feel that in view of the eminent position which these gentlemen hold in the medical world, their opinion should have the preference.

II. The medical gentlemen are unanimous in holding that excessive doses of raw opium are positively harmful. They bring about unpleasant symptoms, *e.g.*, carelessness in appearance, lowering of working capacity, loss of appetite, constipation, drowsiness, emaciation and an enfeebled moral sense and other pernicious consequences. Medical opinion is strong in the view that it should not be taken by any one without the advice of a qualified physician, Allopathic, Homeopathic, Kabiraji or Unani.

Section VI.—Smoking of opium.

I. One cause for the excessive consumption of opium in the areas under enquiry is no doubt the habit of opium smoking practised by the Chinese community, and a small number of men coming from various grades of society amongst the Indian population. A certain proportion of the total quantity of licit opium sold in Calcutta goes to meet the requirements of these addicts. Our information is that there are at least 175 dens where opium is smoked; and we visited several of them, both in the Chinese quarter of the city as well as in other areas. Amongst the Chinese population resident in Calcutta, we ascertained that opium smoking, though it is a general habit, has considerably diminished on account of education and other corrective influences, and at present it is only a minority amongst the male population which resort to this practice. Fortunately the female population are completely immune from it.

II. Amongst other classes smoking is practised to a limited extent. The habit is looked down upon as very disreputable amongst all classes of Indian society and is not resorted to except in the strictest secrecy. We are informed that Government have already decided to take legal measures to check the practice further, and we accordingly refrain from making any observations on the subject, except that in dealing with the question the requirements of present addicts specially amongst the Chinese community should be borne in mind. While we would unequivocally condemn any legalising of the manufacture and sale of preparations of opium for smoking, we would not object as a temporary measure to special steps being taken for the *supply of such preparations as are necessary to meet the requirements of the permanent addicts amongst the Chinese population under adequate supervision of Government*. Having said this, we recommend that as soon as practicable, all opium smoking dens in Calcutta and in the neighbouring industrial areas should be legally suppressed and opium smoking be made penal.

Section VII.—Smuggling of opium.

This has been shown to be serious by the evidence placed before us. The amount of illicit opium captured and the considerable profits obtained suggest a large smuggling trade between several places in the Rajputana States, and parts of Northern India and countries beyond British India. We understand that the Government of India are already taking steps to deal with the evil at its source, and we are convinced that this is the only way in which this illicit traffic can be successfully combated. As soon as the area of cultivation in British India and the Indian States has been restricted to the need that may be regarded as legitimate, most of the smuggling difficulties will disappear.

Section VIII.—Remedial measures.

In the previous sections, we have described the evils that have to be coped with. In the present section we propose to indicate the remedial measures. In doing so, it has to be kept in mind that the

subject should be differently dealt with as regards present addicts and addicts of the drug in future. We have made it clear in the preceding paragraphs that the evil of excessive consumption is due to (i) the consumption of heavy doses of opium by a large number of addicts and (ii) the heavy demand for opium required for smoking specially in the Chinese quarters of the city.

In considering the measures necessary to effect a gradual reduction of consumption amongst the addicts of heavy doses, it has to be remembered that a sudden reduction may lead to undesirable consequences in various directions, *e.g.*, increase in illicit traffic, a resort to more dangerous and pernicious drugs, as well as possible use on an extended scale of morphine or other extractives in various forms. At the same time, we are convinced that the use of opium can be gradually reduced without any danger to life and in many cases with very beneficial results.

Keeping these facts in view, we would recommend the following steps for action:—

(1) The limit of sale and private possession of opium should be reduced from 1 tola in Calcutta and 2 tolas in Serampore and Barrackpore to 12 grains, except as regards addicts who obtain a permit on application to the department but without any medical examination or certificate, for purchase and possession of quantities not exceeding $\frac{1}{2}$ tola (90 grains). The limit of 12 grains has been suggested because it will best facilitate departmental action, and, at the same time, be sufficient to meet the needs of those consumers who desire to purchase 2 or 3 days' supply at one time. We recognise, however, that medical opinion considers a daily dose of more than 5 or 6 grains as obviously harmful.

(2) The limit of retail sale and private possession should be reduced from 3 tolas (540 grains) to 1 tola (180 grains) throughout the Presidency, with a view to a further reduction to $\frac{1}{2}$ tola (90 grains) after a certain period. This is essential as otherwise the evil result of consumers going abroad for their supplies would ensue. We are convinced that the reduction to 180 grains would not cause any inconvenience to moderate consumers in the rural areas in the Presidency.

(3) The issue of permits to present addicts of quantities in excess of 12 grains per diem should be undertaken and completed by the department within a period of 6 months after the issue of Government orders.

(4) After the issue of permits to the present addicts of heavy doses of opium has been completed, no one should be allowed to have a permit giving possession of any quantity of opium in excess of 12 grains in the area under enquiry without the certificate of a qualified or recognised medical practitioner.

(5) After the heavy consumers have obtained permits, the price of opium should be gradually enhanced.

(6) The retail price in the rest of the Presidency should be made and kept uniform with the price in the area under enquiry. If there are no difficulties from an administrative point of view, we would also recommend that a heavier price should be fixed for quantities in excess of 12 grains, after the issue of permits has been completed.

(7) Government should take lease of premises where the drug is sold, and employ licensees paid by fixed salaries, instead of licensees who are remunerated on a commission basis on the quantity of sales, reducing the number of shops wherever feasible. We have examined some licensees who are conducting these shops at present and recognise that they endeavour to run their business properly, but the increase of profit with an increase in sales is a factor which, in our opinion, should be eliminated in the case of the sale of this drug.

(8) After the above recommendations have been successfully put into effect, we consider it desirable that steps should be taken for the issue of permits to the consumers of 12 grains and under, with a view to prevent them from gradually increasing their doses and to deter new recruits to the habit, except under medical advice. We admit that a system of issue of permits to small consumers of 12 grains and under, in future, may interfere with the liberty of individuals, but not more so than in the restriction put on other dangerous drugs, and, from what we have learnt in the course of our enquiries, it appears desirable that in time, consumers of small doses as well should be given permits, and that no opium should be sold to a new consumer in a poisonous dose.

(9) Treatment centres may be encouraged where addicts may have proper advice and free medical aid.

(10) Non-official organisations for social service should be encouraged to undertake propaganda work to point out the evils of the habit of opium taking. The public should take part in a campaign of education and persuasion if Government's administrative restrictions are to succeed.

(11) The authorities of the mills and other industrial concerns should be requested to initiate measures for the better care of the children of the labourers while they are at work. In this connection the *crèche* system will perhaps be found to be most convenient.

(12) As the reduction of consumption is secured, there should be a steady decrease in the number of shops for the retail sale of opium especially in urban and industrial areas. In industrial areas shops should be placed at least $\frac{1}{2}$ a mile away from all mill and factory gates, and there should be a gradual reduction in the total amount of the drug to be sold throughout the Presidency.

Sd. J. N. ROY.

Sd. HARIDHAN DUTT.

Sd. HERBERT ANDERSON.

Sd. S. K. RAHA.

Statement showing the incidence of consumption according to population.

Name of special area.	Population as per census of 1921.	Number of shops in 1926-27.	Consumption in 1926-27.	Consumption per 10,000 population (per annum).	Consumption per annum per capita.	Consumption per annum per capita in accordance with the standard indicated by the Secretary of State.
Calcutta Excise district.	1,295,774	41 (one shop abolished from April 1927).	Beers. 11·097	Beers. 85·6	Grains. 123·3	Grains. 43·2
Barrackpore Industrial area.	318,581	20	1·588	49·3	73	....
Serampore Industrial area.	135,163	12	1·169	86·5	124·5	....

Statement showing the jurisdiction, size and population of the areas under enquiry.

Name of area under enquiry.	Names of municipalities included in each area.	Area in square miles.	Population.					Belonging to other religions.
			Total.	Male.	Female.	Hindu.	Musalman.	
Calcutta Excise district ..	(1) Calcutta Corporation (2) Howrah (3) Bally	56.91	1,295,774	867,984	427,790	918,426	316,859	60,489
Barrackpore area ..	(1) Kanchrapara (2) Halisahar (3) Naihati (4) Bhatpara (5) Garulia (6) North Barrackpore (7) Barrackpore (8) Tittagarh (9) Khardah (10) Panihati (11) Kamarhati (12) Baranagar (13) North Dum Dum (14) South Dum Dum (15) Barrackpore Cantonment (16) Dum Dum Cantonment	52.09	318,581	211,053	107,528	231,219	80,882	6,480
Serampore area ..	(1) Bhadreswar (2) Champdany (3) Baldysbati (4) Serampore (5) Rishra-Konnagar (6) Kotrung (7) Uttarpara	15.70	185,163	85,573	49,590	110,293	23,980	800

III

Statement showing the population of Calcutta and suburbs including the town of Howrah distributed according to nationalities.

Census of 1921.

Nationality.	Total.	Male.	Female.
Chinese	3,619	3,033	586
Ooriya	61,570	58,345	3,225
Punjabi	3,091	2,548	543
Bengalee	707,204	426,406	280,798
Assamese	240	185	55
Tamil	2,011	1,190	821
Telegu	4,735	2,137	2,598
Japanese	363	310	53
People from Behar and United Provinces ..	492,208	359,526	132,682
Europeans	31,262	31,386	21,035
Others	21,159		
Total	1,327,547	885,129	442,418

(The above statistics relate to the population of the present Corporation of Calcutta and the Municipality of Howrah, as well as the Municipalities of Tollygunge and South Suburbs in the 24-Parganas district, but do not relate to the population in the Municipality of Bally.)

IV

Additional information about industrial concerns and population of the areas under enquiry.

I.—Calcutta area (information based on the Census Report of 1921)—

Total number of skilled and unskilled labourers	198,907
Day labourers and coolies	97,853
Beggars and vagrants	10,982
Places of origin of the labourers—	
Bengal	62,812
North Behar	19,169
South Behar	35,748
Chota Nagpur	3,402
Orissa	30,532
United Provinces	40,755
Madras	1,910
Other parts	4,045
Outside India	474
Number of industrial concerns	1,007
Number of operatives employed in the above concerns	154,890
Number of railway season ticket-holders in 1920-	291,463

II.—Barrackpore area—

Number of factories registered under the Factories Act	..	118
Number of operatives employed therein	..	179,359

III.—Serampore area—

Number of factories registered under the Factories Act	..	29
Number of operatives employed therein	..	61,191

V (a)

Statistics showing Opium Sale per Ward in the city of Calcutta.

Name of the Ward.	Ward number.	Population of the Ward.	Names of shops in each Ward.	Approximate number of daily customers in each shop.	Sales in each shop and total sales in the Ward monthly.	Total annual sales in each Ward.
					Srs. Cha.	Srs. Cha.
Shampukur ..	I	57,006	10, Galiff's Street ..	275	14 12	} 614 4
Kamartully ..	II	33,984	85-1, Grey Street ..	1,000	36 7	
Bartola ..	III	61,183	267-2-3, Upper Chitpur Road.	1,000	38 15	} 467 4
Sukea Street ..	IV	55,372	148, Manicktola Road	500	20 0	
Jorabagan ..	V	52,573	No shop.	800	35 13	} 429 12
Jorasanko ..	VI	57,276	372, Upper Chitpur Road.	900	37 10	
Barabazar ..	VII	32,959	31, Manicktola Street	2,000	105 8	} 2,834 4
			224, Harrison Road ..	974	55 0	
			169-E, Harrison Road	850	54 15	
			108, Khangra Patty	400	20 12	
Colutola ..	VIII	38,510	11, Parsi Church Street	400	12 1	} 870 12
			21, Harinbari Lane ..	1,200	60 8	
Muchipara ..	IX	69,670	213, Bowbazar Street	525	21 6	} 670 8
			86, Upper Circular Road.	800	34 8	
Bowbazar ..	X	27,110	159/A, Bowbazar Street	No shop.		
Paddapukur Road ..	XI	32,638	No shop.			
Waterloo Street ..	XII	7,106	No shop.			
Fenick Bazar ..	XIII	26,111	18, Corporation Street	600	27 15	} 527 4
			40, Wellesley Street ..	360	16 0	
Taltola ..	XIV	31,664	No shop.			
Kalina ..	XV	11,747	No shop.			
Park Street ..	XVI	3,776	No shop.			
Bamun Basti ..	XVII	3,147	No shop.			
Tangra ..	XVIII	4,283	No shop.			
Entally ..	XIX	47,842	30, Convent Road ..	550	26 1	} 312 12
Beniapukur ..	XX	35,543	35, Karaya Road ..	525	13 8	
Ballygunge ..	XXI	50,864	No shop.			} 162 0
			1, Chandra Nath Chatterjee Street.	650	32 9	
Bhowanipur ..	XXII	57,378	92, Kalighat Road ..	800	32 2	} 782 8
			20/10, Gopainagar Road.	200	9 0	
Alipore ..	XXIII	22,184	No shop.			} 108 0
			26/1, Watgunge Street	300	13 0	
Ekbalpur ..	XXIV	31,420	145, Circular Garden Reach Road.	1,000	38 7	} 617 4
Watgunge and Hastings.	XXV	34,479	267, Patarpur Road ..	100	3 0	
Garden Reach ..	XXVI	45,567	Mudially ..	400	20 13	} 324 12
			Bartola ..	100	3 4	
Tollygunge ..	XXVII	50,854	3/1, Gariahat Road ..	150	5 0	} 60 0
Belaghata ..	XXVIII	67,372	3, Belaghata Main Road.	525	11 15	
Manicktola ..	XXIX	..	No shop.			
Belgachia ..	XXX	..	No shop.			
Satpukur ..	XXXI	..	26/1, Barrackpore Trunk Road.	150	5 9	} 66 12
Cosaiipur ..	XXXII	56,474	22, Cossipur Road ..	150	5 9	

V (b)

Statement showing Opium Sale per Ward in Howrah and Bally towns.

Name of the Ward.	Ward number.	Population of the Ward.	Names of shops in the Ward.	Approximate number of daily customers in each shop.	Sales in each shop and total sales in the Ward monthly.	Total annual sales in each Ward.	Remarks.	
					Srs. Ch. T.	Srs.		
Howrah	I	18,097	140, Old Ghusari Road	85	4 13 0	58	There is no name of any Ward.	
	II	4,480	17, New Ghusari Road	350	9 1 1½	109		
	III	11,748	.....	.....	.....	.....
	IV	24,331	335, Grand Trunk Road.	450	12 1 1½	145		
	IV	24,980	22, Cullen Place	300	12 14 0	155		
	VI	24,194	6/4, Grand Trunk Road	450	13 9 0	163		
	VII	23,985	1, Narsing Dutt Road	250	8 1 1½	97		
	VIII	31,484	92, Grand Trunk Road	1,180	30 0 0	360		
				56, Rajnarayan Chowdhury Ghat Road.	300	13 4 0		159
		IX	10,958
	X	8,710	172, Circular Road ..	125	4 2 8	50		
	E.I.R.	4,256	.....	.....	.....	.....
	B.N.R.	2,325	.....	.....	.....	.....
Bally ..	I	8,450	58, Hooghly Road ..	275	9 1 1½	109		
	II	5,571	.....	.....	.....	.....
	III	2,935	.....	.....	.....	.....
	IV	6,253	.....	.....	.....	.....

VI

Issue figures of opium.

Year.	District of Calcutta.	Average retail price per seer in Calcutta.	Industrial area.			
			Seram- pore.	Average retail price per seer in Seram- pore.	Barrack- pore.	Average retail price per seer in Barrack- pore.
	Seers.	Rs. AS.	Seers. *	Rs.	Seers.	Rs. AS.
1912-13 ..	21,175	47 8 to 53 0	1,231	55	1,679	63 8
1913-14 ..	21,268	55 0 to 62 0	1,188	67	1,662	74 0
1914-15 ..	20,380	72 0	1,155	71	1,465	80 0
1915-16 ..	15,752	80 0	1,086	82	1,647	92 0
1916-17 ..	12,517	92 0	942	91.	1,463	99 0
1917-18 ..	12,541	94 0	942	105	1,338	104 0
1918-19 ..	12,330	104 0	982	104	1,359	104 0
1919-20 ..	12,504	104 0	1,020	104	1,495	104 0
1920-21 ..	12,996	104 0	1,081	120	1,627	120 0
1921-22 ..	12,885	117 0	1,127	123	1,627	120 0
1922-23 ..	13,036	124 0	1,123	130	1,591	130 0
1923-24 ..	12,274	130 0	1,173	130	1,576	130 0
1924-25 ..	11,915	130 0	1,205	130	1,657	130 0
1925-26 ..	11,545	130 0 150 0	1,181	130 150	1,581	130 0 150 0
1926-27 ..	11,097	(1-9-1925) 150 0	1,109	(1-9-1925) 150	1,588	(1-9-1925) 150 0

VII

Statement giving information about packets sold in the area as obtained from the records kept by the vendors.

Denomination of packets and retail price.	Calcutta area.		Barrackpore area.		Serampore area.	
	Daily average number.	Weight represented.	Daily average number.	Weight represented.	Daily average number.	Weight represented.
(a) 1½ grains at 1 pice	6,596	54.9 tolas (.7 seers)	496	4.1 tolas	492	4.1 tolas.
(b) 3 " at 2 "	6,887	106.5 " (1.3 ")	707	11.9 " "	747	12.5 " "
(c) 6 " at 1 anna	6,738	224.8 " (2.8 ")	771	25.7 " "	810	27 " "
(d) 12 " at 2 annas	2,694	170.5 " (2.2 ")	501	33.9 " "	389	25.9 " "
(e) ¼ tola at 3½ "	3,628	453.3 " (5.7 ")	575	71.8 " "	462	57.8 " "
(f) ½ " at 7½ "	2,147	536.8 " (6.7 ")	311	77.7 " "	199	49.8 " "
(g) ¾ " at 15 "	782	391 " (4.9 ")	135	67.5 " "	77	38.5 " "
(h) 1 " at Rs. 1-14	361	361 " (4.5 ")	42	42 " "	25	25 " "
(i) 2 tolas at Rs. 3-12	..	..	4	8 " "	1	2 " "
Total ..	29,833	28.8 seers	3,542	4.3 seers	3,202	3 seers.

1 tola = 180 grains.
 1 seer = 82.28 lbs.
 1 seer = 80 tolas, or 14,400 grains.
 1 rupee = 16 annas.
 1 anna = 4 pice.

VIII

Statement showing the particulars of the purchasers of opium in the Calcutta area as obtained from the records kept by the vendors.

Classification.	Calcutta area.	Remarks.
A.—Daily average number of consumers ..	23,258	
(a) Male	19,598	
(b) Female	3,660	
B.—Daily average number of consumers purchasing 12 grains and in excess ..	8,518	Information under the head "B" is only as regards consumers purchasing packets containing 12 grains or any quantity in excess.
I.—Residence—		
(a) Calcutta	7,756	
(b) Outside Calcutta	762	
II.—Approximate age—		
(a) Below 40	2,398	
(b) 40 and upwards	6,120	
III.—Reasons adduced for consumption—		
(a) Disease	8,148	
(b) Intoxication or pleasure	294	
(c) Antidote to liquor habit	43	
(d) Administration to children	33	
IV.—Nationalities—		
(a) Bengalees	5,443	
(b) Ooriyas	1,407	
(c) Other nationalities, including Chinese, Sikhs, Hindusthanis and others	1,668	

Statement showing the particulars of the purchasers of opium in the Barrackpore and Serampore industrial areas as obtained from the records kept by the vendors.

Classification.	Barrackpore.	Serampore.	Remarks.
Daily average number of consumers	2,676	2,328	
I.—Residence—			
(a) Living within Municipalities	2,513	1,998	
(b) Living in villages	163	330	
II.—Approximate age—			
(a) Below 40	928	717	
(b) 40 and upwards	1,748	1,611	
III.—Reasons adduced for consumption—			In the records of the Barrackpore area, reason for consumption was obtained in regard to only purchases of 12 grains and in excess.
(a) Disease	1,284·9	2,218	
(b) Intoxication or pleasure	74·5	43	
(c) Antidote to liquor habit	1·9	34	
(d) Administration to children	15·7	33	
IV.—Nationalities—			
(a) Bengalees	1,493	1,671	
(b) Oorias	377	254	
(c) Hindusthanis	622	293	
(d) Bilaspooris	17	39	
(e) Madrasis	128	65	
(f) Other nationalities	39	36	

X

List of gentlemen who gave oral evidence before the Committee.

I—Public Gentlemen.

1. Sir Deba Prasad Sarbadhikari, Kt., C.I.E.
2. Unsad-Dawla, Esq., Deputy Mayor of the Calcutta Corporation.
3. Rai Fanindra Lal De Bahadur, representing the Indian Association.
4. Mr. H. M. Bose, Bar.-at-law, representing the Indian Association.
5. Mr. K. C. Roy Chaudhury, Member, Legislative Council.

II—Medical Gentlemen.

6. Rai Bahadur Chunilal Basu, M.B., I.S.O., C.I.E., F.C.S.
7. Major R. N. Chopra, I.M.S., School of Tropical Medicine.

8. Dr. E. Muir, School of Tropical Medicine.
9. Rai Bahadur Satish Chandra De, M.B., Superintendent of the Sree Vishūdananda Saraswati Marwari Hospital.
10. Captain Dabiruddin Ahmed, Teacher, Campbell Medical School.
11. Dr. P. K. Banerjee, L.M.S., Vice-Chairman of the Howrah Municipality.
12. Dr. Santiram Chatterjee, L.M.S., representing the Indian Association.
13. Dr. Anukul Chandra Basu, Medical Officer of the Nadia Jute Mills.
14. Dr. Jitendra Nath Banerjee, Medical Officer of the Kankinara Jute Mills.
15. Dr. S. P. Ganguly, Medical Officer of the Victoria Jute Works, Telinipara.
16. Dr. Nalini Kanta Chatterjee, Medical Officer of the Wellington Jute Mills.
17. Dr. K. Ahmed, L.M.S.
18. Mahamahopadhyaya Kabiraj Gananath Sen, M.A., L.M.S.
19. Hakim Abul Nateq.

III—Medical Officers attached to Jails.

20. Lieut.-Colonel N. S. Simpson, I.M.S., Superintendent of the Presidency Jail, Alipore.
21. Dr. Dharendra Nath Sen, L.M.S., Medical Officer in charge of the Alipore Central Jail Hospital.

IV—Excise Officers.

22. Babu Gunendra Nath Roy Chowdhury, Superintendent of Excise and Salt, Calcutta.
23. Maulvi Afazuddin, Superintendent of Excise and Salt, Calcutta.
24. Babu Bimal Krishna Basu, Inspector of Excise and Salt, Calcutta.

V—Police Officers.

25. Babu Purna Chandra Mukherjee, Inspector of Police, Calcutta.
26. Babu Shaheb Bux Sing, Inspector of Police, Calcutta.
27. Babu Sachindra Nath Mukherjee, Inspector of Police, Serampore.
28. Babu Ram Sarup Pathak, Sub-Inspector of Police, Barrackpore.

VI—Licensed Opium Vendors.

29. Rai Saheb J. N. Mitter, Licensee of No. 145, Circular Garden Reach Road Opium Shop.
30. Babu Dharendra Nath Roy, M.Sc., Licensee of No. 213, Bowbazar Street Opium Shop, Calcutta.
31. Babu Nirranjan Maitra, B.Sc., Licensee of the Rishra Opium Shop, Hooghly.

VII—Respectable persons who are in the habit of taking raw opium.

32. Rai Saheb T. D. Kumar, Merchant, Calcutta.
33. Babu Bijoy Krishna Mukherjee, M.A., Hardware Merchant, Calcutta.



REPORT

OF THE

Committee on Co-operation in Burma

1928-29

3



Rangoon

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RESOLUTION

ON THE

Report of the Committee on Co-operation in Burma

For the Year 1928-29.

Extract from the Proceedings of the Government of Burma (Ministry of Forests)
No. 1820, dated the 23rd July 1929.

READ—

The Report of the Committee on Co-operation in Burma for the
year 1928-29.

RESOLUTION.—The Government of Burma have had under consideration for some time past the Report of the Committee on Co-operation in Burma. The Report, for which Government are greatly indebted to the Committee, is the result of as thorough an examination of the position of the co-operative movement in Burma as was possible in the time available and the Committee's conclusions are set forth ably and clearly.

The present condition of the movement is indicated by the fact that out of 3,800 primary agricultural societies no less than 1,400 are in liquidation. The principal causes of this state of affairs are summarised in paragraph 10 of the Report. First and foremost must be mentioned the failure of the Union System. The conception of a supervising and guaranteeing Union was a bold one, and had the Unions achieved the work for which they were designed the co-operative movement in Burma would have been in a very healthy condition and greatly superior to a movement supervised by a large staff of Government Officials. But clearly the Unions have failed and it is evident that the experiment was premature: They suffered from an inherent weakness, as was pointed out by an earlier Registrar, in a characteristic of the Burmans, namely a certain delicacy in dealing with the faults and misdemeanours of their neighbours. 'The members,' it was said, 'are as a general rule perfectly well aware of what is wrong and sincerely anxious that it should be put right. But they shrink from the unpleasantness that

must necessarily accompany the ousting of an unsatisfactory Union or society official or the ejection or suing in a civil court of a recalcitrant member, and prefer to put up with maladministration or malpractices in the hope that one of the Government staff may one day come and put things right.¹

Another of the main causes of the present position is found by the Committee in the failure to train an efficient staff to support the Registrar. It is to be remembered in this connection that the lack of higher education in Burma among the class from which the subordinate Government staff and the audit staff had to be drawn militated against the recruitment of a body of men sufficiently well-equipped to carry out the directions of the superior supervising staff in an intelligent manner, and also that war conditions necessitated the cutting down of the superior staff at a time when the rate of expansion was at its highest and resulted in a situation in which the Registrar's direct control had largely to be abandoned. Yet another main cause of failure lies in the fact that unsatisfactory Societies were not dealt with promptly. Government agree with the Committee that action should have been taken earlier to disregister Societies that did not repay their debts and to secure the speedy liquidation of the Societies actually disregistered. The reasons why bad Societies were not disregistered more promptly lay first in the policy of the Department followed down to a very recent period that the safest way of recovering a loan from a weak society was to "nurse" it, and secondly in the paucity of the official staff. In those Districts of Upper Burma which suffered from a sequence of bad seasons between 1918 and 1924 the officers of the Department had much sympathy with the position of honest Societies and persisted for years in hoping for a good season which would enable the Societies to get their heads above water again. Meanwhile the assets of the members of such Societies steadily and inevitably disappeared and in very many cases nothing was left when liquidation was finally resorted to. Delays in carrying out liquidation similarly resulted in the melting away of assets and also encouraged neighbouring Societies, who saw that liquidation involved no ill effects, to follow the downward path. The problem of securing speedy liquidation of disregistered Societies was under constant examination by the Department and many experiments were tried before it became clear that the only reasonably satisfactory machinery for liquidation is the official staff. In the opinion of Government the wholesale demoralization of Societies which made itself so apparent from 1924 onwards was largely due to this failure, for whatever reasons, to deal adequately with Societies which had been in an unsatisfactory condition for a prolonged period. The Committee consider that failure of the co-operative credit system may be attributed in part to the series of bad harvests in Upper Burma between 1918 and 1924 and in this opinion Government concur. It is to be noted that about 90 per cent. of the losses of the Burma Provincial Co-operative Bank, Limited, will be in respect of

Societies in Upper Burma and that the estimated loss from Societies in the Sagaing District, concerning which the Committee note that "it is difficult to see from what source any recovery of loan was possible after 1920-21," exceeds 10 lakhs or almost one-fourth of the Bank's estimated total loss.

2. In the course of their report the Committee express some doubt whether Co-operative Societies dependent as they are on a spirit of self-help and mutual interest are really suitable to the people of Burma but their final conclusion is that the Government are justified in persevering in the attempt to create a sound well-controlled system of rural credit. The objects to be aimed at are summarised in the first three Recommendations in the Summary of Recommendations at the end of the Report. The first object should be to build up an organized system of co-operative banking (including co-operative land mortgage) in order that it may become eventually the main source of rural finance. At the same time there is required a co-operative organization for securing better methods in all the business transactions (apart from credit) of the rural classes including more economical provision of the requisites of their agriculture and the more profitable disposal of the profits of their labour. In this branch of work close touch must of course be maintained with the Agricultural and Veterinary Departments. And finally it should be a definite part of the Department's objective to bring about a better standard of living in rural areas by attacking the apathy and ignorance of the rural population, by educating them up to acceptance of the measures advocated by the Departments of Education and Public Health, and generally by organizing public opinion against habits and customs tending to hinder economic progress and to lower the standard of health. The Government are in general agreement with the views of the Committee as stated in these Recommendations.

3. It would not be convenient in this place to discuss all the criticisms made and the changes proposed in the 309 recommendations summarised at the end of the report. The general effect, however, of the recommendations is that a system closely modelled on that which is being carried on with so much enthusiasm in the Punjab is recommended for adoption in Burma. That system involves close control by the Government officers of the Department, and the controversial question of the proper limits of Government intervention in the business of co-operative societies arises.

4. When the first legislation to establish co-operative societies in India was introduced in India in 1903 it was explained that extensive powers were being given to the Registrar in order to secure that the privileges given by the new legislation should not be taken advantage of by bogus societies. The Registrar for the first few years at least would be

constantly visiting societies : but as a friendly adviser rather than as an inspecting officer. " As experience is accumulated and the societies gain strength and are able to stand alone, and as their numbers multiply, the 'dry-nurse' element will disappear from his duties, which will become more purely official." In reviewing progress however ten years after the passing of the first Act the Government of India declared their opinion that it is necessary that Government, through their own and the societies' staff, should continue the co-operative education of the societies long after they are registered, and pointed out that supervision by Government officers has an important effect in attracting public confidence. But at the same time the Government of India declared that a co-operative movement must in its essence be a popular one, that nothing should be done to weaken the feeling among co-operators that it is based upon self-reliance and independence, and that Government therefore must not allow co-operation to become an official concern managed by State establishments. The recommendations of the Committee on Co-operation in India, 1915, were in accordance with the opinions which the Government of India expressed in 1914. In so far as the recommendations in the Report of the Committee on co-operation in Burma are in accord with these authorities Government accept them generally. The recommendations for extending the intervention of Government officers in the financial business of co-operative societies and banks however needs further consideration. In recommendations 55, 56, 61, 62, it is proposed that the applications of primary societies for loans should be forwarded to Central Banks through Junior Assistant Registrars (now called Co-operative Myoóks), presumably for their advice and recommendation ; and in paragraph 25 it is recommended that the Government staff " should attempt to advise the financing body " as to whether the " maximum normal credit limit " of societies is reasonable or not.

5. When the first co-operative credit societies were formed under the Co-operative Societies Act, 1904, in Burma, as in other provinces, the Provincial Government offered loans equal to the amount of the share capital and deposits which the society was compelled to collect. Local deposits were not at first forthcoming and the amount subscribed by the members as shares plus an equal amount as a Government loan was not sufficient for the society's needs. The early Registrars, therefore, sought for deposits from outside the locality. They were obtained at first from Government officials and private persons—for the most part, Europeans—resident in Burma. A firm of solicitors through whom many such deposits were obtained, then became a regular agency for placing such deposits with co-operative societies on the recommendation of the Registrar. Finally in 1910 the Upper Burma Central Bank was established with one of the firm of solicitors as its first manager. For some time the bank continued to issue loans on the requisition of the

Registrar, but in 1915 a change was introduced by Mr. English who had been a member of Maclagan Committee on Co-operation, 1915. The new system described in one of Mr. English's circulars provided for the partial withdrawal of the Registrar from intervention in the financing of societies and for the Central Bank to take the responsibility in issuing loans on the advice of the unions which were declared responsible for assessing the credit of affiliated societies, for sanctioning borrowings by societies, enforcing proper repayment both to the Central Bank and other depositors and for making forecasts of repayments and requirements to guide the Central Bank and the Registrar. "The Registrar," the circular says, "will fix the maximum borrowing capacity of each society once a year for the 12 months ahead. The Central Bank will, within the limits so fixed, allot cash credits to unions once a year for 12 months ahead." The circular says that the Central Bank will, in consultation with the Registrar, allot a cash credit to the union after considering the funds at its disposal. The societies were required to estimate before each harvest the repayments they could make to the Central Bank and these estimates were required to be approved by the union. After making the repayments so promised the society was permitted to indent upon and deal direct with the Central Bank merely sending its indents through the union committee to assure the Central Bank that signatures, etc. were in order. The Central Bank was enjoined to take no notice of indents on the cash credit in the case of societies which had not repaid the amount fixed by the union. The Central Bank might also, for shortage of funds or other good reason, refuse to comply with an indent; but if it so refused, it was to inform the union of its reason. It continued to be the aim of the Department that the Registrar and the officers of the Department should gradually withdraw from all intervention between the primary societies and the Central Bank in business relating to financing. The unions were regarded as local agents for the Central Bank which would supply local information about the borrowing societies and would back such information with a guarantee. At a later time, when some District Central Banks had been formed, in order to prevent the Central Banks relying upon the maximum borrowing limits fixed by the Department and neglecting other means of assessing credit, the fixing of borrowing limits was discontinued for societies dealing with Central Banks in Lower Burma. The Provincial Bank, however, had been originally created by the Department, its officers were recruited and other appointments sanctioned by the Department: and it is evident that the Bank continued in spite of the attempts to establish an improved system in which the Bank should not rely upon the Registrar, to depend upon the Department both for assessing the credits of the primary societies and for recovering the loans.

6. The Provincial Bank, which was founded in 1911, has been working at a loss for several years owing to the failure of many primary

societies to pay even the interest on their loans. The Bank has now exhausted its cash resources, strong though it was in that respect, and there is no prospect of restoring its solvency save by a direct Government grant. Government in consideration of the relations of the Bank to the Department, which have been described above, felt obliged to come to the assistance of the Bank temporarily by guaranteeing an overdraft with the Imperial Bank, and have now decided to accept responsibility for making good the deficit of the Bank's assets required to repay the depositors. The cost to Provincial revenues is estimated at about 30 lakhs. Government consider that the interests of the co-operative movement will be best served by not putting the Bank into liquidation but by allowing it to wind up gradually its affairs as an "apex" Bank for Burma. The alternative course mentioned by the Committee of putting the Bank into liquidation with a guarantee by Government for the repayment of deposits would involve approximately the same cost to Provincial revenues.

It is clearly necessary that Government should take precautions about the effectiveness of which there can be no doubt against any recurrence of such entanglement on their part in the financial liabilities of co-operative institutions. They desire to lay it down clearly therefore that the primary functions of the Co-operative Department are education (Recommendation 4), supervision (Recommendation 16) and control of audit to the extent stated in Recommendation 26. They entirely agree with the principle stated by the Committee in paragraph 64 that the financing agencies must be entirely responsible for loans, deposits and internal working. A more controversial point is raised when the Committee proceed to recommend that the Co-operative staff should attempt to advise the financing body whether the maximum normal credit limit of a society is reasonable or not in view of rural conditions and that applications for loans other than crop loans should be submitted through the Junior Assistant Registrar. The suggestion of course is that though the responsibility for granting a loan must rest entirely with the financing agency, the advice of the Co-operative staff should be at the disposal of the financing agency. As at present advised however though they have not yet arrived at a final conclusion, the Government are disposed to feel that even the giving of official advice as to the granting of loans would weaken the Bank's sense of responsibility and might end in placing the Department in much the same relation to the financing agency as that in which it was involved in the case of the Provincial Bank, and provisionally they are of opinion that Recommendations 55 and 56 should not be accepted.

8. Another important matter which requires special consideration is the objects and periods for which loans should be granted by the primary agricultural credit societies. The Committee in Chapter II of the Report appear to take the view that co-operative credit was started

in this Province without special enquiry directed to discover whether there was any particular need for better credit facilities, that when the work was begun it was found that there was reason to doubt whether in fact there was any need to provide the cultivators in Upper Burma with advances for cultivation, and that accordingly prior debts were transferred to the societies. The Committee say that the result in this Province has been that an excessive proportion of the working capital has been locked up in loans for the repayment of prior debt. That, after the matter of control by the Department, appears to be one of the most fundamental faults which the Committee have found in the agricultural co-operative credit system in Burma. The Committee are not unanimous as to the way in which this fault should be corrected. The minority are of opinion that in future only "crop loans" should be given to the members of agricultural credit societies. By "crop loans" (or A loans) is meant loans repayable in full out of the proceeds of the harvest in a normal year : and such loans are to be given only for the current expenses of cultivation. In their minute of dissent the minority express the views that the frequency of years of disaster in certain Upper Burma Districts is so great that, unless the societies in these districts can in favourable years provide a sufficient margin for years of disaster—in the form of investments in Government securities or deposits in Post Office Savings Banks—then co-operative credit, even when restricted to crop loans only, "is not a practicable proposition and had better be dropped." They recognise that loans for the replacement of cattle cannot ordinarily be repaid in full at the next harvest. To meet this difficulty their proposal is that the members should make monthly savings deposits and that the depositors should be allowed to withdraw their savings, and if necessary to overdraw their accounts, in the event of death of their cattle. The Chairman on the other hand is of opinion that a co-operative credit system such as would result from the minority's proposals, covering only a part of a cultivator's needs and leaving the rest to be met by the local money lender, will never prove successful. The attempt to separate clearly productive from unproductive expenditure, he says, has proved impossible. He quotes the example of the agricultural co-operative credit societies in the Punjab. Only about 28 per cent. of their loans are strictly for cultivation expenses, while 20 per cent. are for cattle and 24 per cent. for old debts. Crop loans, as the majority (including the Chairman) hold, should be regarded as the principal business of the societies, but "B" and "C" loans also, which are repayable in 2, 3 or 4 years, should be provided for. Even loans for the redemption of mortgage or other debt and for the purchase of land, since "it is hardly practical politics to postpone such loans until" land mortgage banks have been organized throughout the land need not be altogether prohibited. While the whole Committee agree in giving

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(5)

a most serious warning of the dangers arising from long-term loans and agrees in advising certain general safeguards, the majority, including the Chairman, are not in favour of the minority's proposal regarding investment of money by primary societies in Government Securities or deposits in Post Office Savings Banks for the purpose of providing against years of agricultural disaster, and the Chairman thinks that both the minority's scheme of monthly savings deposits for the replacement of cattle and co-operative insurance are impracticable. Government accept the recommendations of the majority of the Committee that crop loans should be regarded as the principal business of the primary agricultural co-operative credit societies, and that while B and C loans also should continue to be provided for great care should be exercised in the grant of these loans.

9. The 309 opinions and recommendations summarised at the end of the Report have been examined in detail by a committee of officers presided over by the Hon'ble Minister for Forests. The recommendations with some exceptions of comparatively small importance have been generally accepted. The Department will be directed to give effect to the recommendations of Mr. Calvert's Committee as modified by the Hon'ble Minister's Committee of officers and subject to the orders in this resolution on the subject of intervention in the financial business of societies and banks, which would involve Government in liability. Earlier liquidation of defaulting societies (which is recommended in paragraph 110 of the Report) and the acceptance of the principle (Recommendation No. 305) that a society should ordinarily be wound up on application of a creditor under section 43 of the Act as soon as it appears that the society is neglecting to pay sums due will tend to give both the central banks and the societies a sense of responsibility and to give the financing agencies more effective control, which it may be hoped will serve the purpose better in the long run than advice from Government officers on the granting of loans. The suggestion in paragraph 111 of the Report that legislation should be introduced to create an "agricultural charge" on the model of the English Agricultural Credits Act, 1898, in favour of banks is in Government's opinion of great importance for the improvement of the security for loans of the primary co-operative societies, and it will be carefully examined.

By order.

A. R. MORRIS,

*Secretary to the Government of Burma,
Forest Department.*

REPORT

OF THE

Committee on Co-operation in Burma

1928-29.

CHAPTER I.

PRELIMINARY.

1. The enquiry dealt with in this report owes its inception to the following resolution of the Government of Burma (Ministry of Forests), Agricultural Department.
Government Resolution.

" In recent years the number of co-operative societies and the number of members have ceased to expand and there has even been some decline. The primary agricultural credit societies in several districts of the Province, especially in districts where the Provincial Co-operative Bank lends directly to the primary credit societies, have fallen into arrears of interest due to the central banks and have almost ceased to make payments of principal. In consequence of these defaults, the Government has been obliged to come to the assistance of the Provincial Co-operative Bank and to increase temporarily the number of officers in the Co-operative Societies Department in order to deal with the large amount of work involved in winding up and disregistering the primary agricultural credit societies which have ceased to be credit-worthy and in order to tighten the control of Government officers over the remaining societies. Meanwhile there has been no compensating progress in other branches of co-operative business. With a view to discovering the best means to remedy the defects of the agricultural credit societies and to restore confidence in co-operative organization, the Government of Burma (Ministry of Forests) has decided to appoint a Committee to hold an enquiry and to make recommendations. Government has secured as Chairman of this Committee the services of Mr. H. Calvert, C.I.E., I.C.S., for many years Registrar of Co-operative Societies in the Punjab and more recently a member of the Royal Commission on Agriculture, and, as one of the members the services of Mr. E. P. Stocker, Agent of the Imperial Bank of India, Madras Circle, and lately a

member of the Committees on Co-operation in the Central Provinces and Madras. The other members of the Committee will be Mr. H. O. Reynolds, I.C.S., Commissioner of Settlements and Land Records, U E Pe, Chairman of the Burma Urban Co-operative Federation, and U Hla Bu, Chairman of the Yamèthin District Agricultural and Co-operative Association. U Ba Tin (2), Extra Assistant Commissioner (Co-operative Branch), will act as Secretary to the Committee.

The terms of reference are :—

- (1) to review the present condition of co-operative institutions in Burma with reference to the recommendations of the Maclagan Committee on Co-operation in India, 1915, and of the Royal Commission on Agriculture in India ; and
- (2) to make recommendations for the improvement and extension of co-operation in Burma."

The Committee assembled in Rangoon about the middle of November and held its first meeting on the 20th November 1928.

2. The Committee decided to dispense with a questionnaire which might prove misleading and instead prepared a list of points on which evidence was desired. Copies of this list were distributed and in all some 50 replies were received. The Committee spent 41 days on tour visiting 13 districts. A number of central banks, unions and primary societies were inspected and a large number of co-operators and non-official helpers were met and interrogated in detail. The affairs of the Burma Provincial Co-operative Bank were closely studied and certain information of an urgent and important nature was communicated by the Chairman to His Excellency the Governor in December. Later in Rangoon formal evidence was taken from ex-Registrars, the auditors of the Provincial Bank, and some others. Information was collected from every source from which light could be thrown on the matters under investigation ; of special interest was a visit to Dawson's Bank at Pyapôn where Mr. Lawrence Dawson explained the working of its land mortgage business.

At its first sitting the Committee decided not to print the evidence tendered, and, in consequence of this decision, only informal notes of the evidence were recorded.

We desire to thank both those who submitted written evidence and those who gave oral evidence before us for the trouble they took to assist us with information, criticism and suggestions.

CHAPTER II.

A BRIEF HISTORY.

3. In discussing the progress and results of the Co-operative Movement in any province in India, the circumstances of its inception must be steadily borne in mind. Three important points. The Royal Commission on Agriculture, after summarizing the history previous to the Act of 1904, proceed to state as follows :—

“ Three points about the new policy deserve notice. It was deliberately decided to restrict the operation of the Act to credit only, and this restriction is now recognized by all informed critics to have been a wise one.

The Act had perforce to be framed before any experience had been gained of the working of co-operative societies in India and so could only prescribe the general outlines and leave the details to be filled in gradually, on lines which experience of failure or success might indicate as best suited to each part of the country. It was left to a few officials to study the experience of other countries, and to essay the task of introducing into India an institution of a novel type. As the experiment was confined to credit, chiefly for agricultural purposes, knowledge of the essential principles of successful rural banking had to be acquired and adapted to local conditions.

There was not then available the voluminous literature on all aspects of co-operation which has since been published. Progress could only be by the process of trial and error, and, in the early stages, the leaders of the blind were themselves often amongst the afflicted.

The second point to be noticed in regard to the new policy is that it was not the outcome of any popular demand. As was the case in Japan, the new legislation was essentially the act of a Government anxious to ameliorate the conditions of the people. Public opinion sufficiently instructed to criticize or to guide had to be created. The public spirited helpers, of whom there are now such large numbers, had to be found and encouraged to come forward and assume responsibilities. In its initial stages, the movement was essentially an endeavour by the State to teach the people the advantages of organized thrift, self-help and mutual help.

The third point to be noted is that it was inevitable in the circumstances we have described, that a Government Department charged with the promotion of the new policy should be established, and that, as progress was achieved, this department should grow in numbers and importance.

From the commencement, the aim of the official staff was to instruct the community as a whole in the benefits of co-operation, and to attract, select and train individual members of it for the work of managing the new societies in accordance with co-operative principles"

We have given the above extract at length as it seems to us important to remember that it was the deliberate policy of Government that attempt should be made to strengthen the economic position of the people through the agency of co-operative institutions. This decision was based largely upon painful experience of the weakness of the economic position of the rural population as disclosed in successive periods of acute distress, sometimes amounting to famine. It is doubtful, however, if the condition of the people in Burma, or any agricultural calamity in this province or any defect in its credit system contributed to influence the Government of India in its decision. The Lieutenant-Governor of the time acted on the advice of the Honourable Mr. (later Sir Harvey) Adamson, who had been on the select committee which had dealt with the Bill, and who evinced a keen desire that Burma should enjoy whatever benefits were to be gained from the introduction of co-operative credit. There does not appear to have been any special inquiry in this province directed to discover whether there was any particular need for better credit facilities ; the need seems to have been assumed.

4. The prime object of the Act was to facilitate the establishment of organizations whereby cultivators could obtain Rural debt. on reasonable terms advances necessary for carrying on their business ; but, as is clear from the earlier reports when the Registrar began his investigations into village conditions there arose considerable doubt as to whether, in fact, there was any need to provide the cultivator of Upper Burma where the movement was started with such advances. Twenty-five years ago rural debt was not a problem demanding solution at the hands of the administration. In 1904-5, throughout the province, there was only 287 chetties assessed to income-tax and the total number of professional money-lenders must have been small. In 1896-7, when the minimum income liable to tax was as low as Rs. 500 per annum, only 563 money-lenders were assessed. The Census Report of 1901 showed only 8,929 persons supported by "banks, credit and insurance" representing probably less than 2,000 money-lenders. The village bania of India, with accounts running for generations, does not exist in Burma, where the source of credit is usually a neighbour—often himself a cultivator.

5. The figures for mortgages for the last twenty years have been Mortgages. carefully scrutinized in the hope that they might throw light on the state of secured debt in the province ; they show a great increase in numbers and in gross value.

In the quinquennium 1908-12, there were on the average about 20,000 mortgages, of which registration was compulsory, of a total value of Rs. 140 lakhs per year; while in the quinquennium 1923-27, the yearly average of mortgages was about 60,000 with a total value of Rs. 777 lakhs. The increase in number in the opinion of the Inspector-General of Registration is probably due in large measure to the growing familiarity of people with the registration procedure and its advantages, but in the present decade there is some indication that the increase of registered mortgages reflects an increase of secured debt. The average value of the mortgage deed follows the average price of paddy so closely as to preclude any other important factor.

Even if we give full weight to the figures of re-mortgaging the same land for a larger sum, the amount of credit advanced on this type of security annually is considerable.

6. The Government of Burma, having resolved to introduce co-operative credit into the province, appointed a Registrar to whom fell the duty of selecting for the experiment such places as appeared most likely to promise success. In spite of mistakes, easily understandable, considerable progress was achieved until, when the Maclagan Committee was appointed in 1914, there were 1,092 primary agricultural societies. This Committee included amongst its members the Registrar of this province, and accorded general approval to the practices followed here. Some of these have, with more use, proved unsuitable, and there is ground for the suggestion that the approval accorded has served to hinder the adoption of the Maclagan Committee's recommendations where these differed from existing practice, to stratify the procedure of 1914 and to prevent reconsideration and amendment in the light of experience since gained. The Ten Main Principles, for instance, have been retained as the basis of teaching while the excellent virile summary of co-operative credit principles contained in paragraph 3 of the Maclagan Summary Report, has been ignored. The fact that the word 'honesty' appears four times and 'thrift' six times in the summary and that neither appear in the list of 'Ten Main Principles' is significant. Similarly, the principle of 'gratuitous service' to which the Maclagan Committee attach great importance is absent from the ten points, while the general extravagance on expenses is a striking defect throughout the province. Whatever merit may attach to the 'Ten Main Points,' there can be no doubt that a large proportion of the failures in the credit movement are due to the omission to observe faithfully the injunctions contained in the Maclagan summary. Probably as a result of the fact already mentioned that the cultivators did not seem to need loans for cultivation expenses, priority amongst the objects of a society in the Ten Main Principles is given to the extinction of debt. Though the

ultimate result* of a society may be the extinction of long standing debt. Its immediate object is the substitution of controlled for uncontrolled credit and productive for unproductive debt. A sound credit system may lead to an increase of debt. This priority given to the reduction of debt is again reflected in the advice given in the leaflet on the formation of societies that efforts should be made to transfer prior debts bearing onerous rates of interest to the society at a less rate. Usually, as the Maclagan Committee advise, this is deferred to a later stage in the history of a society, but the result in this province has been that an excessive proportion of the working capital has been locked up in such loans, and, in too many cases, the sums so advanced have been beyond the capacity of the borrowers to repay within the periods allowed.

7. Another important defect which we have found running right through the record of societies from the commencement is fictitious repayments; it is ordinarily recognized that anything approaching paper adjustment in a co-operative credit society should be severely condemned, but here the practice was enjoined by the Department. Payment of first shares was to be made out of loans, the half-yearly interest was similarly to be paid out of the balance of credit available, and any portion of a crop loan not paid on the due date was to be transferred to a 'B' ledger as a fresh loan, so that the whole of the 'A' loan could be shown as repaid. From these practices, enjoined by printed leaflets, to the wholesale book adjustments of outstandings as repayments and fresh loans at the end of the year is but a stage. The practice is so general that it is difficult to resist the conclusion that chairman, union committee members, secretaries, supervisors, auditors and even the Government staff, engaged upon super-audit have regularly connived at it. We have found considerable ground for the charge that upon its perfection in the art of book adjustment depended the classification of a society as 'A' or Good.

The practice did not stop with the primary society but extended wherever there was scope for it. As will be mentioned in greater detail in its proper place, the interest due to the Provincial Bank from societies was compounded to principal and a profit shown that had never been realized; audit fees were similarly adjusted without payment in cash and the union guarantee when "enforced" was met by paper entries of no practical or moral value. How far the reserve funds in primary credit societies are composed of book adjustment is probably not now ascertainable; and similar difficulty faces any attempt to discover to what extent the heavy expenses of management in these primaries have been met from realized profits, or how far the increasing average loan per

* The chairman holds that the extinction of debt is no more the object of a credit society than it is of a commercial bank.

member reflects the greater use of the credit facilities afforded or merely the accumulation of unpaid interest. We are forced to the conclusion that the annual statements have not given an accurate account of the societies' transactions, and that the true figures for loans and recoveries have never been placed before Government and probably not even before the Registrar. As will be seen later, courageous criticism of the system and its working has been made by the Registrars, but we do not doubt that, had the true history of the year's transactions been disclosed in the returns, action would not have stopped at criticism.

In making the above observations, our aim is to make clear our opinion that the conditions we were summoned to examine have been the result in part of basic defects which have existed in the system from its earliest days.

8. Prior to the publication of the Report of the Maclagan Committee in 1915, the two most important events affecting co-operative credit were the organization of the Origin of the Provincial Bank. Upper Burma Central Urban Co-operative Bank Limited in 1910 and the introduction of the new Act of 1912. The former was founded to collect funds to finance urban and rural societies ; it was transformed into a central bank as soon as the new Act legalized such institutions.

Other central banks were founded slowly, but, with one or two exceptions showed little signs of vigour, with the result that the expansion of rural credit societies came to depend upon expansion of working capital in the Upper Burma Central Bank, until its operations came to embrace a wide area comprising many districts. In 1920, it was renamed the Burma Provincial Co-operative Bank Limited and became and has continued to be the main financing institution for rural credit societies. The dependence of so many societies, scattered over many districts, on a financing agency too distant for close contact or intimate acquaintance, stimulated the grouping of these societies into unions, which were organized to assess their credit and guarantee their borrowings. As will be shown later, the development in importance of the Provincial Bank, separated by distance from its clients, and the undue reliance upon unions designed to bridge that distance have contributed in large measure to bring about the present collapse.

9. In the first ten years (1905-14) 1,248 societies had been registered ; in the next six years (1915-20) 2,952 Expansion and decline. were registered. This rapid expansion brought its own dangers, and later reports admit that it was a source of weakness. The Registrar could no longer give personal attention to primaries and relied more and more upon the unions ; on paper progress seemed good, but while the Provincial Bank was waxing enthusiastic year by year over its repayments received and in 1920 described them as "most

satisfactory " being a record since the formation of the Bank, the auditors were already sounding warnings, calling attention to the overdue interest, the lethargy in liquidation, and the failure on the part of societies to reduce their borrowings in accordance with the orders of the Registrar.

In this year, Mr. Cooper, Officiating Registrar, disclosed in his annual report many defects in the movement but did not feel himself in a strong enough position to frame and recommend a definite remedial policy. The influence of crop outturns will be discussed later, for the present it is sufficient to say that the next year was a disastrous one owing to the failure of the monsoon, and a severe blow was inflicted on a weak movement from which it seems never to have recovered. The societies declined steadily until in 1924 Mr. Cooper again courageously called attention to the dangers threatening the system, the stagnation and demoralization in some districts, the recklessness with which loans had been advanced and the undue leniency shown in recovery, the unsatisfactory state of liquidation work and the difficulties in which the Provincial Bank found itself in consequence of these defects. Other vigorously worded reports followed, but the mischief was already done, the movement was definitely on the decline. It is to be regretted that stronger action was not at once taken. Annual reports are intended to be descriptive only and are not a proper means for obtaining orders of Government. It is more than probable that owing to the volume of fictitious repayments shown in the statements, the real seriousness of the condition of the societies was not fully disclosed even to the writers. It is difficult to resist the conclusion that if a definite policy of correction supported by true figures of cash transactions had been submitted to Government, much of the present trouble would have been avoided. We readily acknowledge that the action taken against societies in default in the years 1924-25 and 1925-26 was much in excess of anything previously attempted, but it was still insufficient to meet the urgent need of a critical situation.

10. The main causes contributing to the present crisis will appear in due

course ; here it may be said that amongst them are the expansion beyond the capacity of the Registrar to control, the failure to train an efficient staff to support the Registrar, the adoption of the alternative policy of resigning control to unions, the failure of the unions to discharge the heavy responsibilities placed upon them, the organizing of societies ahead of local financing agencies acquainted with local conditions, the difficulty in finding for the new unions chairmen competent to perform their duties, and the neglect to train them with sufficient thoroughness. There was an idea, strongly advocated by a senior member of the staff, that all would come right with patience and forbearance ; and this view weighed unduly with the Registrar. It seems to have been overlooked that in all business, and co-operation is essentially a business, there are people with whom it is

better to refuse to carry on transactions, people whose accounts had better be summarily closed, and people whose defect of character unfit them for the enjoyment of advantages open only to those who practise honesty, punctuality, diligence and thrift.

11. In view of the opinion repeatedly advanced before us that the failure of the credit system was due to the series of bad harvests, we have examined the detailed figures with some care. The general result of this examination is given in Appendix I. Curves of the outturns were plotted as described in the appendix and are very instructive. They show clearly the general incidence of years of disaster such as 1907-08, 1911-12, 1920-21 and 1923-24, and also the fact that there was an undoubted sequence of bad years from 1918 to 1923-24 which occurred with minor variations in all the districts examined. In Sagaing, the sequence has lasted for nine years with only two exceptions. In Sagaing and Meiktila, at least, the assertion that bad seasons have been responsible for the failures to repay loans has evidence to support it. Indeed, in Sagaing it is difficult to see from what source any recovery of loan was possible after 1920-21. But in Mandalay, Kyaukse, and the irrigated areas of Shwebo and Minbu, the excuse of crop failure for the omission to repay loans carries less weight. There is, however, no doubt, that there was considerable agricultural depression in the series of years with 1919-20 as centre.

12. Faced as we have been with a widespread collapse of the co-operative credit movement, we have been forced to consider whether the attempt to foster these institutions under the auspices of Government should be abandoned or whether a further attempt should be made on lines better calculated to achieve success. There is undoubtedly ground for serious doubt as to whether these little village financing institutions, dependent on the spirit of self-help and mutual interest, are really suitable to the people of Burma. If we had been satisfied that no blame for the present state of things could be ascribed to the staff, the system, the policy, the crops or to any other extraneous factors, we might have recommended that Government should withdraw from this field of effort ; but, as the present report will make clear, this is far from being our opinion.

Moreover, there are factors at work now, which were hardly noticeable when the first Registrar was appointed but which seem to us to require careful watching in view of their potential economic and political significance. That agricultural land is passing into the hands of non-agriculturists is well known. This problem has already received considerable attention from the Local Government. In some provinces such a process would be viewed with alarm, but the subject concerns us here only in so far as it seems to call for such remedy as co-operative action may render possible. Another factor, now rapidly assuming

importance, is the growth of moneylenders both in number and wealth. In the last three census reports, the population supported by banks, credit and insurance, has been returned as follows :—In 1901, 8,929 ; in 1911, 17,345 ; in 1921, 22,210. Of the persons engaged in these pursuits in 1911, 63·7 per cent. appear to have been Burmans (returned as Buddhist) and 27·9 per cent. as Indians ; in 1921, the figures are given somewhat differently, but roughly it may be said that 60·3 per cent. were Burmans, and 37·2 per cent. Indians. Thus although the number of Burman moneylenders has increased considerably, this increase is far exceeded by that of Indians.

The income-tax returns carry the increase further. In 1927-28, 1,587 Chettyars were assessed on an estimated total income of over three crores ; 1,315 other moneylenders were assessed on an estimated total income of 65 lakhs, and there were in addition a number of pawnbrokers, of whom 140 had taxable incomes.

In 1895-96 when the income taxed was as low as Rs. 500 it was found that of the moneylenders assessed, 60 per cent. earned less than 2,000 rupees and 40 per cent. more than this. The number of moneylenders earning less than Rs. 500 per annum can only be deduced from the census figures. It is probable that at the present time, there are nearly 2,000 Burman moneylenders with incomes below the taxable limit, in addition to the 1,315 taxed.

The true extent of the borrowings cannot be ascertained with any degree of accuracy but on a rough computation the capital employed by Chettyars and other moneylenders throughout the province would appear to be about 40 crores. Of the Chettyar concerns, 1,200, including 160 branches, have their places of business outside Rangoon, while of the Rangoon Chettyars 76 lend to agriculturists in the adjoining districts of Hanthawaddy, Pegu, etc. It is estimated that these Chettyars alone have roughly about 25 crores on loan to agriculturists chiefly in Lower Burma. In Upper Burma, there are 184 Chettyar concerns, with 41 branches, employing about three crores of rupees.

Further information as to rural indebtedness is contained in the various Settlement Reports, from which some extracts are given in Appendix II. Briefly it may be said that a large proportion of the households are in debt, and that although the average per household may be only two to four hundred rupees, the gross total must be very large. Debt is increasing in many, though not in all, areas and shows the usual tendency to vary with the credit of the cultivator including the price of his land. It frequently begins with borrowing in a bad year, and as the high rate of interest hinders repayment, the loan increases until the creditor demands and secures mortgage security which only too often ends in the loss of the land. Apart from this debt which runs on from year to year, there is a general demand for loans for cultivation expenses which are usually repaid in full at harvest.

We are of opinion that the evidence as to the increase of money-lenders, of money lent and of the increasing burden of debt is sufficient to justify Government in deciding to proceed with the attempt to construct in Burma a sound well-controlled system of rural credit. The object of such an attempt should be to extend gradually through the length and breadth of the province the benefits of organized co-operative banking (including here co-operative land mortgage) until this becomes in time the main source of finance for all rural industries

Side by side with this, and in the less indebted tracts perhaps preceding it, there is required a well-founded co-operative organization, on lines to a large extent prescribed by the agricultural and veterinary departments, for securing better methods in all the business transactions (apart from credit) of the rural classes, including both more economical provision of the requisites of their agriculture and more profitable disposal of the products of their labour. In addition to these useful lines of constructive activity, there is nowadays being undertaken on co-operative lines, a number of attempts to bring about a better standard of living by educating and organizing local public opinion in favour of measures advocated by the Departments of Education and Public Health calculated to improve village life and even by organizing local public opinion to eradicate habits and customs tending to hinder economic progress and to lower the standard of health.

CHAPTER III. PRIMARY SOCIETIES.

13. *Primary Rural Credit Societies.*—In order to secure a common ground for the discussion of the primary rural credit societies, we think that the summary of the Maclagan Committee might well be repeated here, more especially as this has been ignored in this province :—

Conditions necessary to make a credit society co-operative.

“The society to be fully co-operative must fulfil many conditions. The theory underlying co-operation is that weak individuals are enabled to improve their individual productive capacity and consequently their material and moral position, by combining among themselves and bringing into this combination a moral effort and a progressively developing realization of moral obligation. The movement is essentially a moral one and it is individualistic rather than socialistic. It provides as a substitute for material assets honesty and a sense of moral obligation, and keeps in view the moral rather than the material sanction. Hence the first condition obviously is that every member should have a knowledge of the principles of co-operation, if this co-operation is to be real and not a sham. In the formation of a society the first essential is the careful selection as members of honest men, or at any rate of men who have given satisfactory guarantees of their intention to lead an honest life in future. As regards the dealings of the society, it should lend to its members only, and the loans must in no circumstances be for speculative purposes, which, so far from encouraging thrift and honesty, have exactly the opposite effect. Loans should be given only for productive purposes or for necessities which, as essentials of daily life, can fairly be classed as productive. The borrowers should be required to satisfy their fellows that they are in a position to repay the loans from the incomes that they will derive from their increased productive capacity, or that by the exercise of thrift they can effect a margin of income over expenditure which will suffice to meet the instalments of their loans as they fall due. When a loan has been given, it is essential that the Committee of the Society and the other members should exercise a vigilant watch that the money is expended on the purpose for which the loan was granted. If it is improperly applied, it should be at once recalled. It is further advisable to add to the general supervision of the society a special supervision of individual members, by taking personal sureties in the case of each loan. In the event of any default by

* Mr. Reynolds and Mr. Stocker do not agree with all the views expressed in this chapter. The points on which they differ will be found in their minute of dissent.

the borrower an instant demand should be made on these sureties. In the more general matters of the society's business there should, of course, be a Committee of Management with the President and a Secretary, all of whom, except those who perform purely clerical duties and have no voice in the management, should be members of the society and give their services to it gratuitously. At the same time the ultimate authority should never be delegated to the office-bearers, but should be retained in the hands of the members, who must continue to take a practical interest in the business of the society. With this object the constitution should be purely republican ; each member should have one vote and no more in the General Meeting and all business should be transacted with the maximum of publicity within the society. For example, there should be kept in some place open to the inspection of every member a list showing the loans issued to every member, the names of his sureties and the amount of the loan still unpaid, and each member should be required to know generally how this account stands : General Meetings should be frequently held at which the accounts and affairs of the society are fully discussed and explained. The express object of the society should be the development of thrift among its members, with the hope too that this idea of thrift will spread in the neighbourhood. To effect this object loans must be given only when they are really necessary and desirable. Further the development of thrift and of a proprietary interest in the society should be aided by efforts to build up as soon as possible a strong reserve fund from profits. The society must also be encouraged to obtain as much as possible of its capital from the savings which its teaching and example have brought about among its members and their neighbours. With all these must go the elementary business principles of honesty, punctuality, proper accounts, diligence and payment when due. To ensure all this there must be adequate control from within, increasing vigilance and supervision by the office-bearers and a continuous effort by members in learning the principles of co-operation, in meeting frequently, in watching others in working hard and observing thrift, and in punctual repayment of their own loans as they fall due."

14. The first condition, it will be noted, in the above summary is that "every member should have a knowledge of the principles of co-operation, if this co-operation is to be real and not a sham." The annual reports repeatedly lay stress upon the importance of adequate teaching before a society is registered, and in the early days great pains were taken to give instruction. Later, according to the reports, it was found that with the increase in the number of societies the amount of attention which could be given to individuals primary societies of necessity became less, and more and more reliance came to be placed upon the union for spreading knowledge of co-operative principles.

The Registrar regarded unions as relieving him of much of the time formerly spent on teaching ; they became responsible for inquiries into new applications and for recommending registration, and developed into the main propagandist agencies of the movement. It is abundantly clear that the work of unions in these respects was, to say the least, defective, and we think that it was unfortunate that when the decision was taken to rely mainly on the unions for the further spread of the movement, the Registrar did not realize the necessity of concentrating upon the training of a staff to see that the newly formed societies were fully instructed and that unions were competent to carry on the instruction.

The teaching was mainly confined to the "Ten Main Principles," and so seems never to have progressed beyond what may be described as the kindergarden stage. We found everywhere a sad lack of knowledge of all that is meant by co-operative banking ; the teaching seems to have stopped short at the memorizing of the Ten Principles, and the whole structure of rural credit was not understood and not explained. The meaning of credit, the extreme danger of credit in the hands of anyone untrained to its use, and the need for the strict control of its use, do not appear to have been adequately taught. The meaning of the Act, Rules or By-laws were insufficiently known even to the staff. Not once did we meet anyone who knew all the rights a member possessed within the society, or what powers he could wield against a bad chairman or a bad committee. Practically every union chairman questioned did not know that the liability of his union to the district association was unlimited, and no one at all seemed to appreciate the difference between the normal credit requirements for the every day business of members and the maximum borrowing limit. We find the following remarks of the Madras Committee in paragraph 51 of their report are equally applicable to Burma :—

"We have been very much impressed by the lack of knowledge of even the common places of co-operation shown, not only by members of primary societies, but also by office-bearers, and even by the staff employed by the various non-official agencies. We believe that many of the unsatisfactory features in the present condition of the movement are directly attributable to this ignorance. Even the official staff is, we consider, in many respects, insufficiently trained for the proper discharge of its duties. Too much importance cannot be attached to the necessity for adequate education in co-operative principles of all concerned in the movement."

The Royal Commission on Agriculture stress the same point when after detailing the main defects brought to light in the course of their survey of India as a whole, they say :—

"From the evidence placed before us, we are of opinion that one of the main causes of the failures we have mentioned in the preceding paragraph is the lack of the requisite education and of

adequate supervision and guidance. Members of co-operative bodies have not been sufficiently trained to assume the responsibilities thrown upon them."

From a perusal of the annual reports, from our examination of the staff and from our inspection of societies we are convinced that the standard of teaching has been below that required to ensure a sound movement. The "Ten Main Principles" seem to have acquired a sanctity which prohibited alteration, with the result that teaching seems to have become crystallized in the very elementary stage reached before the Maclagan Report and there has been no adequate advance. Even such teaching as there was seems to have been withheld from the ordinary members of primary societies. The "Ten Main Points" were enunciated before 1914, that is, before the great examination of co-operative institutions in Europe which resulted from Roosefeldt's Country Life Commission and the tour of the American Committee through the countries of Europe. Prior to 1914, there was little literature of value in English on Co-operation, Sir Frederick Nicholson's Reports and Mr. Wolff's books being the exceptions. The American Commission gave a great impetus to study, the principles underlying the co-operative movement were intently scrutinized and analysed from various view points in numerous publications, and the "Ten Main Points" could hardly have survived unaltered if the teaching had been revised in the light of these more mature views.

The measures we recommend to secure a thorough training for the officers of the Department will be discussed in their proper place. Here it is necessary to express our opinion that the staff, once adequately trained, should do their utmost to teach all the members, and not merely the chairmen and secretaries, patiently and persistently, to understand the economic principles underlying their every day activities. Where the people prove deaf to teaching, incapable of absorbing it, or unable to profit by it, there the attempt to spread co-operative societies should for the time be abandoned.

If it be true, as has been alleged, that the Burman cultivator will learn but will not apply, there should be no hesitation in liquidating any societies tainted with dishonesty. It must always be borne in mind that the Government of Burma, as a matter of deliberate policy, undertook the task of introducing the co-operative movement into the province with a view to securing for its people amelioration in their economic conditions; co-operative principles and the economic principles linked with them can be taught: they cannot be forced on anyone. It should be accepted as axiomatic that where these principles are not accepted or being accepted are not translated into action, the people cannot be given the great benefits which a sound co-operative movement can confer. It is not everyone who is willing to submit himself to the strict discipline which should characterise a co-operative credit society, and

only the experience of a thoroughly trained staff preaching a thoroughly sound system will show whether it is possible or not to create in Burma a great organization for rural credit on co-operative principles.

15. The original credit societies were based upon the Raiffeisen model, but more recently this has been discarded in favour of the Luzzatti model.

Types of rural primary credit society.

The chief differences seem to be that—

- (i) in the Raiffeisen type the share is ten rupees paid up on admission, while in the Luzzatti, shares are of one hundred rupees payable in annual instalments of ten rupees and returnable after every tenth year, whereafter a further series of instalments begin ;
- (ii) in the Raiffeisen type, the profits go to an indivisible reserve and are not distributed even on dissolution, while in the Luzzatti, after the profits of the first ten years have been placed to reserve (divisible on dissolution) in succeeding years three-fourths of the annual profits are distributed as dividends on fully paid-up shares.

We attach no great importance to the slavish adherence to any particular type borrowed from Europe, and see no objection to varying the model to suit local conditions. The type is of less importance than the manner in which it is worked. The system of co-operative credit is designed to meet the needs of small people for small loans for their small transactions. In several districts in Upper Burma, the average loan per member in a year is about 30 to 50 rupees and if this is any indication of the requirements of members then the demand of ten rupees on admission seems too high. If the qualification for membership is placed too high, there results as we have seen a series of book-adjustments from the very birth of the society. The initial share instalment should be fixed low enough to ensure that cash payment can be rigidly insisted on from the class of cultivator whom it is desired to attract into membership. It need not be the same for every member, but each should be induced to subscribe according to his ability. The instalments should be continued over a series of years to encourage the practice of thrift. Whether a general refund after ten years is advisable must depend upon the standard of co-operative education attained ; but we think that it is wiser to postpone such refund until the society has accumulated sufficient of its own capital by way of surplus profit or otherwise to protect the unlimited liability of members against any loss due to bad debts, etc. The share capital in a society of unlimited liability is not to be confused with the joint stock idea ; it represents, not the stake of the member in the society, but such portion of his unlimited liability paid up as should give cover for any deficit in assets.

16. The indivisible reserve is in the long run preferable to one divisible under the Luzzatti rules, but if the people insist upon the Luzzatti model care should be taken to avoid the resultant weaknesses. Where three-fourths of the profits are distributed annually, there is a danger that profit-seeking may prove stronger than caution. A surplus deposited in the central bank brings in less interest than if lent to a member, and there is a danger that loans for unsuitable periods or unsuitable purposes may be sanctioned in order to gain the interest. Where no dividend is permitted this danger does not exist and members can the more easily be persuaded to deposit in central banks the surplus over the real normal requirements of their business.

A further danger where profits are divisible is that paper credit may be taken for profits not actually realized in cash, but which can be secured by the type of book-adjustment we have found so general. The danger of dividends being distributed from capital instead of from realized profits is absent where profits are indivisible. We support the recommendation of the Madras Committee that the payment of dividends be discouraged (page 45) but if it be found that this is not practicable then we have a further recommendation to make. The English Friendly Societies were not permitted to accept deposits or loans until the Societies' Borrowing Powers Act was passed in 1898 to meet the case of co-operative credit societies in Ireland. By this Act, those societies only are permitted to take deposits or loans which by rule provide that no part of the funds shall be divided by way of profit, bonus, dividend or otherwise among the members. In Burma, there is nothing in the Act, Rules or By-laws prohibiting a society from distributing dividends while still dependent on its financing agency for funds for its ordinary business, or even while failing to repay its instalments when due. We accordingly recommend that the rule regarding dividends under section 50 (2) (g) be amended so as to prohibit any society of unlimited liability from distributing a dividend so long as it holds deposits from non-members or borrows from its financing agency.

17. The by-laws in force are too elaborate and long, and effort should be made to exclude from them all that is not really necessary to the binding agreement between members. It is important that every member should be able to understand the by-laws, which define his relations to his fellow members, and to make this easier, the by-laws require to be couched in as simple language as possible.

18. We have already dealt with the education of members prior to registration ; something must now be said about the inspection, supervision and control after registration. In the past the department attempted to withdraw from this task and to leave it to the unions. That policy has definitely failed with results which should

be sufficiently apparent from this report. The same result was noticed in Madras, of which the Committee on Co-operation wrote (page 69):—

“A withdrawal from supervision on the part of Government took place in 1925-26, before adequate provision had been made for non-official agencies to take over the work. This has, we consider, been responsible for much of the confusion which exists at present in the movement.”

The Maclagan Committee stated their opinion that “the exercise of due care before formation and the ensuring of full and proper supervision after formation we consider indeed the most important part of the Registrar’s duty.” And on another page after describing the dangers and pitfalls awaiting societies the Committee stated : “The remedy lies in the supervision and control of the primary societies by a registering staff adequate and efficient, especially in its higher branches. We do not mean by this that the Registrar should assume the detailed direction of societies. These must be left, as hitherto, to manage their own affairs, but the Registrar must be in a position to know how they are managing these affairs, and to take action in case of need. In addition to being able to acquaint himself with the working of societies under his charge, the Registrar must be able to give and supervise that teaching of co-operative principles without which proper co-operation cannot be expected to grow.” The Royal Commission on Agriculture endorsed the report of the Maclagan Committee, and recommended “a continuation of official guidance and, to some extent, of official control . . . because we are persuaded that such guidance and control at this stage are essential to the healthy growth of the movement. . . . We therefore strongly recommend that every effort should be made to build up a (highly educated and well trained) staff of officials in all provinces. Its chief duty is to educate members up to the point at which they will be competent themselves to undertake its duties and so dispense with its services ; to strengthen the hands of the honorary workers by furnishing them with skilled advice and guidance in the more difficult problems ; to supervise the work of unions and federations engaged in the management and control of the movement . . . ”. The main line of distinction drawn by the Royal Commission was between education and management. The former is a proper object for Government expenditure, the latter including audit may properly be left to the societies to pay for even although an element of official advice could not be dispensed with.

We agree generally with the views expressed by these three bodies and recommend that the prime duty of the staff, adequately educated and trained, should be to continue the teaching and instruction of members until they are able to dispense with it. So long as the recommendation of the Conference of Registrars at Bombay is adhered to, and no society can be classed as “A” or good until it can dispense

with any help or assistance from outside other than the annual audit, there is little fear of excessive control or of weakening responsibility.

The object of the staff is to turn out societies of the "A" class, and with an expanding movement the temptation is all in favour of withdrawal of supervision too soon rather than too late. What appears to have led to some confusion in Burma is the failure to distinguish clearly between the withdrawal of official supervision from all societies, including those newly organized, and withdrawal from societies gradually as they become competent to manage without outside aid. To the latter policy we accord our support. It involves regular inspection of primary societies (in their own villages) by a staff which should seek out errors and sources of weakness and teach the members not only how to avoid or correct them but why they are errors and why they are sources of weakness. This staff, of the Junior Assistant Registrar grade, will have no executive powers under the Act, Rules or By-laws except to call for the books and accounts of societies and so will have to rely upon their powers of teaching, explanation and persuasion to produce results. Matters beyond their power to mend will be referred to the Charge Officers.

19. The India Act of 1912 required the Registrar to audit or cause to be audited by some person authorized by him the accounts of every registered society once at least in every year. The Burma Act of 1927 places the responsibility for the annual audit on the society but limits it to persons authorized by the Registrar. The requirements are the same in both cases. For some years, up till about 1915-16, the audit of societies was carried out by a government paid staff under the orders of the Registrar, but in 1916-17 ten auditors were employed from funds contributed by societies, and in the following years the work gradually passed to auditors paid by societies. With the control of audit we are not at present concerned but confine ourselves to the work of audit itself.

The Maclagan Committee made it clear that the audit of a primary credit society differed widely from that of a joint-stock company. "It is intended in the first instance to assure Government, through whose agency the societies were formed, that they are developing on sound lines, and only secondarily for the satisfaction of central banks or outside investors, who have entrusted money to the movement, and of the society members themselves. . . . It is clear that it was never intended that the audit should be merely an arithmetical one. . . . The auditing staff from whatever source they may be paid, are, in our opinion, responsible to the Registrar and must mainly be controlled by him." With this we agree. We deal with the official control when considering the future of the Provincial Council.

The Act requires that the audit shall include an examination of overdue debts and a valuation of assets and liabilities of the society. Regarding the latter part of this sentence we note that the Maclagan Committee understood by it a sufficient check, in accordance with such

rules as the Registrar may lay down, of the list of material assets of the members. The audit, they continue, "should extend somewhat beyond the bare requirements of the Act and should embrace an inquiry into all the circumstances which determine the general position of the society. It would, for instance, be the duty of the auditor to notice any instances in which the Act, Rules or By-laws have been infringed ; to verify the cash balance and certify the correctness of the accounts ; to ascertain that loans are made fairly, for proper periods and objects, and on adequate security ; to examine repayments in order to check book-adjustments or improper extensions ; and generally to see that the society is working on sound lines and that the committee, the officers, and the ordinary members, understand their duties and responsibilities."

With all this we are in cordial agreement and are of the opinion that if the audit had been carried out faithfully on these lines the state of co-operation in Burma would hardly have declined to its present unsatisfactory level. The annual reports express satisfaction with the standard of audit, but we cannot agree that the work has been efficiently performed. Notably the auditors have failed to ascertain that loans were made fairly, for proper periods and objects and on adequate security, and they have failed to examine repayments in order to check book adjustments. Their check of the material assets of members even when undertaken has been perfunctory, and, as is now being disclosed in liquidation, almost useless. In view of the clear statement by the Maclagan Committee, we have little to add. The present audit form is unsuitable in many details and should be recast in the light of our criticisms. It does what the Maclagan Committee expressly directed that it should not do, namely, involves the collection of elaborate statistics. It is quite unnecessary to copy out all details of loans, etc. We agree with the Maclagan Committee that the audit report should be seen by the financing agency ; ordinarily two copies should be made, one to remain with the society where it may be seen by the supervising staff, and the other to be sent through the Government staff to the financing bank for information and record. It is not necessary to send a copy to the Registrar, and the present check on the arithmetical details carried out by the Government auditor should be dispensed with as serving no useful purpose. Whenever the Government staff have any occasion to see these reports, they will have full opportunity either in the central bank or in the village.

There is one point to which we desire to call attention ; the Maclagan Committee rightly stressed the fact that in co-operative banking "the creditor's real security consists not in the material assets of the members but in the ability and desire of the members to put the borrowed money to productive use and to repay the loan out of the profits made thereby." We think that the auditor should collect all information available during his visit bearing upon this aspect of a society's transactions, and should make specific mention of all cases where a loan has

been misapplied or where the borrower has disposed of the prongs without first repaying the society.

The Maclagan Committee recommended a super-auditor for every two hundred societies, and in Burma a staff of Junior Assistant Registrars is maintained for the purpose. So far as we have been able to ascertain the work of super-audit has been of little benefit. It has certainly not checked book adjustments. It is not necessary that a super-audit should include the whole accounts of a society. Ordinarily, when a society offers nothing suspicious a check audit should suffice, and super-audits should be on a scale prescribed to ensure that the auditors are doing their work in a reliable manner, and include special detailed inquiries when societies are in difficulties. This will relieve the staff for inquiries and inspections and for instruction.

We note that the auditor is apt to confine himself to filling in the form prescribed and this, too often, in a very perfunctory manner ; he should invariably at the conclusion of every audit get the chairman to summon a general meeting of members and should explain to them the accounts, the defects he has discovered, the methods of correcting them, and the points on which he thinks that more publicity is desirable, such as the monopoly of loan funds by a few members. At this general meeting, so far as may be practicable, the defects brought out at audit should be corrected in the auditor's presence, so that every society should be appreciably benefited by the auditor's visit. When it is remembered that it is to the lasting interest of members that their accounts should be reliable and accurate, that their credit should stand high, and that their society should be free from defects, there should be little difficulty in making this general meeting one of the most important and most instructive of the year.

At one time there was a suggestion that it would be necessary to accept a lower standard of audit in order to make this annual examination of accounts less expensive, and to this end an experiment was made in the licensing of approved auditors who could be employed by societies. We do not agree with this policy ; audit should be so conducted as to be educative to the members, and the auditors should be regarded as an integral part of the machinery for instructing co-operators to take the management of their affairs into their own hands. If the full benefits of audit are to be secured, it will be necessary that the auditors work under the control of the Registrar and they should be trained under his supervision ; good work will best be obtained for the present from a cadre of men assured of an income and of increment so long as their work attains the standard required.

20. It is one of the essentials of a sound credit society that the members
Accounts. should be able to understand the accounts, and in
order that this may be a practicable ideal amongst
a population not possessed of a high standard of literacy, it is absolutely

necessary that the accounts should be of the simplest possible character consistent with clearness. This is not the case in Burma. There is so much unnecessary elaboration that it is difficult to discover what any member has borrowed, what he has repaid and what he still owes. All that is required is a simple ledger with enough columns to suit the ordinary transactions of the society. A sample is given at the end of this chapter. It is unnecessary to make any entries as to interest until payment is made, when the interest due to date can be calculated. One page will last several years and by allotting to each member several consecutive pages, his account can be examined through a series of years with the minimum of difficulty. It is not necessary to maintain three ledgers for the three classes of loans

The cash-book in the form attached is suitable ; it has columns corresponding to the columns of the ledger so that it is easy to check and compare. The cash-book should be totalled every month and below the monthly total there should be entered the running total for the year. If the cash-book is properly and regularly totalled, the true state of the society can be determined in a few minutes.

The objects of loans are not clearly stated in the societies' books. The loans are supposed to be classified into 'A', 'B' and 'C' according to the object and period. 'A' loans are supposed to be for food, seed, cultivation expenses or cattle fodder. These are separate objects, but no attempt is made to indicate for which of these the loan is taken. The result is that it cannot have been possible for the committee or staff to approve of the object or for the supervising staff to check either the need or the application of the loan to the object specified. As priority was given to these loans, in practice it seems to have become usual for all loans to be classed as 'A' in the first instance. When repayment in full at harvest was not made the loan was transferred to another ledger.

We attach great importance to the object of the loan being properly specified in the application ; this object should be checked by the committee from their personal knowledge of the member's requirements, and the application of the money, when advanced, to the object specified should be carefully watched. If this is done regularly, it is easy for inspecting officers to apply a similar check.

As a consequence, apparently, of the classification of loans into three categories, no proper bonds or promissory notes are taken. We attach considerable importance to this formality. Forms in bound volumes should be supplied ; these should include spaces for containing the application for the loan with the object specified and the names of the sureties, the order of the committee sanctioning the loan and the promissory note. The details are easily compressed into two sides of a single sheet, and the volume readily affords information of a society's loan transactions for a long period.

As both the ledger and the promissory note sheet contain details as to object and period, it will be easy to separate out the loans falling due

at next harvest, or crop loans, and to watch over their prompt repayment. The average society in Burma has only about 22 members, so that there should be no difficulty in keeping these accounts within very simple compass, and if all complications be carefully avoided we trust that there will be less difficulty in the future than has been found in the past in securing local secretaries to keep them properly.

21. One of the most serious features in the accounts is the prevalence of fictitious figures, paper adjustments of repayments and fresh loans. This is so common that it is almost impossible to determine what real work the societies have been doing. It could not have persisted or even have reached the dimensions we found unless it had been connived at by everyone concerned. The whole weight of the department must be brought to bear to fight against this practice, and no effort must be spared to stop it. Until societies keep honest accounts it will be impossible to accept any figures as a test of their work. Had true accounts been kept on a cash basis, it is more than probable that the revelations contained in the annual statistics would have forced the hands of the most reluctant official in favour of vigorous action. Reversion to strict cash accounting will reveal many serious features which are at present apparent only to those who make careful examination of the books, but it is better to show a true bad record which can be remedied than to hide everything away behind carefully faked accounts. In view of the longer term for most co-operative loans as compared with commercial transactions, anything suggestive of adjustments must be rigidly avoided. If, for instance, a crop loan is postponed in order to allow time for the cultivator to get a better price for his produce, it is better to show the crop loan as extended than to include it in a fresh loan along with the new loan required to carry on the cultivator's household until selling time.

22. In dealing with the large subject of loans, we propose to confine ourselves to such matters as seem from our inspections of societies and our study of the movement to require amendment. Sound advice on the whole subject is contained in the Maclagan Report, so that we are here concerned, with one important exception, more with practical working than with theory.

In Burma, loans to cultivators are divided into three classes—

- (A) Loans for seed, food, cultivation expenses or cattle fodder. Such loans are supposed to be repaid in full at harvest.
- (B) Loans for purchase of carts, or cattle or for the liquidation of small debts, and for house building. Such loans are supposed to be repaid in, at most, three equal annual instalments ;
- (C) Loans for purposes which will continue to be productive for several years, such as the liquidation of considerable debts to non-members ; for the acquisition of land by purchase,

redemption or mortgage ; and for the making of expensive canals or bunds. Such loans must be repaid in, at most, four equal annual instalments.

The first or 'A' class are given preference, and it has become customary to omit any further details as to the objects beyond the vague designation of 'crop loans.' As has already been remarked, the fact that these receive preference has led to their being in demand for quite other purposes, the borrower trusting to their being renewed and transferred to 'B' when he defaults. We are of opinion that these crop loans should be regarded as the principal business of primary societies ; the object should be stated clearly so that the committee may form an opinion (and the staff also) as to the need of the individual borrower of money for the purpose specified. All loans under this head should be given only when required, and to the extent required. If, for instance, a member is in need of funds for ploughing, for seed, for transplanting and for harvesting his paddy, the sums actually required should be advanced serially at the proper time.

In a village society there should be no difficulty in discovering whether a member is really in need of a loan for a particular object, what sum he requires and when he requires it ; and the inspecting staff should soon be able to check the work of the committee in these respects.

All loans required for the expenses of cultivation except for cattle, etc., should be repaid out of the gross produce at harvest. Loans for the purchase of food for the household or for labourers should similarly be paid at harvest. Strictness here is essential and no extension should be permitted except for definite sound reasons, such as the failure of the harvest or some similar calamity. Separate account should be kept of any extensions and recoveries should be carefully watched. On no account should such overdues be merged with other loans.

These crop loans should be supported by separate promissory notes to facilitate discounting with a commercial bank. Transactions relating to these loans should be separated in the lines of the cash-book and ledger from other loans given on the same day to facilitate supervision of the work of recovery. A separate ledger is not necessary. At the time of preparation of annual statements, figures for the issue, repayment, extension and balance overdue of all crop loans should be separately collected and commented on in the annual report.

The distinction between 'B' and 'C' loans is not of sufficient importance to justify separate treatment. They are outside what are usually regarded as banking loans in the strictly commercial sense, but inasmuch as they are necessary for the business of the cultivator and only to this extent, they must be provided for in any system of rural credit that is intended to cover the business of the countryside. Great care is necessary in giving these loans ; where the necessity is clear, as in the

case of urgent need to replace deceased plough cattle, there should be no delay ; but where it is obviously possible to delay the loan, as in the case of repayment of old debt, redemption of land, or purchase of land the society should wait until its own capital is increasing to the amount required to provide cover for such transactions. It is not possible to lay down any hard and fast rule, as societies vary in quality, but after the recent experience in this province we think it would be dangerous to permit avoidable loans in the first few years of a society's life.

23. It is a matter of controversy whether societies dependent on personal sureties should grant loans at all for four years for the redemption of mortgage or other debt, for the purchase of land and so on, or whether this class of business should be left to land mortgage banks. We are all agreed that where such banks exist or are organized in the future, it were better for societies to confine themselves to small loans for current needs of agriculture. Land mortgage banks, however, have not yet secured a foothold in Burma, and it is hardly practical politics to postpone such loans until they have been organized throughout the land. We do, however, desire to give the most serious warning of the dangers arising from long-term loans (*i.e.* loans for more than current needs) and consider that the staff should give close personal attention to them during inspections. With this and the safeguards recommended below, we think that such loans need not be altogether prohibited.

24. One important point in all loans is the amount which may be lent. The sum granted should be strictly confined to the actual requirements. In practice, it should not be difficult to find out what these are (*vide* Appendix III). The value of an acre of paddy is roughly known to cultivators and they can usually tell whether a loan required for expenses of cultivation can be met out of the proceeds of the harvest. But the requirements for a particular purpose is not by itself a sufficient check. No loan should be advanced unless there is seen to be a clear method of recovery. In granting loans for purposes other than crop expenses it should be considered beforehand whether the borrower can repay from his earnings the instalments fixed. No loan should be advanced unless it can be repaid from earnings within the period prescribed. Thus a loan for the purchase of land should never be granted until the borrower can satisfy the committee or general meeting that he can repay within four years. Where a sum is required to transfer to the society a debt bearing a usurious rate of interest, the borrower should be made to show the sincerity of his desire to get rid of debt by selling any superfluous property, jewels, buffalo, cart, or boat which he can dispense with. It is rarely advisable to redeem old debt unless the debtor makes a substantial contribution. On the whole, it will be seen that we advocate greater strictness than is prescribed in paragraph 37 of the Maclagan Report.

In the Delta, where it is customary for considerable areas to be under the cultivation of single individuals, frequently tenants, we found large loans being issued, in some instances amounting to thousands of rupees. Loans of two or three thousand rupees are too high for personal sureties and, unless there is something in the local conditions to justify exceptional treatment, we recommend that these large loans should not be granted on personal sureties alone.

25. Loans for purposes other than current expenses are usually limited by the amount which can be borrowed from the financing bank. The general meeting should fix for each member what it considers sufficient for his normal requirements based upon his agricultural and other transactions. The committee should be authorized to sanction loans up to this limit ; if more be required the sanction of a general meeting should be necessary. The sum of these normal requirements less the total of the owned capital of the society represents the normal requirements of the society from its financing bank. The value of the material assets of the members should not serve to enhance this sum, though it may serve to reduce it. Whenever a society asks for a loan in excess of this normal limit, it should be made to justify it so that the financing body is in a position to decide whether to grant or withhold the loan.

The maximum normal credit limit of societies should be again scrutinized by the staff ; they should not be allowed to enhance it, but they should attempt to advise the financing body as to whether it is reasonable or not in view of local conditions. Hitherto, the staff has made no serious attempt to scrutinize these maximum normal limits in the light of the needs of the agriculture of the locality ; it has attended to the estimated value of the material assets, and so long as the loan asked for did not exceed half this estimated value, it has exercised no intelligent check. In some provinces loans for other purposes than crop expenses and all loan applications from C and D societies have to be submitted through the officer corresponding to the Junior Assistant Registrar, and we think that in the present special circumstances, it is advisable that this practice should be introduced here. The financing bank will thus have to guide it (1) the ledger accounts of the society giving its past history, (2) the audit reports of all past years, (3) the society's own estimate of its normal needs and (4) the opinion of the member of the staff in closest touch with the society. The financing bank should thus be able to distinguish between the loan required for normal crop requirements of societies and loans for other purposes such as redemption of old debt and will thus be in a position to restrict its lendings to the former purposes. Neither the law nor the rules nor the by-laws confer on the staff any power to interfere with the discretion of the financing bank ; they confer on the staff power to limit the borrowings of a society. This distinction has not been made sufficiently clear in the past.

26. The *period* of the loan should be strictly confined to the scale prescribed in the by-laws, with the possible exceptions that loans to enable a cultivator to hold up his crop, to pay revenue, or to trade should be limited to three months.

Repayment should be permitted at any time, and should be encouraged at all times. Every effort should be made to secure repayments whenever income is received. Although there are other crops than paddy grown, we found hardly any repayment representing income from sessamum, cotton, etc. The Settlement Reports mention considerable extraneous income of agriculturists from various sources, but no trace of this is found in the cash-books. One reason seems to be the custom whereby a society displays activity at one or at the most two periods of the year and then relapses into a state of passivity. The result is repayments confined to one time of the year and fresh loans being issued with far more consideration to the time of last repayment than to the agricultural seasons. In a thoroughly live system of rural credit, transactions between societies and their financing banks are of frequent occurrence, all cash above a small minimum being remitted by money-order or by hand, and all sums required for unexpected needs being similarly remitted from the financing bank. This fluidity is important and can be encouraged by the concession in regard to money-order commission, which the Royal Commission on Agriculture recommended to all Provincial Governments, and which we recommend should be extended to Burma.

There are 620 money order offices in the province and, although a large number of these are in the towns, we think that much could be done to increase the use of the money order by judicious encouragement. We have been frequently told that the Burman dislikes the money order as the forms are printed in the English language and the offices are manned by Indians who, it is said, are not always as helpful as they might be. The fact that many of the smaller post offices do not undertake Savings Bank business has also been given as a reason for the non-repayment of loans in the harvest season : societies do not wish to hold the money and have nowhere convenient to deposit it with the certainty that it will be available when needed. This difficulty appears to be specially felt in the Akyab District where there is no central bank. We have been unable to form a judgment on these complaints or on the possibilities of rectifying them, but they have impressed us sufficiently for us to suggest further enquiry into the matter.

27. The best way to encourage frequent remittances from societies to their financing banks is to encourage prompt remittance of fresh loans from the latter to the former. A village society will be the more easily persuaded to send its cash balance to its bank if it feel assured that a request at the proper time for a fresh loan will be dealt with by return. Under the system we advocate, the financing bank receives intimation of the amount required for cultivation loans, which is not likely to vary

The work of the Financing Agency.

from year to year except by a variation in the number of members or by the accumulation of owned capital. This sum the manager should be empowered to lend without reference to the managing committee on receipt of a promissory note with necessary copies of proceedings, etc., from the society. If it be desired that these papers should come through the Junior Assistant Registrar, until confidence is restored, this can be done with little extra delay. Within the financing bank, there should be no avoidable delay. Once societies understand that fresh loans within their normal maximum can be obtained without delay, they will be less disinclined to part with their cash balance.

Where loans are required for purposes other than cultivation or in excess of the normal, the application, except in the case of 'A' class societies (and later perhaps of 'B') should for some years to come always be sent through the Junior Assistant Registrar who will afford the financing bank such information as he may possess in order to assist the management to arrive at a sound decision. In the Punjab, efforts are being made to locate the office of the Inspector (or Junior Assistant Registrar) in the same building as the financing bank, so that the files of both are readily available whenever required.

In order further to facilitate business, all inspection notes of societies should be shown to the financing bank when required; usually, however a careful classification based upon the recommendation of the Bombay Conference of Registrars, affords a sound enough indication of the credit-worthiness of societies. We recommend this scale for adoption; it will be difficult to introduce such a strict classification in a province where control has been so dangerously relaxed, but a few years persistent effort should suffice to place all societies in their proper classes.

28. The security in primary credit societies is usually personal, every loan being secured by two sureties. In Madras the Security for Loans. Committee found that nearly half the loans were secured by mortgage, and latterly there has been a demand in this province for similar security. The evidence we have received indicates that the system of personal sureties may be continued for loans for cultivation expenses, and, if the movement is brought under proper control, we do not anticipate any danger from the retention of this type of security.

We agree with the Madras Committee that "every effort should be made to provide long-term credit through the agency of land mortgage banks at the earliest possible date," but until these are established on a working basis, a matter of many years, there must be some agency other than the chetty or local money-lender for the finance of the cultivator in transactions which are not for cultivation. Loans for the purchase of plough oxen, for instance, cannot usually be repaid at harvest; and when a village has been destroyed by fire, financial assistance is urgently necessary. The general rule is that village credit societies should not touch mortgage security and that where a loan is such that personal sureties are not suitable, the society should decline

the business. Where, as in Burma, there is more difficulty than in some Indian provinces in securing information as to title in land, it is all the more advisable that village societies should shun mortgage security. We therefore recommend that the village society should confine itself to personal sureties for all loans, and should protect itself by limiting the loans to amounts and for periods for which this security is suitable. No arithmetical maximum for loans can be fixed with any degree of general suitability, but all societies will be well advised to impose some limit such as twice the normal requirements for cultivation ; if, for instance, a member's normal requirement for cultivation expenses is Rs. 100, then for other purposes his maximum should be not more than Rs. 200. It should be possible to work out a closer scale based upon the inquiries of Settlement Officers (*e.g.* eight times the land revenue for an owner) but in the absence of this the above rough maximum will suffice as an example of the kind of check we mean.

29. In all banking and more especially in co-operative banking it is the large loan that is dangerous, and in our tours Loans to Officers. we found in Burma what other provinces have found that the chairman and members of the committee are inclined to take too large a share in the loanable capital. In the Punjab, the rules have been amended to meet this by allowing any member to refer to arbitration the question whether the chairman or members of committee have too large loans. This rule might be adopted here and its use encouraged by the staff when inspecting societies. If a determined effort be made to remove this defect, a very common cause of failure should yield to treatment.

The staff, during their inspection, should pay particular attention to the maximum normal credits adopted for the chairman and members of committee and should not hesitate to secure a reduction whenever they appear to be dangerously high. It would seem that the quotation that appeared in the original resolution of the Government of India introducing the Act cannot too often be repeated :—" Societies will be small and simple credit societies for small and simple folks with simple needs and requiring small sums only." Where a member, whether office-bearer or not, demands larger loans than can be permitted, he must be told that the societies are not formed for such as he. The amounts of some loans, disclosed during our inspections, have been altogether beyond the sums for which the societies were intended. In England the maximum loan on personal surety is fixed by enactment at £50 or about Rs. 650.

30. All precautions as to amount and period of loans will avail nothing Renewals and Extensions. if renewals and extensions are granted too freely and without just cause. No renewals should be allowed. The borrower and the committee must be taught that their original decision as to instalments is a definite promise.

and a definite order arrived at by mutual agreement and that any departure from these terms should only be sanctioned for thoroughly sound reasons. Agricultural calamity, of course, will be a common and good ground in the dry zone, but even here the cycle of seasons should bring about an effective termination of every loan. But agricultural calamity may not be a sufficient reason for no repayment at all when the borrower can earn something by extraneous income. In the delta, there should be less occasion for extensions and more ground for strictness. It should be impressed on all members that the instalment fixed is the minimum and not the maximum, and there should be no hesitation in demanding a larger sum if the state of the harvest justifies this.

In this province, for some time, the attempt to collect information as to overdues was abandoned, with, we think, serious results. Other provinces have managed to arrive at figures, which, although not exact in themselves, afford a useful basis of comparison from year to year. We recommend that effort be made to collect such information both overdue and extensions for the proper column in the annual statements.

Elsewhere we recommend that strict action should be taken against defaulters, and that resort be freely made to the arbitration procedure where members fail to repay instalments when demanded. The committees should be taught to regard all such overdue loans as doubtful debts. All payments on account of these should be carried to principal and not to interest, and no credit should be taken for interest due on these loans until the principal has been repaid.

This procedure, if carefully observed, will tend to show societies as earning less profits or even as working at a loss ; and this result should be welcomed as throwing light on defective societies.

It should be the duty of the auditor to check this practice and to pillory all cases of contravention, and to press for correction of the accounts before he leaves the village. The inspecting staff should invariably include this important point in their visits and should be particularly careful to see that the committees are carrying out this injunction. It should be clearly pointed out that the societies lose nothing and stand to gain credit for honest accountancy. The fact that a society holds a decree or an award must not be allowed to serve as a reason for removing the debt from the category of "bad or doubtful."

The staff should make a point of inquiring into all cases of non-payment of instalments, extensions and overdues. As societies are of small size, there should be no difficulty in arriving at a definite opinion as to whether the reasons are good. Bad repayments are more usually due to bad members than to bad harvests, and the priority of these two causes can easily be determined by comparing a series of societies in the same neighbourhood. It must be remembered that a society is not a philanthropic institution, and cannot afford to continue to support a member whose misfortune has brought insolvency. Such cases must

occur and must be dealt with on a strictly business basis. It is the duty of the staff to advise on the action to be taken and to encourage the committee along the right lines.

31. Though provided for in the by-laws expulsion has been rarely resorted to in this province with the result that Expulsion of Members. there have been retained within societies many whose inclusion has proved a source of weakness.

The selection of members for their honesty and industry is a cardinal point in all co-operative credit institutions, and as it is not always possible to predict how anyone will behave when faced with difficulty, it frequently happens that persons become members who are unfitted by character to share in the responsibilities and benefits. These must be steadily expelled as their unfitness becomes evident. Whenever it becomes necessary to proceed against a member for default, he should normally be expelled unless he at once makes full repayment and the by-laws should be amended to this effect. An expelled member may be re-admitted when the society is satisfied that he will observe the rules and by-laws strictly in future ; but it is better to expel all who cannot be trusted to observe faithfully promises to repay or to deal fairly with their fellows. It will be found a good rule of practice to regard as due for expulsion anyone who has failed to make any substantial repayment of principal for two years. Awards should be obtained against them and executed. There should be no hesitation over this weeding out of unsuitable members. If in any area such strictness kills the society, then it must be accepted that co-operative credit is not suitable to the locality.

32. As regards the utilization of owned capital, we agree with the Owned Capital. Maclagan Committee who state in paragraph 83 of their report :—

“The object would be to free the primary societies as far as possible for recourse to their central banks and this can only be done by enabling them to build up their own capital sufficient for their needs.

This can best be achieved by allowing primary societies to use their accumulated net profits or surplus assets in loans to members, on which they get high rates of interest compared with the rates received on government paper,” and in paragraph 84 :—

“The object of a society should be to accumulate reserve fund (in the form of surplus assets) until it obtains a capital of its own sufficient to meet all its needs, and thus becomes independent of outside assistance.”

We note that the withdrawal of owned capital from the primary societies in the Central Provinces, a notoriously insecure tract has not saved them from collapse but in the chairman's view served to deprive members of interest in their society. Similarly in Madras the investment of reserve funds of primaries in central banks has not saved the

movement there from a decline into the serious position described in the committee's report. In the Punjab, where the view of the Maclagan committee has been adopted, a large number of societies are now independent of outside financial aid, and central banks hold over 48 lakhs deposits of surplus fund from primaries. There are in the Punjab tracts definitely classed as insecure, where serious famine has occurred in recent history, but under the system of controlled credit in practice no insuperable difficulty has been experienced in establishing a sound credit movement. We therefore adhere to the recommendation of the Maclagan Committee.

33. One of the most remarkable features of co-operation in Burma is the large expenditure of societies on management and on the various supervising bodies. Expenses. The important principle of gratuitous service has been lost sight of in the field just as it was omitted from the Ten Main Principles. The cost per member has been about five rupees a year as compared with thirteen annas in the Punjab. In the last annual report, instances are given of expenditure rising to as much as 15 to 20 rupees per member ; such a burden is obviously too high for the small cultivators for whom the societies are intended. The causes have been (a) the over elaboration of the superstructure—unions, supervising board, district association, and council, all dependent upon the primary society for funds ; (b) the submerging of the society beneath this burden so that it has almost been forgotten.*

To a considerable extent, our recommendations, if accepted, will afford relief, and with a simplification of accounts it should be possible to secure an increasing number of member secretaries who will work gratuitously or for a small honorarium. The adoption of the money-order system with the refund of twelve annas (recommended in paragraph 26) should save the expensive journeys to headquarters, which in some cases have been almost ridiculous in their extravagance ; this concession, if granted, will also save the societies much loss in interest. With strict control, the expenditure should be brought within reasonable limits, even although it may be that the local conditions will not permit of a reduction to the figures found in other provinces. The cost of audit cannot be reduced but need not be heavy.

34. In our chapter of the history of the movement, we have pointed out that the movement was in serious need of strong action in 1920, and of drastic action in 1924. Unfortunately, nothing adequate to the needs of the case was done, an attempt by the Registrar to get the Act amended so as to give him greater powers was defeated in Select Committee ; and societies continued,

* The Chairman is of opinion that the over-elaboration of accounts must also be held in part responsible as this must have deterred members from undertaking the duties of secretary.

"adjusting" their loans and repayments while the members were increasing their indebtedness through compounded interest. The result of the delay is a serious shortfall in societies, and heavy losses to their financing banks. In the first fourteen years of the movement, it is stated that 225 societies were wound up for bad working and that no loss resulted to any depositor. In most Indian provinces liquidations are of annual occurrence, but it is seldom if ever found necessary to make a call upon the unlimited liability of members, while on the other hand there are usually sums in hand, representing the reserve fund, which are devoted to public purposes within the areas of the societies. In Burma, the proof of undue leniency requires no substantiation. There seems to be a mistaken idea that strictness within the society or by the staff in supervision, will render the movement unpopular. The exact opposite should be the case. Strictness affects only the bad members who are got rid of, and the bad societies which are a source of weakness. It strengthens the position of good members and good societies. The facts that the societies were to a large extent utilizing in their operations other people's money, and that this involved great attention to strict business principles seem to have been lost sight of. Had there been a rule empowering a union to demand liquidation of a society of which it had reason to be dissatisfied and had this power been freely used, it may be that the whole union system might have proved successful. The former Registrars examined agreed with the dictum that it was the duty of a Registrar to liquidate a society which was unable to pay its debts. Under the Indian Companies Act, if a creditor to whom a company owes a sum exceeding Rs. 500, serves a demand which the company neglects to pay for three weeks, the company shall be deemed to be unable to pay its debts and may be wound up by the Court. Our inquiry has shown societies surviving for years after the issue of such demands. The only weapon a creditor has under the Act against a society is to ask for an inspection under section 43 of the Burma Act (repeating section 37 of the Indian Act) and as a result of this inspection the Registrar *may* order the society to be wound up. Unfortunately, however, as we relate elsewhere, we have found that no proper action was taken under the mandatory provisions of these sections. It is imperative on the Registrar to inspect when called upon to do so, and it should be imperative on him to wind up a society which has definitely shown its inability to pay its debts. Where there is a difference of opinion between the Registrar and a creditor as to a society's ability to repay, the opinion of the creditor should prevail so far as the sum due to him is concerned. It is always open to the Registrar to re-organize a society which has been partially liquidated, and section 48 of the Burma Act makes specific provision for this.

As the whole credit of the movement may suffer from the default of a few societies, no hesitation need be felt in ordering liquidation. The

reports frequently mention the difficulties involved, but these difficulties are increased and not decreased by delay. Tentative suggestions regarding liquidation in the future are put forward in Chapter IX.

The annual reports speak of the failure of non-official liquidators ; the complaint is general throughout India, and is best met by selecting retired Government servants, such as police officers, township officers, and others acquainted with court procedure, and paying them on an ascending scale by results. For instance, while nothing need be paid for re-adjusting book entries, the scale might be ten per cent. for the first third of the outstandings recovered, fifteen per cent. on the second third, and twenty per cent. of the remainder. Where the work is exceptionally difficult, the scale might be raised to 10, 20 and 30 per cent.

FORM OF LEDGER FOR PRIMARY CREDIT SOCIETY.

Loans.—Date of transaction.

Page in cash book.

Loan and Interest.—Purpose of loan,
Period of loan.
Amount advanced.
Interest charged.
Total.

Repayments.—Principal,
Interest.
Total.

Balance due.

Share Instalments.—Amount paid on account of shares.
Amount refunded.
Profit allowed on shares.

Deposits.—Amount deposited with period.
Interest thereon.
Total.
Interest paid yearly.
Amount of deposit returned.
Balance.

FORM OF CASH BOOK FOR PRIMARY CREDIT SOCIETY.

Date of entry—

Name of payer, with ledger page—

Details of Income—

Instalments of shares.

Deposits.

Loans from other banks.

Repayments of loans by members.
Interest received.
Miscellaneous income with details.
Total.

Details of Expenditure—

Name of payee, with ledger page.
Refund of shares.
Refund of deposits.
Repayment of loans to other banks.
Interest paid on deposits and loans.
Loans advanced.
Miscellaneous.
Total.

Balance Cash in hand—

CHAPTER IV.

NON-AGRICULTURAL CREDIT SOCIETIES.

35. The Maclagan Committee advocated the extension of co-operation among the non-agricultural classes provided General Requirements. always that it was carefully supervised and controlled. They realised that urban banks are not always really co-operative and that their value consists chiefly in the training ground they afford to their members for undertaking ordinary joint stock banking and for understanding ordinary banking principles. In this province the urban banks form much the most important class of non-agricultural credit society, and their working reflects very closely the ideas held by the Committee. Liability of members is limited, and, as all shares are fully paid, there is no reserve liability. Mutual interest amongst members is lacking, and, if success is to be attained, considerable efficiency and skill is required in the management. In most banks visited by us, the standard of management is too low.

As there is less mutual knowledge of each other's affairs than is found in village societies, the need for teaching both before and after registration is urgent. The meaning of credit, the dangers attendant upon its use by anyone not fully acquainted with these dangers and with the safeguards to be adopted if such dangers are to be avoided, should be carefully instilled. The meaning of 'business' and the advantages of strict adherence to business principles must be understood by all before admission to membership. In so far as the minimum requirements of strict business principles are contained in the by-laws, unconditional compliance with these should be rigidly insisted on.

36. The membership is mixed but, although the number of cultivators is large, the majority are traders. We found Membership. the register of members was not always kept up to date, and the status of the members, their main source of income, etc. is not clearly stated. A number of members shown as labourers were found to be petty traders.

The fear held by the Maclagan Committee that many might join solely for the dividend, seems to find support in one urban bank which had no less than 120 members who neither borrowed nor deposited nor saved in their society. Their whole interest in the society must be limited to the amount of dividend, which can hardly be healthy.

37. Shares are usually of fifty rupees fully paid up on admission ; but Share Capital. in some cases ten rupees may be paid on admission and the remaining forty in four quarterly instalments ; the latter is more suitable for the poorer members.

and might be more generally adopted. Also payment by small monthly sums might be tried. These urban banks are intended for small people to whom more than a rupee or two a month might prove too onerous. Usually there is no limit to the number of shares, so that an unsold share has no value ; yet we found societies permitting a set-off of the share value against loans due. Section 32 of the Burma Act clearly contemplates that the society shall dispose of the share, and set-off the sale proceeds thus obtained against the loan, so that its paid up capital is not reduced ; and section 23, dealing with expelled members, similarly does not provide for a return of the value until the value has been received from some one else. To permit of a reduction of the paid-up capital is to diminish the cover for depositors, and is contrary to the ordinary law of banking companies. The provisions of the Act should be carefully observed.

38. The total borrowings of an urban bank are limited by the by-laws to three times the owned capital, and we recommend that this be retained. The banks appear to receive considerable sums in fixed deposits, but do not show sufficient care in avoiding large sums falling due at one time. Depositors of large sums should be asked to split these up into smaller amounts falling due on different dates, synchronising, as far as possible, with the dates on which re-payments of loans are expected.

The same rate of interest is given to non-members as to members and is high, usually ten to eleven per cent. In one urban bank, which was an exception, members were paid twelve per cent. and non-members nine. The 'non-members' were largely institutions such as pagoda funds, monastery funds, schools and a recreation club, although a few individuals deposit in some banks. Payment of interest at such high rates has only been rendered possible by the omission of these banks to make proper fluid resource arrangements. Under our recommendations these high rates will not permit of a sufficient margin of profit.

39. Savings deposits are general, and a special collector is usually retained to go round to the houses or shops of the people. As much as five per cent. is paid on these small accounts, which seems to us too high. Interest should be paid on the minimum monthly balance and not on the daily balance. It is not necessary to vary the rate with the number of days in the month, an even monthly rate is sufficiently close and simplifies the accounts.

40. Current accounts are allowed even to non-members. This seems to us to expose the bank to danger, and we recommend that the privilege be limited to members and then only in societies with efficient management. If the danger of loss is to be avoided, technical knowledge of the law and practice relating to

cheques and current accounts is necessary, and we suggest that a small text-book dealing with these subjects might usefully be provided. Interest, as recommended in the case of savings accounts, should be calculated only on the minimum monthly balance and should be low. We regard the five per cent. given in Prome as far too high.

41. Some banks arranged for fluid resource with the Provincial Bank until this facility was recently cancelled. The Fluid Resource. standard of 75 per cent. of the balance held on current account, and 50 per cent. of the savings bank balances is suitable, but one-third of fixed deposits falling due in the next twelve months should be added. This standard is not always maintained, and may be enforced by withdrawing permission to accept deposits from non-members. In lieu of the arrangement with the Provincial Bank, all urban banks should be advised to purchase Government securities or postal cash certificates. The former can be lodged with the nearest branch of the Imperial Bank or other approved joint stock bank, as cover for a cash credit. This will avoid the loss of interest arising from idle cash balances, and will not make the resources less fluid.

42. Although the by-laws provide that the maximum normal credit of each member shall be fixed in general meeting Loans. we found that the maximum was usually five times the share capital paid by the member ; in one case there was an outside maximum of Rs. 1,500. The average loan runs to about 400 to 600 rupees; in some banks personal sureties are taken for loans up to Rs. 500 and mortgage security for loans above that. This seems suitable. In some banks very large loans are allowed, running as high as ten and twelve thousand rupees. It appears necessary again to state as clearly as possible that these urban banks under the Co-operative Societies Act are intended for small people, petty traders and so on. Those who require large loans should be referred to joint stock banks under the Indian Companies Act. It is, perhaps, unnecessary to say that these large loans are generally sticky, and that the management usually excuses itself by referring to the excellence of the security. Committee members are frequently in debt for large sums and are bad repayers. Even a bailiff president was found to be heavily overdue, a fact which suggests its own line of thought.

The model by-laws contain a provision that "the committee of management shall be jointly and severally liable to the society for loans which cannot be recovered owing to misapplication where it has failed to take action at the time of such misapplication to demand and enforce repayment or owing to failure to proceed against sureties in respect of overdue loans." But we found only one instance of this excellent provision being itself enforced.

43. The usual period for loans is eight or nine months and an extension for four months is allowed. There seems to be no attempt to fix the period to suit the purpose; it seems to be the same for loans for all objects. Where loans are given to enable petty traders to stock their shops, repayments from sale of such stock should be rigidly insisted upon, and the whole loans should be cleared within three months. This would not prevent fresh loans being given for fresh stock during the currency of the previous loan, provided that the daily receipts were passed through the bank. There is no hardship in this, and great benefit to both bank and client. Traders frequently carry larger stocks than normal for a month or so after the crops have been harvested. This is the time when central banks should have surplus funds due to repayments by cultivators and we think that urban banks may borrow from central banks on the security of their members' promissory notes for periods limited to the non-cultivation season.

While adapting the period to the purpose, we think the committees would be well advised to limit the maximum to six months, and to grant extensions only when it is proved to their satisfaction that the full object of the loan has not been attained. We found that a large proportion of the loans were becoming permanent, and that the committees were quite complacent on the subject. It was pointed out that an extension or renewal under the by-laws required a general meeting, so silence was at least the simpler course. In one bank the staff said that the only difference between an extended loan and one overdue was that extension had been asked for in the former case and not in the latter. It is also common for new loans to be granted on the same day as old ones are repaid. In one bank, where mortgages were taken in security, these were released annually and fresh deeds executed. The chance that a third party might secure a prior mortgage and so affect the bank adversely was overlooked. One reason for the annual clearance of loans by book-adjustment was that the bank wished to retain its classification as 'A'. We recommend that renewals of loans should be strictly forbidden as they tend to encourage book adjustment.

Cash credits are liable to be abused and to become permanent advances. In practice they are usually only granted to well-to-do men on good security, so that they form a good investment for the banks. They should only be granted when there are surplus funds and after the needs of all the smaller members have been met. They should be recalled whenever funds are needed. In the case of salary earners in urban banks, the maximum loan is six months' salary; this in our opinion is too large, and we suggest a maximum of three months' salary.

44. Overdues are very heavy in all banks; too many loans have been given to liquidate old debts (*e.g.* Kyauksè); the members of the committee are frequently defaulters. Repayments should be insisted on when their purpose has been fulfilled.

Banks which allow loans to remain unpaid without any effort to recover are serving no useful purpose ; they seldom have funds available to meet urgent requirements and might as well be wound up. The committee have it in their power to reply that the resort to arbitration against defaulters has not been encouraged and that civil litigation is lengthy, expensive and not always fruitful. We found that a large number of civil suits had been instituted by these banks. Decrees had been obtained, and the banks were hoping to recover when the harvest or trade or something improved. The outstandings for costs alone ran into thousands of rupees. The decrees carried interest at six per cent. while the banks pay nine or ten on their deposits, so a decree without some certainty of rapid recovery is not much better as an asset than a bad debt.

45. The reserves have in general been used in the business. We have recommended that fluid resource in the form of government securities or postal cash certificates should be provided and this should in whole or in part be supplied by investment of sufficient of the Reserve Funds in this form.

46. Dividends vary from nothing to twelve or thirteen per cent. By rule they are limited to twenty per cent. There seems to be nothing to prevent bad societies from declaring dividends and we recommend that where the auditor reports badly on a bank, that bank should be prohibited from distributing a dividend. We think that much bad business is due to the desire to have as much as possible invested at interest so as to increase dividends. In order to prevent banks from attempting to claim credit for profits not earned, we recommend that in the case of overdue loans the first cash receipts should be applied to reduction of principal, and not to interest. In bad banks the same rule might be applied to loans extended, if the extensions are given without proper care and good reason. We specially recommend that so long as these urban banks accept deposits from non-members the maximum rate of dividend should be lower than the twenty per cent. now permitted by rule and would prefer to see ten per cent.

Expenses of management are almost everywhere high, and call for the attention of the staff.

47. It is always difficult to maintain the interest of members in urban societies of limited liability, and the poor attendance at general meetings exemplifies this. At Benzada there had been no quorum at the last two annual general meetings; in other banks the attendance was from one-fourth to one-third of the total. Little interest seems to be taken in the proceedings which thus are apt to relapse into a formal re-election of office bearers. If

should not be beyond the capacity of the staff to instil some life into these gatherings ; our proposal to prohibit dividends in the case of societies badly reported on might do some good, and a breezy discussion of defects might aid towards the same result.

48. The audit requires much improvement and should be more stringent. A special place in the report should be given to the auditor's opinions on securities for loans, extensions, overdues and book adjustments. In the past these important particulars have been neglected. The control of audit is dealt with in Chapter V.

In particular the auditor should count the cash balance and see that it is kept under the control of the bank in a safe with two keys at least. The practice of keeping the cash with the chairman should cease.

The accounts should be as simple as possible, compatible with clearness. Special record should be kept of loans extended or overdue, and these should be separately entered in the balance sheet.

49. From the above it will be seen that we found these urban banks in a very unsatisfactory condition ; the management tended to be slack in insisting upon recoveries and did not appreciate to the full the extreme importance of keeping the assets fluid with the result that it was difficult for us to form an opinion as to whether some of the banks were solvent or not. Unless adequate measures are taken early to place matters on a more business like footing, we fear that some of these banks will certainly become insolvent. The cases of all defaulters should be reviewed and suitable action taken to recover the sums due ; in future loans should be granted on a more strict basis, and care should be taken that failure to comply with the terms of the loan should meet with instant steps to recover. Unless the staff succeed in effecting a marked improvement, most of the banks will slide into a state of insolvency, and no hesitation should be felt in ordering the winding up of any which refuse to put their house in order.

It has been suggested that the supervision of these urban banks should be divided, so that while the larger should remain as at present under a separate Assistant Registrar, the smaller ones should be placed under the ordinary staff for rural societies. Where the work done is of a simple nature, such as the financing of petty bazaar traders, this division would appear to be free from serious objection and would have the advantage of limiting the large area to be covered by the special staff for urban societies. Where, however, the financial transactions are markedly different from those of village banks, where, for instance, current accounts are permitted, or the loans are large or the accounts are complicated, the

urban banks should be supervised as at present by a special staff, which should concentrate on their special problems and overhaul their working at least twice a year.

50. We had no time to make a careful examination of Salary Earners' societies ; we found that their purpose, whether credit or thrift, was not clearly understood. As Salary Earners' Societies. thrift societies they are not so successful as we could wish. Some societies of Indians are better in this respect. Facilities for loans appear to be too generously provided ; the maximum might well be limited to a sum equal to three months' salary. We did not see any police or other special societies of salary earners.

CHAPTER V.

SECONDARY ORGANIZATIONS FOR GUARANTEE, AUDIT AND CONTROL.

51. The history of the rise and fall of the guarantee unions can be gathered from the annual reports. From these it appears that in 1908-09, when the policy was still to restrict the registration of new societies, it became difficult to select amongst the applicants. Three of these then signed a mutual security bond guaranteeing each other's liabilities up to a specified sum. The idea proved attractive, and the terms of the bond, after being revised by the Secretary to the Legislative Council, were approved. Other societies volunteered later to join in this agreement, and from this loose association of societies guaranteeing each other's borrowings there developed the modern union as a guaranteeing, controlling, inspecting and propagandist body. In the resolution on the report for the year ending June 1912 the Lieutenant-Governor entirely concurred in the Registrar's view that these unions should form the ordinary medium for enquires regarding their affiliated societies and that they should be allowed cash credits as a means of enabling the Registrar to exercise adequate control over a larger number of societies than would otherwise be possible. It was from the first hoped that societies which joined unions would the more easily obtain public confidence, and that every society would be subject to the scrutiny of others which would be the first to draw attention to any deterioration in the solvency or character of members. These unions assessed the credit and requirements of affiliated societies, recommended new societies for registration, were intended to improve the security for borrowing from non-members and were expected to explain the principles and method of co-operation. Funds were raised by a rate upon affiliated societies of from four to eight annas per hundred rupees of working capital.

In the early years 1911 to 1916 great hopes were placed upon these bodies. It was expected that they would show less weakness and soft-heartedness and more business in the dealings of village with village than in those of man with man in the same village, and that their management would be more businesslike than that of any individual society, while they seemed to solve the difficulty of providing effective and adequate control. For some years they were reported to be giving material assistance in supervision, propaganda and management and in spreading knowledge of co-operative principles; they began to employ inspectors who were usually selected secretaries of societies, and these went about assisting societies in keeping accounts. In 1916, they were described as the

main-spring of the movement, but in this and following years they began to invoke criticism: inspections by committee were disappointing, the chairmen and leaders in some cases were found to be slack, careless and slow to realize their responsibilities, and the "Burmese national failing of undue delicacy and lack of moral courage in dealing with the faults and misdemeanours of their neighbours" led to defects; they preferred "to put up with maladministration or malpractices in the hope that one of the Government staff would one day come and put things right." On the whole, however, the unions seemed to have given general satisfaction down to 1921 and were awarded praise even down to 1926.

52. The defects inherent in the system gradually forced themselves on the attention. As years pass their work of teaching becomes neglected: the systematic inspection of societies is frequently omitted; and it is mentioned in 1922 that the Joint Registrar "has often found that union organization has led to relaxation of individual effort on the part of affiliated societies, and that the union chairmen and secretaries often shoulder the burdens which should be borne by societies themselves."

As guarantors of borrowings they have proved a complete failure; there was no sanction behind the guarantee and the unions were impotent to implement it; before the Royal Commission, U Sein, Manager of the Provincial Bank, the principal creditor, said he thought it would be better to abolish the system.

The union guarantee provided that each society in a union guaranteed borrowings of other societies up to an amount equal to its own maximum borrowings from non-members in the preceding year or to half its working capital, whichever be the greater. We have found that in practice the maximum borrowing limit of societies tends to become equal to half the assets of members, so that their total liability was equal to half the assets on their own borrowings and a further half for the union guarantee. As on a forced sale in liquidation proceedings, the assets realized far short of their estimated value, the guarantee has proved illusory, there being often not enough proceeds to meet the liabilities of the society itself.

The moral effect of the guarantee when put to the test failed largely owing to the fact that co-operative societies are bodies corporate, so that the liability of members cannot be enforced against them individually except on liquidation. A call from the union to shoulder a share of the debt owing by a defaulting society to its creditor bank could not be passed on to individual members which had undertaken the guarantee, and so it was only the society which could be proceeded against. The usual practice seems to have been to show the share of the debt of the defaulter as a deposit by the defaulting society and to make a paper adjustment in favour of the creditor bank in the loan account. As, in any case, the debt was doubtful if not bad, it would have been better to

deduct the amount from the reserve and show an equal sum as due to the creditor bank to be adjusted within a definite period. If the guarantee survives this report, this point should receive attention.

From our inquiries it would appear that the union must be regarded as responsible for much of the present condition of the movement. It was never a union of societies : each society sent only two members to the general meetings, and if others went to listen they were not allowed to address the meeting. The general body of co-operators had no part in union proceedings ; they were not summoned as a body to discuss matters of moment or to receive instruction. The delegates from societies elected chairmen and vice-chairmen who formed the committees of unions. These chairmen became *ex-officio* members of supervising committees of the Provincial or Central Banks, and were usually also the delegates to the district association. The general body of co-operators thus became divorced from important activities of the movement. They were further removed from opportunity of instruction by the importance which became attached to the unions. The official staff inspected unions and attended union meetings, but undoubtedly neglected the individual societies.

The union's chief function was to serve as a link between the Provincial Bank and the society ; " the guarantee was devised to enable rural societies to offer satisfactory security to the Provincial Bank " and to enable it to get over the " difficulty in assessing the credit of societies." Apparently the Provincial and Central Banks were not expected to make any independent assessment of credit and were told that they were " justified in relying upon the assessments made by unions because unions guarantee the liabilities of their societies." Unfortunately, the union had no powers to protect itself or its constituent societies against defaulters. Bye-law 13 of the union runs : " If an affiliated society be found guilty by the union of careless or bad working, the union general meeting may direct that within one month it shall repay all or part of its borrowings from non-members and the affiliated society shall thereupon be bound to obey such direction. If its working be not improved, or if it be guilty of disloyalty to the union, it shall be liable to expulsion from the union by resolution of general meeting." All this thunder amounts to is that if a society were not repaying its borrowings the union would not guarantee any more ; it had no powers to insist upon recovery and was helpless in the face of an obstinate society. It has failed to secure good repayments and has proved almost useless in the work of liquidation. The guarantee may have been a useful means of procuring a loan from the Provincial Bank, but as a means of recovery it proved worthless.

Even in its main function of assessing the credit of affiliated societies, the union must be pronounced a failure ; almost everywhere we found a mechanical " assessment " based upon the figures supplied by the societies. In later years at least, there seems to have been little attempt to

examine a society's estimate of " maximum amount of outside liabilities " in the light of the normal requirements of the business of the members. We were told that each society delegate feared to be critical of another's estimates lest a similar fate might befall his own figures. It is doubtful if the union's assessment possessed any greater value than the original estimate sent up by the society.

Perhaps, the greatest evil inflicted by the union system arose from the growth of its own importance in the eyes of everyone. It was an inefficient body at best, and quite incapable of performing the duties thrust upon it; but its very existence served to push the primary society into a position of insignificance in the background where it remained unseen, untaught and neglected. Its secretary and supervisors, in the words of an annual report, went about " teaching societies how to fake their accounts "; their duty was supposed to be to train the secretaries to manage their accounts, but it was neglected: " that there seems to be no attempt to train society secretaries is not surprising, for self-interest would discourage such a policy."

53. In some cases, unions combined to form supervisory bodies which engaged paid supervisors to visit societies. These Supervising functions. were untrained, uneducated in co-operative banking or co-operative principles, and unfit to be let loose amongst any body of co-operators. On the other hand, they were costly. They have since been abolished and the general trend of the evidence before us was in favour of this step. If any doubt the accuracy of this condemnation of an institution originating from Burma, the general state of societies provides the proof.

54. We have no hesitation in recommending that the union guarantee should be abolished as soon as this is practicable. Future of the Union. The work of supervising primary societies must under present circumstances to a large extent be carried out by the staff, whose chief object must always be to train them to stand alone without such control. It is not necessary or desirable to cancel unions where they are found to be performing useful functions as educative or supervising bodies; but there should be no necessity for an expensive staff of secretaries and supervisors, for elaborate books, and forms or for an office. It is probable that the future of the union lies in its becoming a real union of societies, holding periodical gatherings of members at which topics of mutual interest can be discussed. Difficulties arising in accounts etc., should be raised at these meetings, and, where necessary, arrangements made for a visit to the societies by such members as are qualified to advise. When any experts of the Agricultural, Veterinary and allied departments are touring the district they should, whenever possible, give the unions an opportunity of holding a meeting at which the advice of such experts can be sought. We also think that union gathering afford the best opportunity for spreading education in co-operative principles by

the officers of the department. Their failure as guaranteeing bodies does not necessarily imply that if reconstructed as we suggest they will fail as supervising and educative bodies : in fact we consider they have already done useful work in these directions and in course of time they should prove of great assistance to the department.

Extreme reliance upon the union and their chairmen has not only led to the neglect of the members of primary societies, it has weakened the position of the Provincial and Central Banks in their relations with their borrowers. The chairmen were *ex-officio* members of the committees and so societies had no representatives elected by themselves specially for this work; the result was an unwieldy body of supervision, too large for real work and containing too many whose views did not extend beyond the narrower interests of their own societies. Had the members of the committee of supervision been limited to a small number and if these had been elected specially for their fitness for the work to be done it may be that the resultant body would have had the courage to take a longer view of a society's responsibilities towards its creditor bank and might have proved a source of strength in support of the managing committee when dealing with defaulting societies. The fact that the representatives of society share-holders were already appointed *ex-officio* deprived society delegates of their chief interest in the general meetings, and also served to weaken the importance of these meetings as opportunities for discussing matters of current interest.

We think that it would have a greater educative effect if the representatives of societies on secondary bodies were elected in general meeting, in place of being appointed *ex-officio*.

55. District Agricultural and Co-operative Associations were formed during the year 1915-16 to assist co-operative administration and agricultural and industrial development and to tender advice to the Deputy Commissioner on matters concerning education, posts, sanitation, communications, etc.

The membership consists of the local central bank, unions, industrial societies, Co-operative and Agricultural Department officers in the district and a few outside well-wishers. There is a standing committee to carry out the objects continuously to conduct correspondence, and to arrange for district conferences. There was to be a general meeting twice a year.

The number gradually increased in succeeding years, but it is clear that they never were regarded with favour by the co-operative societies of the district. Indeed, the societies could not take much interest as they were only allowed to be represented by one delegate per union, so that the co-operators as a body remained excluded. Much of the work done was hardly co-operative such as the distribution of tablets for curing eye diseases, a scheme for midwifery discussion of district sanitation.

Resolutions were passed, but the association lacked power and influence to implement them. Some appointed supervisors but experienced difficulty in controlling them ; others took over the auditors from the council but found difficulty in paying them, and it is even stated that the provident fund of auditors was drawn upon to meet current expenses. In one report occurs the remark : " The supervisors maintained by some of these bodies are often a public danger ; they go round the societies teaching the secretaries how to fake their accounts. "

The one point in favour of these associations is that they held district conferences and so provided "excellent opportunity for district officials and the leaders of the co-operative movement throughout the district to become known to each other ; such ' touch ' being of great service to the societies. " These conferences, however, have not been held regularly for some years past.

These associations have proved costly ; they have spent about a lakh a year, obtained from societies by a rate on working capital ; it is doubtful if they have ever rendered any service equivalent to this expenditure. They have excited little interest amongst even their own members. The general meetings have not infrequently had to be postponed for lack of a quorum. Latterly representatives of the Agricultural Department have not been present. Those we visited were unable to point to any definite achievement. An expensive staff is maintained, but it does little more than exercise a paper check over audit, etc. It can exercise no check over the work done by supervisors.

One of the worst features about these associations is that their liability is unlimited ; the danger is usually minimized by the moderate scale of activities undertaken, but none the less it is altogether wrong that a central bank, for instance, should be a member of an association of unlimited liability. Within the credit movement, the system is thoroughly unsound. The societies have unlimited liability within and an annually limited liability without to their union ; the union has unlimited liability towards the district association, and the association has unlimited liability towards the council. The unsuitability of this system has not yet been brought home by unfortunate incidents in any of the connected bodies but we anticipate that calls will have to be made now for arrears of pay, etc. Such exceptions to the general law are quite unnecessary and are replete with potential danger. The general rule is that a society shall have its liability limited if any of its members is a society ; this provision of the Indian Act has been preserved in the Burma Act and should be adhered to.

Of the functions of the associations, the control of audit should be transferred back to the council as reorganized. Dispersal of control is expensive and inefficient and brings no counterbalancing advantages. The supervisors are being abolished. Under our scheme, their duties will be performed by the auditors in backward societies, under the supervision of the Junior Assistant Registrars.

56. The district conferences seem to have died a natural death. The other functions of the association may well be taken over by smaller bodies with a township as an area, on the lines of the Taluka Development Associations in Bombay.

These township development associations would have as members the societies themselves ; their general meetings would be held at convenient centres and would be meetings of the general body of co-operators within the township ; it is not necessary to pass resolutions, and no attempt should be made to pass resolutions which the association itself is powerless to carry out, they should therefore be confined to the activities of the associations. Every endeavour should be made to utilize these general meetings for the propaganda of the advice of the Departments of Agriculture, Public Health, Veterinary, Education and so on. Probably a series of short lectures, of about fifteen minutes each, would prove attractive, especially if followed by a discussion on the suitability of the advice to the village conditions.

In this manner, it should be possible to make these meetings really useful for propanganda purposes of the various departments dealing with village life. With membership limited to a township, the meeting should not be unwieldy in size ; the economic conditions would not be too dissimilar and personal acquaintanceship amongst members would be prevalent, impossible to a body from the wider area of a district.

The Government of Bombay affords financial assistance to the Taluka Development Associations and the Royal Commission supported this as " Government have a special interest in promoting organizations on a co-operative basis to facilitate the activities of the agricultural, veterinary, educational and public health departments." We recommend that a grant be placed at the disposal of the Registrar to assist these township associations, when formed, to hold general meetings and to provide facilities for the propaganda work of the various departments. In the Punjab, there are not formal associations, but tehsil (township) conferences are regularly held every year, at which the local experts of the various departments give short lectures sometimes with the aid of magic lanterns, a scrub bull is duly dealt with by the Burdizzo instrument, and every field of co-operative activity is reviewed. The meetings are well attended, being held in the open air ; the cost is negligible. All departments appreciate their value and great progress is being made with spreading a better understanding of the aims of the experts. The Bombay system is said to be proving highly successful in the same directions. The difference between the district association meetings and those of the township is that while the former is a meeting of delegates from a wide area, the latter is one of actual co-operators from a mere fraction of the former area.

The district meeting hinges on the assumption that the lessons learnt will be passed down to the village ; in the other case the village comes itself to learn direct from the lips of the expert.

In the initial stages, no permanent staff is necessary, no books or registers and no office. The auditor or the Junior Assistant Registrar should be capable of organizing meetings in the ordinary course of their duties.

Where it is desired to discuss any matter on a district basis, the annual general meeting of the central bank should afford ample opportunity, and it is probable that a separate district organization will not be found indispensable.

57. The provincial council was organized and registered during the year 1918-19 with the objects of managing the co-operative audit funds, arranging for the holding of provincial conferences, making representations to the Registrar regarding matters affecting co-operative societies and generally of advising the Registrar. From the start interest was not marked; few non-official members attended meetings and the work had to be done by the officers of the department. In 1923-24, the council was re-organized with a non-official chairman, but the Registrar was retained on the executive committee and actually had to direct most of the work. The control of audit was in some districts handed over to the district agricultural and co-operative associations and these bodies lost interest in the council, with the result that whatever influence it ever had began to decline. Things went from bad to worse, until the council having failed to recover its audit fees applied to Government for a grant. It could no longer pay its auditors, who fell several months in arrears with their salaries, with the result that there is nothing except a paper credit to show for their provident funds. It is clear that the council cannot recover its position or grow into a useful body without further assistance and support from the Government staff.

It recruits and trains auditors, and lends these to district associations who pay the approved terms. The auditors are poorly educated, usually not having risen beyond the vernacular VII Standard. There is no one with a school-leaving certificate. One auditor is maintained for every hundred societies. No check is kept on the actual work of audit, but only on the programme of audits. There is thus no check over the efficiency of the audit. The council no longer does anything for co-operative education.

It is clear that the council must either be strengthened or abolished. In view of the failure of the unions and district associations, it is desirable to retain this body as a nucleus of non-official effort which may gather influence as the movement surmounts its present difficulties. We accordingly recommend that the council be retained with the Registrar as chairman for the next five years. Where there are central banks or district associations surviving, these should be called upon to elect representatives on the scale of one per hundred societies or fraction thereof or the suggested township associations could be made responsible for electing a delegate. The general meeting should elect an

executive committee which should meet at least twice, and if practicable four times a year. The general meeting should meet once, and, if practicable, twice a year. On the general meeting the Joint or Deputy Registrars should find a place.

The general scheme should be to make the council find its own funds for audit, except in the case of societies in their first three years whose contribution will probably not cover the expense. The State should make a contribution to cover this expense, also a further contribution to cover the cost of all education work carried on by the council, including the training of auditors, and yet a further contribution to cover all activities outside the sphere of credit which the staff of the council may be engaged on, such as seed unions, or agricultural propaganda work generally.

The method whereby audit fees are levied on a sliding scale seems to us to be too favourable to the older and richer societies. To a considerable extent, a larger working capital means more accounts and more audit work, while it also usually means greater profits; we do not see therefore why the larger societies should pay a fee at a lower rate per cent than smaller and poorer ones. If more funds are required for improving audit, a portion at least may be found by raising the fees on the societies with the larger working capital. Where the fee is levied as a percentage on profits, this is automatically adjusted to the richer societies and not reduced as under the present scale.

We endorse the recommendations of the Royal Commission on Agriculture in paragraph 378 of their Report where they state: "Public funds may reasonably be spent in assisting institutions whose object is to spread education in the application of co-operative principles to various objects and also in assisting unions for supervision. We found that Government aid was usually given for propaganda work and we approve this. In consideration of the prevailing illiteracy and the consequent difficulty in reaching the people by paper or pamphlet, we think that Government have a special interest in promoting organizations on a co-operative basis to facilitate the activities of the agricultural, veterinary, educational and public health departments and that assistance should, therefore, be freely given to ventures of a novel nature."

If our proposals as to the abolition of union secretaries and supervisors are accepted, it will be necessary to provide skilled assistance to society-secretaries in their place, and the most suitable method will be to add this duty to the work of the auditors. The auditors will thus be responsible for teaching society-secretaries accounts, and for general instruction of members in the system of book-keeping and secretarial work; they should also visit the less efficient societies to assist in the preparation of forecasts of recoveries. They should not be permitted to make entries in books except in red ink by way of correction, as it is of great importance that responsibility for original entries should rest with

an officer of the society. We have also recommended that the auditor, at the end of his audit, should have a general meeting summoned at which he would explain matters in detail to the members and attempt to induce the general meeting to take necessary action on the points disclosed in his audit note. We estimate that an auditor would thus spend about five days a year with each society. In addition he will have work in connection with the preparation of the annual statements for a fortnight or more ; he should attend refresher classes for a week or more and assist in classes for secretaries ; and he will be required by the Range Officer to attend on different occasions during the inspection of societies, preparation for township conferences, etc. With all these calls upon his time, we do not think that he will be able to audit more than fifty societies in a year and the scale should be based upon this assumption.

The auditors should be as highly trained in co-operative principles, in the meaning of the Act, Rules and By-laws and so on as circumstances permit. They should be able to explain the why and wherefore of Act, Rules and By-laws to all members as it is important that members should act from a thorough understanding of the benefit to themselves of the numerous prescriptions, and not because these find a place in some authoritative document. Every effort should be made to recruit men of the high school final standard, and the pay and prospects should be framed with this in view. An incremental scale, with a provident fund and a prospect of rising to Range Officer will go far to secure efficiency. Their competency must rest with the Range Officers and their independence of outside influence will be secured by their being employed by a central council with the Registrar as President. They should be closely supervised by the Junior Assistant Registrars, who will be responsible for checking their work and for improving their training. There need be no fear that the Junior Assistant Registrar will interfere too much as he will have too many societies in his charge to permit of too much time being given to any one. Reports on the work of auditors by Junior Assistant Registrars should be submitted through the Assistant Registrars to the council, whose executive committee will deal with them. It is not necessary that details of discipline should be brought before a general meeting. The latter body will have enough work to do if our recommendations are accepted. We trust that the above recommendation will give to the Registrar that control of audit which our evidence has proved to be so essential. If in the future the standard of audit shows any tendency to relapse to the unsatisfactory level at which we have found it, the whole question of its control through a council will need to be reconsidered.

The council should undertake the responsibility of printing and selling all standardized books of accounts, registers, and other stationery required by societies. This should enable the societies to obtain their

requirements at the lowest price and afford to the council a source of income to cover its office expenses.

The by-laws of the council should be amended so as to limit liability to a guarantee of one hundred rupees in case of deficit on liquidation.

58. This body was registered at the end of the year 1920-21 with the object of undertaking the audit of urban societies, and of such central banks as elected to employ this machinery. It began to supply auditors from September 1921. From the start it was faced with difficulties, for which the Department was in some measure to blame ; for there seems to have been no adequate provision for the payment of audit fees ; no rule was framed under section 43 (2) (b) of the Indian Act of 1912 to provide for the charges to be made for audit, and in the earlier by-laws of urban societies there is no mention of such payment. It is true that when the federation was founded the model by-laws did contain the following:—

“The society shall subscribe, by way of fee rate or otherwise, such sums as may be fixed by the Registrar, in consultation with the Union if there be a Union, towards (1) its audit and (2) its supervision.”

But it is not clear that by 1921, every society had adopted the new by-laws which contained this provision.

The Registrar, we are told, directed the federation to audit the urban societies whether affiliated or not. The by-laws of the federation bound affiliated societies to pay contributions, but this, of course, did not apply to urban societies not so affiliated. The result was that some of the societies which the federation had audited under orders of the Registrar demurred to pay the audit fees, the federation became unable to pay its auditors or to maintain a competent staff. At present, there appear to be about one hundred societies audited by the federation, of which only 46 are affiliated.

The Department does not seem to have evinced much interest in the past ; the federation escaped mention in the annual reports for 1924 and 1925, and it is clear that insufficient trouble was taken to place the institution on a sound basis at the start. Latterly, this apathy has given way to active assistance and the outlook is more hopeful. We recommend that necessary action be taken to make it quite clear that every society classed as urban is bound to be affiliated to the federation and is equally bound to pay such sum for audit as may be decided to be necessary. Whether this sum be based upon working capital or upon net profits or otherwise is of less importance than that it should be adequate to meet expenses and should be promptly and regularly paid. Once settled, the fee should be remitted not later than the date of audit, and it should be the duty of the auditor to see that the fee is sent by money-order or other means before he finishes the audit. If the

chairman fails to pay, there is ground for inquiry under section 42 of the Burma Act, and costs may be awarded against the recalcitrant chairman.

We consider that advantage would ensue if the Registrar were to attend annual general meetings of the federation for the next few years in order to stimulate interest and to guide its deliberations along the most useful lines.

The audit of urban co-operative credit societies consists of two distinct functions : (a) the checking of each day's transactions, interest calculations, etc., and (b) the verification of the balance sheet.

(a) Internal audit : In joint stock institutions this is usually done by a superior staff employed by the bank itself. There are few, if any, urban societies with sufficient work for a full time man. We think however that it is better that the work be done from month to month instead of at one time at the end of the year : in many cases it is considerable, and mistakes may have serious results if not discovered until some time after they occur. We think therefore that a local auditor, who may be a member of the bank or not, should be employed when possible and be paid a suitable remuneration. When this is not possible the Registrar must see that definite arrangements are made for the work to be done by an auditor of the federation.

(b) Final audit. This will include a verification of all the assets of a society and an enquiry into its overdue debts. As the societies are of limited liability their duties are of great importance. The work entailed differs materially from the audit of a rural society. The securities are after mortgages of house property, a verification of which will require special training. The loans will be of a different nature and book adjustments more difficult to detect. The auditor should also satisfy himself that the internal audit has been properly carried out by an examination of a percentage of days' entries. It is imperative that the Registrar should satisfy himself that the auditors have the necessary qualifications and, as it is desirable that his authorization be limited to auditors maintained by the federation, it will be necessary for him to certify as to the fitness of the auditors appointed. He should also take steps to replace any " internal " auditor who is not doing his work satisfactorily.

If the federation is in need of funds to place itself in a solvent condition after paying all overdue salaries to its staff, we recommend that a grant be made from provincial revenues to meet the deficit and to allow of a small surplus.

As new societies are not always able to pay for audit, we recommend further that a recurring grant be given equivalent to the cost of auditing all societies not two full years old at the time of audit.

If the federation undertake any educative or propaganda work, we think that there should be a grant-in-aid from provincial revenues to assist this work and to ensure that the staff employed are fully trained and thoroughly educated in the matters which they have to deal with. Similarly any expenditure on the training of the audit staff should be borne by Government.

• CHAPTER VI.

INSURANCE.

59. *Agricultural Insurance.*—The report of the Department for 1928 shows 389 societies for the insurance of cattle, of which the Registrar expects about 300 to be wound up as soon as officers are available for the work. There is however little to be done beyond deciding what to do with the surplus.

The movement was never self-supporting and has always been dependent on the active assistance of Government officers. For the last eleven years business has steadily been declining, until last year 5,581 members insured only 362 cattle, of which 306 were in Mandalay District. The societies and union appear to be fairly sound financially, but it seems to us a waste of valuable time to attempt to revive this difficult phase of co-operative activity. Even in England insurance of cattle has not proceeded far beyond stud beasts, stallion, bulls etc. We therefore recommend that the societies which are doing no work be closed down ; all districts except Mandalay should be dealt with at once as there is little that requires to be done. Mandalay may wait until the Registrar has time to make a more detailed investigation.

The Re-insurance Union needs to be wound up at once and the funds should be held in a sound central bank until a decision can be arrived at as to their disposal. For the last three years the income from premia has been 690, 555 and 317 rupees respectively, while the cost of management has been 1,269, 1,096 and 1,036 rupees respectively. In a few more years at this rate the question as to the proper disposal of the surplus will answer itself.

The decision to close down this branch of activity need not cause regret ; cattle insurance has not proved popular anywhere in India, and is obviously too advanced for the type of member.

CHAPTER VII.

CENTRAL BANKS.

60. It seems to be generally recognized that one marked element of weakness in the Burma system has been the failure to constitute strong central banks in every district, financing societies within the area of the district by deposits raised locally. The fault does not appear to rest with the department ; the staff tried their best, but local circumstances proved unfavourable ; leaders of the requisite influence were not forthcoming and depositors remained shy.

One or two failed to make good their footing and were disregistered ; at the time of our appointment the tendency was to open branches of the Provincial Bank instead of attempting to form more central banks. Some difficulty was experienced when central banks took over societies with their debts from the Provincial Bank ; naturally enough the central bank preferred to take over the best societies and leave the worst, while equally naturally the Provincial Bank objected to a procedure which weakened its own position. The officers of the department are not unanimous as to the merits of the central bank as compared with a branch of the Provincial Bank, and we have heard of objection taken to the formation of central banks in the rich delta tract while the insecure dry tract was being left with the Provincial Bank.

61. The by-laws of central banks provide for membership by both individuals and societies ; shares, which must be fully paid are Rs. 50 or Rs. 100 each, and a society must take at least one share for each one thousand rupees of loans held. At one time there was a by-law restricting loans to societies to the " requisition " of the Registrar, but in the 1923 model the rule is that " loans to co-operative societies shall not exceed the maximum limit (if any) on the borrowing powers of each society which may be fixed by the Registrar " under the rules.

The committee of management may include salaried officials of the bank, which we consider inadvisable.

There is usually a committee of supervision consisting chiefly of chairmen of unions *ex-officio*, but it seems that these chairmen do little work within the bank, and the majority take no practical interest in its inner working.

62. The rule requiring societies to take up shares in proportion to their borrowings has the support of the Maclagan Committee, but it is doubtful whether experience has not shown this to be inadvisable. Certainly, in the way we have

found it applied, the rule operates badly. Where the society pays for its shares out of its own capital (shares or reserve), the chief objection is to the interlocking ; but we found societies obtaining shares by book-adjustment against loans, so that the central bank was in fact buying its own shares out of its working capital. There are grave objections to a society buying shares in the central bank out of loans from it. In Moulmein, for instance, we found that 71 societies had taken up 745 shares of one hundred rupees each, and so have locked up Rs. 67,400 more than if they had taken one share each. In Pegu, 230 societies had taken 2,266 shares to the value of Rs. 1,13,300 or more than a lakh of rupees in excess of the minimum. Myingyan afforded an even more striking example : out of Rs. 54,426 borrowed from the central bank, no less than Rs. 22,950 was held in shares in the bank. The primary societies were therefore paying 10 per cent. on Rs. 54,426 to receive Rs. 31,476 which is equivalent to a little over 17 per cent. on the actual amount received. In addition the societies were paying a further 1'25 in respect of audit and union fees. The Deputy Registrar had advised that no dividend should be paid on the share capital in the central bank owned by societies. The funds which the societies lent to members at 15 per cent. were therefore costing about 18'25 per cent. It should be a rule that a primary society should buy shares only out of its own capital.

The demand for dividends shown by society representatives at general meetings may be in some measure due to this excessive share holding and a more moderate holding might favour the adoption of longer views.

Most central banks appear to regard share capital as withdrawable, and allow individuals to recover the face value almost at will. Henzada had thus paid out to individual shareholders nearly Rs. 2,000 between the audit and our visit. All refund to the liquidator the face value of shares held by societies in liquidation, and in some districts this is becoming a serious drain on the owned capital of the bank.

It ought to be unnecessary to point out that while the holder owns the share, the bank owns the sum paid for it ; also that it is an elementary principle of banking law that no bank holding deposits from the public should reduce its paid up capital without the permission of the depositors. Section 19 (1) on the Industrial and Provident Societies Act (under which central banks would be registered in England) runs : No registered society which has any withdrawable share capital shall carry on the business of banking. This should be the law here. The necessary amendment in the new Burma Act will be discussed when dealing with that subject.

The proper method of dealing with shares of societies in liquidation, deceased members, etc., is to form a share transfer fund out of undistributed profits but not out of the statutory reserve. The bank is not weakened by allotting to this fund a sum which otherwise would be available for dividend, and shares can be held in this fund until a

purchaser comes forward to buy them. Model by-law 12 prohibits the bank from holding its own shares, and, of course, it should not do so with its deposits or with its reserve. The by-laws should be amended so as to permit of a share transfer fund. Only in Moulmein did we find such a fund.

The present policy seems to be to eliminate the individual shareholder even where societies already hold preponderating voting power. Some educated members are necessary to provide an electorate for the committee of management and we think the attempt to eliminate all will lead to difficulties until the societies can provide a directorate sufficiently trained and skilled. Some of us would postpone the elimination of individual shareholders until societies have a fair proportion of non-borrowing member depositors so as to avoid a position in which the funds of the bank would be entirely under the control of borrowing members.

63. The general meetings appear to be dull affairs, and little if any attempt seems to be made to make them either live or interesting. No matters of direct importance to societies seem to be discussed; voting is rare; committee members are re-elected, and the proceedings are little more than formal. Attendance by societies is, perhaps as a consequence, poor, varying from one-third to one-fourth of the total. In one central bank visited, this very important matter was regarded as of so little moment that no account had been kept of the number of societies represented.

The government staff must be held responsible for this failure to arouse interest amongst societies in their financing agency; the general meetings, like all meetings of co-operators, should be made as educative as possible; and every effort should be made to bring home to the co-operators that they hold in their hands the fate of an institution not only owned by them but established especially to assist them. If the financial agenda are brief, the dealings of good and bad societies with the central bank should be discussed; the results of failure to repay cultivation loans punctually should be brought home and the difficulties of the central bank due to overdues should be explained. It should be taken as axiomatic that wherever a meeting of co-operators is dull and uninteresting to the members, in that area there is something thoroughly wrong with the work of the department requiring the personal attention of the Registrar or the Deputy in charge.

We note that in several central banks, the paid staff, manager, accountant, and so on are not only members of the managing committee, which is open to objection, but have votes thereon which is wrong. They should not be members but may attend without voting.

The committees of supervision seem to serve no useful purpose; in one case the union chairmen members were not called to attend unless specially needed; usually societies are not directly represented on it.

As there does not appear to be much hope of instilling life into this committee, we think it would be advisable to abolish it, and to expand the managing committee so as to include representatives of societies elected for this purpose at the annual general meeting. This managing committee (or directors) would provide from within itself an executive committee of three or four members who would carry on the work of the bank in the period between its own meetings. This work should be reviewed periodically by the supervising staff, so as to bring effective responsibility home to the directors, and the by-laws should be amended so as to state : In their conduct of the affairs of the bank the committee shall exercise the prudence and diligence of ordinary men of business, and shall be responsible for any loss sustained through acts contrary to the law, the notified rules or these by-laws. Care should be taken that the members thoroughly understand this by-law defining their responsibility.

In future, it would be advisable to disqualify from voting at general meetings the representatives of any societies which are in default with their instalments.

64. We have already discussed in detail the remedies that we propose.

Internal Control. We must however again emphasise the importance of concentrating on the proper periods for the granting and repayment of loans, and of taking prompt action whenever any danger signal appears. The banks may rely on the department for advice but they must be entirely responsible for loans, deposits and all internal working. The banks should have the right to obtain any information they require from societies in debt to them and to demand liquidation in the case of defaulters. It must be remembered that it is of little use for a creditor to secure an award or decree against a corporate body like a primary society, which has no material assets of its own to be seized in execution, and therefore it behoves the Registrar to pay particular attention to any complaints from central banks regarding non-payment of loans, and it should be accepted as a rule of practice that the Registrar is bound to liquidate any society which is found unable or unwilling to pay its debts.

The office staff in most cases impressed us favourably. The books are usually well kept and the routine work efficiently done.

65. The greater part of the working capital is obtained from fixed deposits; in general, the individual shareholders do not show their faith in the banks in this practical way, even the members of the managing committee seldom have deposits. Deposits by societies are mere book-deductions from loans advanced, usually on a scale of three rupees per member. For some reason this is supposed to represent the growth of thrift; it should deceive nobody and is devoid of advantage but the inclusion of these

sums in the annual statements has helped to create an erroneous impression of the progress of the movement. The practice should be stopped; *Bona fide* deposits of funds surplus to the requirements of members should be encouraged in every possible way. Dividends on shares are sometimes held in deposit and adjusted against interest due ; this is less objectionable, but it is better to keep as much as possible on a strictly cash basis, as it must be difficult to persuade the village members that their society has really received the dividend. The deposits are not always as well distributed to meet the repayment season as they might be, but the principle seems to be known.

66. Most central banks appear to take deposits on current account and do not confine this to members. The Maclagan Committee objected to this, although they did not entirely prohibit it where other facilities were not available. The Madras Committee also issued a wise note of warning : Central banks, they found " earn little or no profit on these transactions, and have run considerable risks in taking large sums at too liberal rates of interest. Further, the maintenance of current accounts requires a knowledge of the law and practice relating to cheques etc., which neither the central bank nor the department usually command." The remarks apply to Burma. Central co-operative banks are not intended to do the same business as commercial banks, the receiving of money on current account, the honouring of cheques drawn thereon and the collection of the proceeds of cheques sent in by customers. A very different and much stricter law is provided for these. The Co-operative Societies Act is intended for simpler institutions carrying on a much simpler business, and we are of opinion that current accounts should not be opened except in very rare cases, as, for instance where there is a branch of the Imperial Bank or other first class commercial bank in the same town with which the central bank can open an account. The Maclagan Committee recommended that the whole sum in current account should be covered by fluid resource, irrespective of such resource maintained for other business, and we agree with this. Where it is possible, as at Moulmein, for a central bank to arrange a cash credit with the Imperial Bank against Government paper lodged, then there is less risk in opening a current account business, but even here the dangers arising from the use of cheques remain undiminished. There appears to be some idea that these accounts are teaching the people the use of cheques and banking practice generally; to this the obvious reply is that this has nothing whatever to do with the business of a central bank, nor can it be one of the objects. In the present state of the co-operative credit movement in Burma we think that central banks should not do current account business. They should also be prohibited from other classes of business, such as issue of drafts, etc., which is outside their legitimate objects.

67. The majority of central banks seem to have accepted savings bank accounts from non-members as well as members. Savings Bank Accounts. The Maclagan Committee agreed to this practice on condition that 75 per cent. of the amount held was covered. They added other conditions which do not immediately concern us. One bank made no special cover for these accounts, others allowed 50 per cent. fluid resource with the Provincial Bank, which is what the Departmental Circular requires. This is below the Maclagan standard.

These savings accounts usually require a special collector, and interest at 5 per cent. is allowed, so that they are not a source of profit to the bank. We hesitate to recommend that these accounts be closed as we believe that they are doing a useful service in making more popular the idea of steady thrift ; but we think that the same service could be as well and perhaps better performed by special thrift and savings societies on the lines which are proving so popular in the Punjab. We are also of opinion that the rate of interest, 5 per cent., is too high for this class of deposit. It tempts the bank to reduce the amount of fluid resource, as is exemplified in the adoption of fifty per cent. instead of the 75 recommended by the Maclagan Committee, and it also may bring the banks into trouble with the Government of India when Post Office Savings Banks are spread more frequently over the province. The rate should be low enough to permit the bank to hold a large portion of the total sum in postal cash certificates without loss.

The interest should be calculated on the minimum monthly balance and not on the daily balance.

The question should be carefully examined in each central bank whenever it is being inspected. It should be remembered that the success attained is in considerable measure due to the retention of a special collector, and not to the unstimulated desire to put away savings.

68. The cash in hand should always be kept in the bank under custody by the management ; a safe with at least two keys should be used. The practice of leaving the cash with the chairman is open to grave objection. Cash Balance.

69. The fluid resource provision has hitherto been arranged with the Provincial Bank, so that central banks have used their reserves in their general business. The Reserves. arrangement is now being terminated, and each bank will have to consider its future policy. The only investments held have been shares in the Provincial Bank and these are now worthless.

We recommend that the whole of the reserve fund be invested in Government paper and placed with the nearest branch of the Imperial Bank of India, or other well-managed commercial bank, as cover for a cash credit. The cash credit so provided however will not at first be sufficient and a further sum should be similarly invested so that there

will be sufficient cover for the fluid resource that has to be maintained for deposits, leaving only just enough cash in hand for day to day requirements. It is generally advisable for central banks to be in debt to the Imperial Bank to an extent to allow for the largest cash balance expected within the year. The bank will receive interest on its investments and will only be paying interest on the drawn portion of the cash credit. In Moulmein we found that, although there was a branch of the Imperial Bank close by, the central bank had no transactions with it. It had Rs. 50,000 deposited with the Pegu Central Bank, which, under orders of the Registrar was transferred to the Provincial Bank; its cash balances were occasionally high, causing avoidable loss in interest. If it had invested a large sum in Government paper and lodged this with the neighbouring Imperial Bank, it would have had its fluid resource at its door, and its cash balances would have been paid into its debit account to its own benefit. Great care should be taken by the Registrar to see that the necessary fluid resource is maintained, and if the monthly statements are not received or show deficits immediate steps should be taken.

Pegu has two lakhs reserves and undistributed profits, and no investments beyond Rs. 13,700 in Provincial Bank shares. Its cash balance runs into high figures on which it loses considerable sums. It deals with the Imperial Bank regularly in the discount of 'A' loan paper and has a good reputation with that bank, yet it has not arranged any cash credit on the security of Government paper. An investment to the extent of three lakhs or more would strengthen the bank and probably add to its profit. The Sagu-Salia bank has cash balances as high as Rs. 17,000; Henzada kept cash amounting to Rs. 30,000 for several months in spite of the fact that it had borrowed over a lakh from the Provincial Bank. The Imperial Bank will usually advance up to 90 to 95 per cent. on the market value of Government paper to approved customers, so that such an investment does not involve a serious lock-up of capital, but on the other hand confers great elasticity on the central bank's finances.

70. All investments in shares in the Provincial Bank should be at once written off as worthless. In no case, did the Audit. auditors comment on the value of these shares even when no dividend was being received on them; even in the current balance sheets they are shown at par. We are also not satisfied with the efficiency of the audit as disclosed at our inspections. In no case did the auditor deal adequately with the subject of overdues, claims against societies in liquidation, and so on. In the absence of the audit notes of the affiliated societies, it is hardly practicable to estimate bad and doubtful debts; in other cases of defects the fault mainly lies with the system. For instance, in one bank we found that sums of Rs. 9,950 for shares, Rs. 4,078 for district association fees and Rs. 3,280 for audit fees

had been advanced by book adjustment on one day and all shown as "crop loans"; it would be difficult and not very fruitful for an auditor to pillory this when it was in accordance with departmental policy. But where the manager, as in Sagu-Salin, estimates the loss of a lakh on bad debts we think that the auditor might have made some mention of the subject in his report.

The standard of audit should be improved ; central banks should be audited twice a year, once by the regular auditor and the second time by the Junior Assistant Registrar of another district, who should be changed every year.

The auditors should receive careful instructions as to their duties and they should be supplied with printed forms giving the main heads under which they should report. They should verify all assets by examining the relative securities, audit reports of societies etc. (in at least one case the pro-notes had not been checked). They should state whether loans are granted at suitable periods and whether repayments at harvest appear satisfactory : an extract of the General Ledger balances of Loan Account at the end of each month may with advantage be included in the report so that reductions after harvest can clearly be seen. They should examine the accounts for book adjustments, and for the granting of fresh loans shortly after the repayment of old ones and should report fully on any they find. They should also report fully on all doubtful and overdue debts. A periodical inspection of each bank by the Registrar should also be made.

71. In most central banks, loans are given freely up to the maximum borrowing limit fixed by the Registrar. As in the case of the Provincial Bank, this limit to a society's borrowing seems to have been taken as a sanction to borrow and an authority to lend. It should be made clear that the Registrar's order merely applies to the society, and is a maximum. It does not and could not interfere with the discretion of the central bank, and it should never be mistaken for an opinion of the Registrar that a society should be lent so much. It is the duty of the managing committee (enlarged as we propose) to fix every year the maximum sum which it is prepared to lend to a society. This maximum sum must not exceed the limit of borrowing fixed by the Registrar, but up to this the managing committee should authorise the executive committee to lend. Sums required in excess should not be granted without reference to the managing committee which would then examine the reasons.

The audit notes of societies affiliated to the bank should be on record with the bank, so that they may be consulted whenever the credit-worthiness of a society is in question. The union abstract is already sent to the bank, but this may be discontinued as unions cease to exist as guaranteeing bodies. If a loan is required and is approved no avoidable delay should be permitted in issuing it. The practice of

requiring the attendance of three members of the society's committee at the central bank is truly urban and should be discontinued.

The practice of delaying a fresh loan until the existing one is fully repaid merely makes for fictitious work and should be stopped. Each loan should be considered on its merits and issued at the time it is required. In two banks, the staff were perfectly frank in admitting that they encouraged the taking of a fresh loan immediately the last one had been repaid in order to save loss of interest.

We doubt the wisdom of a central bank attempting to dictate to a primary society the distribution of a loan amongst its members. A central bank has every reason to know for what purpose a loan is required, and to refuse a loan for any purpose (redemption of mortgage for instance) to which its objects. But the amount to be lent to individual members is not within its province. We had evidence that central banks were not concerned with the source from which repayments were made, even when a money-lender was in the chain, and we think this apathy should be condemned. The central bank requires to know when loans are being repaid by fresh borrowings and must take action if it discovers that repayments are not being made out of earnings.

Fictitious repayments by societies are stimulated by the practice in some banks of making the pro-notes repayable on a fixed date. Such rigidity is unnecessary and in matters agricultural is not practicable; a certain modicum of elasticity will make it easier for societies to repay from the sale of members' produce.

The crop loan system has been defeated by the adjustments in the primaries and by the practice of seeking temporary assistance from the money-lender, which has been facilitated by the central banks granting the loans in one amount and at the wrong periods and not pressing for repayment after harvest. We have nothing to add to our remarks elsewhere on this subject.

72. Overdues should be carefully watched, especially overdue interest.

Overdues. Although it is usual for the first repayments to be credited to interest, this should be stopped as soon as the bank has any reason to regard the loan as becoming 'sticky' or doubtful. Where no sum on account of principal has been received for a full year, and no satisfactory reason, such as an agricultural calamity, is forthcoming, the receipts should invariably be credited first to principal. It is far better to allow overdues which can be watched than to insist upon a rigid proportion of repayment which has to be filled by borrowing from outside.

The annual statements were designed to provide information as to overdues of both principal and interest. We have in another place recommended that attempt should again be made to estimate overdues in primaries, which if successful will provide useful information to central banks. We think that the figures for overdue interest due by

societies to central banks should be shown in the statistics published. In most provinces these figures can be ascertained by the deduction of interest received from interest accrued though from a perusal of the reports of some provinces it would appear that the figures inserted include book adjustments. In Burma no entries are passed in respect of interest due and not received or of interest accrued when the Profit and Loss Account is prepared. The figures are however calculated and, are shown in a subsidiary statement under the following heads :—

- (1) Interest accrued but not received from societies or members.
- (2) Interest overdue.
- (3) Interest accrued but not received on loans with overdue interest.

The fact that no entries are passed results however in the non-inclusion of the figures in the published Profit and Loss Account and Balance Sheet so that the amount of overdue interest cannot be followed from year to year.

There is no objection to the passing of entries in respect of interest due and accrued interest which have not been received provided that both principal and interest are thought to be recoverable, though even then the nature of co-operative business is such that the amounts should be carried to a special Reserve Fund and this is the usual practice. If the loans are bad or doubtful however such entries are mere paper ones and, even if the amounts are credited to Reserve Fund, such portion of the Reserve Fund is fictitious. In the present state of the societies in Burma a good portion of the amount might prove to be fictitious if entries were passed.

We prefer to keep transactions as far as possible on a strictly cash basis. The figures for overdue interest should however appear in the published statistics. We do not think it necessary that interest accrued should be shown and its calculation must involve much labour if properly prepared, and we think that in practice the figures are usually unchecked. We would suggest therefore that in future a footnote should appear in the published statistics of the Balance Sheet and of the Profit and Loss account to the effect that overdue interest is not included in the figures but is shown on a subsequent page.

In order to facilitate the calculation and tracing of overdue interest we recommend that a subsidiary register should be opened. All interest due and not received should be entered on the debit side. Subsequent recoveries should be entered on the credit side of the register and the date of payment noted against the original debit entry. We have already stated that, if a bank has reason to think a loan is doubtful or has received no payment towards principal for a full year, cash receipts should not be treated as interest but as principal. The balance in this register will at all times represent the overdue interest not received but the amount will not appear in the General Ledger or Profit and Loss account but should be shown as a footnote in the Balance Sheet. The register should be checked at audit.

Our other comments on the system are contained in the discussion of primary societies. Here it is only necessary to add that much very good work has been done in central banks by individuals who deserve credit for their public spirit, we consider that they deserve more support than they have hitherto received, and we think that they will find themselves in a much stronger position if properly advised and assisted by the staff.

73. In the foregoing paragraphs we have dealt seriatim with the defect, Solvency of Banks. noted during our inquiry ; the situation is, we fear even more serious than would be gathered from a perusal of these remarks. In addition to the causes so far discussed there have been almost all the defects in the system disclosed in other chapters, notably those on primary societies and the Provincial Bank. Our examination of the accounts of the central banks led us to believe that, if the estimates of bad debts are accurate, two are no longer solvent, of which one has recently been put under liquidation, one has lost part of its share capital and one is in effect stagnant and, although solvent, is rapidly deteriorating. A fifth showed an amount of book-adjustment which led us to doubt seriously the solvency of a number of its affiliated societies and a sixth is showing the first signs of decay. It seems to us therefore that a detailed examination of the assets of all central banks is urgently necessary so that an effort may be made to save those which are solvent and, if possible, to reconstitute the others. The bad position of some of them is in large measure due to the fact that the societies they took over from the Provincial Bank were already insolvent and the problem of these needs special consideration. In the case of the Provincial Bank we suggest that the adjustment of the instalments on loans to repaying capacity on a system of equated payments may assist in recovering some loans which otherwise will prove bad, and we consider the same process may be tried where suitable in the case of central banks.

CHAPTER VIII.

THE PROVINCIAL BANK.

74. When the early co-operative credit societies were organised, loans were obtained from Government direct to finance their needs. The Act of 1904 did not provide for central financing agencies, as it seems to have been contemplated that societies would raise funds locally on the combined credit of their members. Such local deposits, however, were not forthcoming in quantity and accordingly two agents were appointed, one for Upper and one for Lower Burma, to collect deposits from the public on a commission basis under the direct control of the Registrar. Mr. Swinhoe, a solicitor of Mandalay, was agent for Upper Burma, and in October 1910 he organised the Upper Burma Central Urban Co-operative Bank Limited to take over the agency business. The objects were to collect funds for financing urban and rural co-operative societies. Its sphere of operations covered the Province of Burma. In the early stages, Mr. English, then Registrar, practically managed the transactions of the bank, and exerted himself to ensure a successful start. When the new Act came into force in 1912, the by-laws were amended to bring them into accord with its provisions, and the name was changed to "The Upper Burma Central Co-operative Bank Limited." Its working capital was then Rs. 12'7 lakhs. There were at this time over 700 primary agricultural societies and the bank dealt with most of these ; even when central banks were organised at Pakökkü and Minbu, the bank had to provide the funds. The Maclagan Committee found the bank in 1915 with a working capital of over Rs. 25 lakhs, of which over 20 lakhs was lent out to 900 primary societies. This sum was advanced in accordance with a by-law which prescribed that :—

" loans shall only be granted on the requisition of the Registrar, Co-operative Societies, who will prescribe the period and other terms or within the limits of a sum fixed by him as the maximum to be lent to a co-operative credit society or union of co-operative credit societies."

The words ' limits fixed ' refer to the scrutiny by the Registrar of the applications for loans submitted by unions ; what the Registrar fixed was the borrowing power of the unions.

The Registrar in his report for 1914 states :— " There is no need for skill and special training on the part of the manager in selecting loan business. That is done by the societies and by the unions : and the Registrar is there to see that they work honestly and in accordance with co-operative principles. His authority to sanction loans gives him the

necessary powers. The work of the banks is to collect deposits as required, for which they offer the security of their share capital and reserve funds, and to distribute the deposit money to societies in loans limited by strict conditions and under the safe-guard of co-operative security." In the Maclagan Committee on Co-operation in 1915, it is stated that in Burma "The Registrar informs the Provincial or Central Banks of the amounts sanctioned by him and directs it to make a remittance accordingly."

In 1920, the name of the bank was altered to "The Burma Provincial Co-operative Bank, Limited," but this does not appear to have heralded any change in its business of importance to our inquiry or in the scope of its operations. The chief work of the bank was the collection of deposits, on the security of its capital and reserve funds, and the distribution to societies. The check on the borrowings of a society was applied by the guaranteeing union and by the order of the Registrar. The working of the bank at this time was described in the annual report of the Registrar for 1919 as follows :—

"The agency (originally) relied wholly on the guidance of the Registrar in making loans and accepting deposits. The Bank is still essentially an agency for obtaining deposits from the public (and that chiefly the European public) to meet the requirements of agricultural credit societies There are of course no personal relations between Upper Burma Credit Co-operative Bank and its affiliated societies, relations such as are essential in primary credit societies between borrower and lender. The Bank's knowledge of its societies is at present limited to the knowledge of the societies' characters as good or bad payers. For other necessary knowledge of the borrowing societies it relies on the assessment of credit by the guaranteeing unions and on the Registrar's scrutiny of these assessments. Mr. Henry Wolff has said that he would prefer to see primary societies dealing with joint stock banks rather than with the central banks—on the ground, I think, that joint stock banks would deal with societies in a strictly businesslike way. The Upper Burma Credit Co-operative Bank with its lack of local knowledge is forced to treat societies much in the way in which joint stock banks would do. Under Mr. Clayton's advice the manager of the Bank classifies his societies in accordance with their character as payers. Mr. Clayton's intention was that the Bank should not inevitably grant the full maximum credit assessed by the unions and the Registrar. I cannot say that the Bank has begun to give effect in this way to Mr. Clayton's advice. When it does so it will contribute, I think, towards increasing the sense of co-operative responsibility in the societies which is the main spring of co-operation."

It seems that at this period some discretion on the part of the bank was visualised by the Registrar, who appeared to believe that the absence of local knowledge must make the Bank more business-like.

To be business-like however a bank must have power to compel its creditor to produce such information as it requires, and to enforce repayment if it desires to do so by threat of realisation of security or civil action if necessary. Here final powers remained with the Registrar so that his comparison of the Provincial Bank with a commercial bank is not a true one.

In 1923, the by-laws were again amended, and the one relating to the issue of loans was revised thus :—

" No loans or credit shall be granted to any society in excess of the maximum borrowing limit (if any) imposed by the Registrar, under Rule 7 of the Burma Co-operative Societies Rules, 1916."

The rule referred to was framed under section 30 coupled with section 43 (2) (3) of the Indian Act, and permitted societies to borrow from members and non-members " subject to such limit as the Registrar may impose from time to time." The same rule requires a society annually to determine its maximum limit of indebtedness.

In his report for 1924 the Registrar wrote :—

" It is obvious that the Provincial Bank cannot possess local knowledge of primary societies in distant districts in the same way as a district central bank can have local knowledge of the societies with which it deals in a limited area. In the issue of loans to such societies, the Provincial Bank is guided by the maximum borrowing limits fixed by the Joint Registrar or the Assistant Registrar in respect of every society. Except from the past record of a society's repayments the Bank has little inner knowledge of any society's working, and the issue of loans (within the maximum borrowing limits fixed by the Department) is in consequence mechanical. This is an undesirable feature of a large part of the Bank's business. The grant of credit, whether by co-operative or by commercial banks, should not proceed on mechanical lines but should be based on a thorough understanding and knowledge of the client's business. It is not the fault of the Bank committee that this knowledge and understanding is wanting in the case of the Provincial Bank ; it is due to circumstances over which the Bank has no control. In its earliest days societies were still few in number and the Department was able to give more detailed attention to them than is now possible, and was closely in touch throughout with the Bank Manager, but it is becoming increasingly apparent that the financial relationship between the co-operative central banks and the primary societies ought to be based on organised business principles and not on recommendations of officers of the Department regarding the credit-worthiness of this or that society."

There was therefore a distinct difference of opinion between the Registrar in office in 1919 and 1924 and in our view the latter opinion is the correct one.

The new by-law, which is still in force, read with others throws upon the bank management the responsibility of advancing loans at their discretion, subject to any orders of the Registrar imposing a limit on the borrowings of a society. This important change, if it were to become effective, necessitated other changes: the Bank must for instance, have power to obtain information on its own initiative, and in the same year, it applied to the Registrar for powers of inspection. Unfortunately the manager asked for powers to call for books accounts, papers, etc., under the section dealing with audit, and not for powers under section 35 or 36, which empower a creditor to insist upon an inspection. The Registrar thereupon pointed out that the bank had no audit functions and demurred to giving the powers asked for. It does not appear that the bank ever asked for any of its staff to be authorised by the Registrar to inspect or hold an inquiry into the affairs of its affiliated societies. The Bank continued to advance loans within the maximum limits, and does not appear to have attempted to form any independent opinion as to the credit-worthiness of societies. It did try to obtain information as to whether its loans were secure, and asked to be allowed to see the audit reports of societies in order "to assist the Bank in deciding the amount of loan to be granted and judging the amount to be repaid." This request was reasonable, and the Registrar inquired which portions of the reports the Bank needed and how these portions could be supplied with the least delay and expense. Apparently the Bank did not pursue the matter further, but was satisfied with receiving abstracts. Even these, however, were only sent for a few unions.

In 1928, the Registrar discontinued the fixing of borrowing limits, and since then the Bank has confined its transactions to a few loans on mortgage security.

75. The constitution of the Bank has varied somewhat from time to time, the chief change being the gradually increasing shareholding by societies. At first the number of shares was limited, and the nominal capital was fixed. Later the number of shares available to individuals was fixed but that available to societies was unlimited.

The by-laws provided that a borrowing society should hold one share of Rs. 100 for each Rs. 2,000 or part of Rs. 2,000 at debit, and empowered the Bank to deduct the amount of share capital from loans at the time of issue. This was tantamount to buying its own shares out of its own working capital by book-adjustment. The by-laws did not provide for the shares being withdrawable, but there was a departmental instruction requiring the value of shares to be given to the liquidator of societies in liquidation, and this seems to have been regularised by section 21 of the Burma Act of 1927. This breach of elementary banking law has resulted in the withdrawal of paid up capital amounting to

Rs. 86,000 in the last three years. It would appear to have been thought that as the society was made to buy shares in proportion to its borrowings, it was entitled to a return when it ceased to borrow.

Another defect in the by-laws and constitution was that all union chairmen were *ex-officio* members of the committee. Not only was this body unwieldly and too large for effective action, but it consisted of many who could not see beyond the immediate needs of their societies, and who failed to realise the importance to their own interests of a sound well managed financing institution. Latterly, the manager has omitted to summon these *ex-officio* members to the meetings of the committee. Their presence on the committee seems to have been intended to provide a necessary connecting link between the Bank and societies; they seldom appeared, and when they did the result was not beneficial to themselves or to the Bank. As the head-office of the Bank was at Mandalay, the annual meetings attracted more society representatives from Upper Burma than from the rest of the province; many of these were from societies in default, and they voted for a reduction of the lending rate and for a dividend in spite of the critical position of the bank being explained to them.

76. A further defect in the constitution arising out of what has been already described was that the society members had little or no interest in the proceedings at annual meetings. They could not elect their own representatives on the committee as these were appointed *ex-officio*: only one member from each society was permitted and no attempt seems to have been made to make the meetings of interest to the general body of co-operators.

77. The area over which the transactions extended was early recognised to be a source of weakness, but as successive attempts to found good central banks yielded only partial relief, the evil was allowed to continue until the bank was dealing with 2,300 societies in 22 districts, to which in 1927 it had advanced Rs. 84 lakhs. The position of the unions in regard to these borrowings has been dealt with separately.

78. In April 1928 the Government of Burma directed an investigation into the affairs of the bank and a loss in bad debts of Rs. 30 lakhs, resulting in a net deficit of Rs. 12 lakhs, was estimated. As a temporary expedient Government arranged with the Imperial Bank of India for an uncovered cash credit of Rs. 14 lakhs to provide for any deficiency that might arise in the fluid resource held by the bank to meet the withdrawal of deposits and issued the communique reproduced in appendix IV. In according sanction, the Imperial Bank made it a condition that the co-operative movement be thoroughly reorganised and the general system of advances and repayments overhauled and co-operative

principles strictly enforced. It was evidently hoped that steps could be taken to place the Bank in a sound financial position : in which case it would have an opportunity of making good the deficit out of its profits within a reasonable period. On the advice of the Registrar, confirmed by the Financial Commissioner, the rates for fixed deposits were raised with the object of checking the decline in such deposits.

79. On the figures disclosed to us the bank is clearly insolvent. The Registrar now estimates that, out of Rs. 79½ lakhs in loans to societies and Rs. 9 lakhs in cash credits to district central banks outstanding on the 31st December 1928, Rs. 34½ lakhs and Rs. 2½ lakhs respectively will prove irrecoverable. If the estimates are correct, and we have found nothing that tends to brighten the picture, the capital and reserve funds of the Bank have been lost and a further sum of Rs. 21 lakhs representing depositors' money, has also disappeared.

The possibility of making good the deficit does not appear to have been deeply considered. The Bank at this time had practically ceased granting new loans and the establishment was therefore much in excess of requirements. The rapid increase in establishment charges of recent years is shown in appendix No. V. This important question was receiving the attention of the Registrar, but he lacked the necessary authority to force the Bank to adopt his views. The Registrar, in the loan season of 1928, ceased to fix maximum borrowing limits for societies in the 5 districts in the Mandalay Charge, where the Bank's outstanding loans exceeded 45 lakhs, and at the same time warned the Bank that where maximum borrowing limits were fixed the fact was in no way to be considered either as an invitation to the Bank to make loans or as a guarantee that loans might safely be lent up to such limits. Such loans as the Bank has subsequently granted, have been covered by the deposit of mortgages, and the expenses incurred in the preliminary enquiries into the financial position of the societies and into the mortgage security appeared to us to exceed the probable margin of interest to be received on the loans. The higher rates offered for fixed deposits will make it still more difficult for the Bank, but the problem of its future will be discussed further on. In short the bank was working at a considerable loss and the deficit was therefore increasing. We thought it our duty in the interests of depositors to authorise the chairman to draw His Excellency the Governor's attention to these facts as soon as we discovered them and, as a result, the Registrar was appointed as joint manager by the committee of the Bank. Since his appointment, steps have been taken to effect economies in administration. The Bank has also ceased to accept new deposits.

Even with these economies, however, it does not seem to us possible for the Bank to make good its deficit within a reasonable period. Its total loans and cash credits at the 31st December 1928 were 88½ lakhs.

Of this sum Rs. 47 lakhs represented the total principal outstanding from societies in liquidation or considered bad. The important fact that it can expect to receive no interest on this sum was not realised. If all the other outstandings were good—which is improbable—its earnings are confined to interest on Rs. 41½ lakhs loans and cash credits plus the interest on its Government securities. We estimate the total annual gross earnings on this basis at Rs. 5½ lakhs. In the meantime it has to continue to pay the interest on its deposits amounting to Rs. 6½ lakhs a year and its establishment charges, etc., which we do not think can be reduced much below to Rs. ¾ lakhs : total Rs. 7¼ lakhs. This gives at the very best a deficit of Rs. 1¾ lakhs on a year's working. The working capital invested in societies in liquidation and those considered bad is producing no interest. Rs. 37 lakhs is estimated as irrecoverable and the balance (Rs. 10 lakhs) can only be recovered slowly : further if the sums recovered can only be reinvested on mortgage security the business as already stated will not be a profitable one.

Though with the assistance of the cash credit guaranteed by Government it has sufficient funds in hand to meet all deposits which will fall due up to the end of 1929, irrespective of any sums it may receive in loan repayments, we can hold out no hope of the bank placing itself on a sound financial footing in the near future.

80. The Bank has always shown a good balance sheet. Its fluid resources have been unusually strong. The majority of the Maclagan Committee on Co-operation suggested the following scale for a provincial bank : 100 per cent. of current accounts, 75 per cent. of savings bank accounts, and 33½ per cent. of fixed deposits falling due in the ensuing 12 months. The present scale of the Provincial Bank is 75 per cent. of current accounts, 75 per cent. of savings bank accounts and 33½ per cent. of fixed deposits falling due in the ensuing 12 months.

In 1924 the Imperial Bank of India agreed to allow it a cash credit during the cultivation season on the security of "crop" promissory notes of societies endorsed by it to the Imperial Bank. The management of the Provincial Bank, however, never took advantage of this facility. They stated that the Bank would not be in a position to discount promissory notes of societies unless they were assured of prompt repayments, and that the habit of granting extensions of loans within societies prevented co-operative finance from becoming more elastic.

81. But neither the high standard of fluid resource nor the caution exemplified in refusing to accept facilities from a commercial bank have saved the Bank from insolvency. We have carefully sought for the reasons and we classify them as follows :—

- (i) The Bank, as already explained, has not been a natural result of the growth of the co-operative movement. Usually primary societies, unable to raise independently the funds they require, combine with individuals to

The Bank not a Natural Growth.

form central banks as their financing agencies ; and it is only later, when central banks experience difficulty in dealing with their surpluses and deficits, that a provincial bank is usually brought into existence. From the brief history of the Bank already given, it will be seen that the original institution was formed to deal direct with primary societies, and, although the department formed guaranteeing unions to bridge the gulf, no machinery was evolved by which the bank could ascertain the solvency of these societies otherwise than through the agency of the Registrar.

Attempts were made to form central banks and township banks to bring borrowers and lenders into closer proximity, and the former have achieved some success, having attracted local deposits sufficient to relieve the Provincial Bank of the finance of a large number of societies. The township banks are practically moribund.

The fact that the Provincial Bank out of total advances amounting to Rs. 88½ lakhs has lent Rs. 79½ lakhs to 2,300 primary societies is sufficient to show that its original main function remains unchanged, and that the avowed object of converting it into an apex bank has been achieved only in small degree. It had four branches (Rangoon, Shwebo, Thaton and Bassein), but the two latter have now been closed since the Registrar was appointed joint manager.

(ii) The by-laws of primary societies provide that for special reasons to be recorded and in very exceptional cases, extensions of loans may be granted by the committees. Such extensions are given effect to by showing the amount extended as paid and entering it as a new loan. The result of such pure book-adjustment is that practically no overdues are shown in the accounts of the societies. In many cases the societies do not even trouble to extend the loans in this manner but let them run on, often with interest also unpaid, without reference to the Provincial Bank. In both cases no provision is made in the system of book-keeping of the Provincial Bank for showing such loans as overdue loans and the true position of its loans has never therefore been clearly indicated.

(iii) Since 1915 all interest due and accrued has been credited to Profit and Loss Account whether received or not. This practice may be in general in accordance with that adopted by commercial banks, but in details it has been quite different. If loans to commercial banks are overdue, interest is not taken into profits unless both the loans and interest are thought to be recoverable : in the case of the Provincial Bank accrued interest has been credited to Profit and Loss Account from year to year in a purely mechanical way in spite of the fact that many of the societies had made no cash payments to the bank in respect of principal or interest for many years and should therefore have been considered very doubtful debtors. Up to 1917 even the interest on loans to societies in

liquidation was treated in this manner, the bank's explanation being that they had not been supplied with a list of societies in liquidation. Since that date interest due from societies in liquidation has been reserved, but the first cash payments by such societies have been treated as payments of interest : as the recovery of the full principal must in such cases be very doubtful indeed, this practice is nearly as unsound as the previous one.

In appendix VI we give fuller details regarding the interest procedure.

(iv) The maximum borrowing limits for societies fixed by the Registrar, within which the Provincial Bank has been granting loans, have largely been based on the material assets of the members of the societies.

We have not been able to ascertain the proportion of the value of these assets permitted to be taken into consideration. No effective check of these assets has been made at audit, and, even if they were correct when the borrowing limits were fixed, their value is subject to rapid variation through alienations to third parties and resignation of membership. The Registrar, in April 1928, reported that there was a scramble among members of societies to get rid of their lands, and recent reports from officers on special duty confirm this. The Registrar has also informed us that the period (7 months on the average) that elapses between the passing of a winding-up order and a passing of orders on the society's appeal is commonly used for the purpose of getting rid, by real or fictitious transactions, of all assets. Further, the loans of societies to members have largely been based on the members' repaying capacity from earnings over a period of years whereas in liquidation little attention has been paid to this factor as, once a member's material assets (if any) have been sold, he is discharged from all liability.

82. In addition to its financing of primary societies, the Provincial Bank has assisted central banks by granting cash credits both for the financing of societies and for fluid resource. The cash credits for finance have been granted entirely at the discretion of the Provincial Bank but we find the manager in 1923 complaining that these central banks were not observing ordinary business principles, and were withholding repayments at will. He found himself practically powerless in the matter as his only weapon was a civil suit, and he pressed the Registrar to secure stricter administration of the movement.

The cash credits for fluid resource have been granted under the direct instructions of the Registrar and the Bank has on several occasions asked to be relieved of them. The system is for the Provincial Bank to grant a loan to the central bank concerned which the latter redepots with the Provincial Bank. The rates allowed and charged on the deposits and the loans allow $1\frac{1}{2}$ per cent in favour of the

Provincial Bank. The latter however has to keep 50 per cent of the amount in cash or Government securities and the transactions therefore usually result in a small loss. Similar arrangements have been made by the Registrar for the fluid resource of some of the urban banks. The Government securities have of course to be purchased out of depositors' funds with the Provincial Bank and book entries of this nature appear to us to be a dangerous juggling with figures.

83. In 1921 the Bank appears to have become anxious regarding over-
 Overdues and appli- due interest, as in October of that year, the manager
 cations under sec- addressed the Registrar pointing out that out of
 tion 36. Rs. 2,68,000 due on 30th September only Rs. 21,000
 had been received. Subsequently the bank addressed the Registrar on
 several occasions with reference to the poor repayments of central banks
 and societies, and in 1923 the manager suggested that a committee
 be appointed to enquire into the position of the movement and to frame
 new rules and recommendations for future guidance. The Registrar
 in his annual report for that year remarks :—

"The societies notwithstanding the arrest of numerical progress appear to be generally in good heart, though there are exceptions such as the new societies which dissolve themselves on failing to get loans from a central bank and of course there are many other feeble societies. It is not necessary in Burma, even if it were conceivably possible, for a Government Department to supply the energy, the brains and the money necessary to re-accelerate numerical progress."

The bank also furnished the Registrar with lists of societies which were repaying badly and of those whose outstandings exceeded the Registrar's maximum borrowing limits (due to reductions in the limits or to the debiting of interest) and in many cases asked for enquiries under section 36 of the Act. The applications were sent to the Assistant Registrars for enquiry and report but as a rule the matter ended there. There was no system of continuing to send out periodical reminders until replies were received. Thus there were many societies, which practically ceased working years ago but which had never become disregistered. Meanwhile interests had been piling up until in many cases liabilities exceeded assets. We take a serious view of the neglect by the Registrar of this mandatory provision of the Act.

In 1924 the manager of the bank drew the attention of the Registrar to the bad state of the societies in many districts and suggested certain remedies, which however were not adopted to any appreciable degree : he stated that, if overdue interest was disregarded, the bank would show a loss, and he therefore doubted whether he was justified in including it. The manager also on his own initiative called a meeting of the union chairmen and explained the position to them but the attendance was poor. In the annual report for that year the Registrar remarks :—

"Eventually, it is hoped that sufficient district banks may be formed in Burma to allow the Provincial Bank to discontinue direct

dealings with primary societies and to employ its large volume of funds in giving assistance to district banks where they require it. A further unfortunate aspect of this matter is that many of the districts where the Bank deals direct with societies are those in which repayments are inadequate owing to crop failure, and where there are in other respects some signs of stagnation and demoralization. There is, I think, no reason for apprehending that the assets represented by loans to societies in these districts are irrecoverable, but it is to be feared that they cannot be truthfully described as fluid. The difficulty of the problem involved is fully recognised by the manager and the committee, and it is to be hoped that it may be possible to take steps to put matters on more satisfactory footing" and in the Development Commissioner's review of this report we find :—

"The report seems to indicate that while the superstructure has been most elaborately and carefully constructed an examination of the foundation is necessary and that special attention should be devoted to getting the agricultural credit societies which are the basis of the whole superstructure into a thoroughly sound and business-like condition."

84. In 1925 the manager of the Provincial Bank called the Registrar's attention to certain unpleasant rumours which he said were in circulation regarding the Bank's financial position and stated that, in voluntary liquidation, it would have to recover approximately 75 per cent of its outstandings to central banks and societies to meet its liabilities in full. He considered this "a good margin to meet bad debts," but, in view of the fact that "Government accept the responsibility of valuing the assets other than those certified by the Bank's auditors and fix the maximum borrowing limits within which the Bank is recommended to lend," he was of the opinion that some official statement should be made by Government in the matter.

Government gave the support for the Provincial Bank asked for in an official resolution on the report for 1925, in the following words :—

"The Burma Provincial Bank has maintained its reputation for sound finance during the year. The superfluous resources alluded to in the Bank's Annual Report have been reduced since that report was written, as a result of the lowering of the rates on fixed deposits. This is all to the good. The Local Government is closely interested in the welfare of its chief financing agency and is glad to find the position, as revealed in the Balance Sheet of the Burma Provincial Co-operative Bank, entirely satisfactory."

In an inspection note on the Provincial Bank dated 21st May of that year the Registrar states :—

"The whole movement has been suffering from the misguided leniency of the Department during a prolonged period there has been too

much keenness to form new societies and too little determination to reduce existing societies to a state of discipline."

In the annual report for that year the Registrar states:—

"Unfortunately the movement is at present clogged with bad societies, and the first thing we have to do is to get rid of those which show no possibility of improvement Most "D" class societies which I have seen are already dead: it may look better to leave them on the register to swell the figures, but their dissolution marks no real decline in the strength of the movement. On the contrary the movement will be stronger and healthier without them. Naturally dissolution is a penalty which the Registrar is exceedingly loath to inflict, and the deeper a society gets into the mire the greater is the temptation to hope—against hope and, indeed, common-sense—that things will be better next year. I am sure this is wrong. A society which in its first two or three years shows no sign of becoming a credit to co-operation should be warned that unless there is a very great improvement after next harvest it will be put into liquidation. If we had followed this policy from the beginning we should have caught the bad societies while their debts were still comparatively small, and their membership intact; there is little advantage to be gained by dissolving a society whose bank-debt has been allowed to grow to Rs. 10,000 and half of whose original members have absconded. It is, however, obviously useless to keep such a society on the register, and we have now taken courage to grasp the nettle."

In November 1925, the manager clearly foresaw trouble ahead, and he resigned in December on the ground that he could not continue responsible for a state of affairs over which he had so little control.

In November 1927, the bank addressed Government with a request that Government should guarantee the outstanding loans and overdue interest but this was refused.

It would appear from the above that the bank has been aware of the unsatisfactory condition of the movement and of the consequent danger to its finances since 1921 and has kept the Registrar advised of its opinions. It does not appear however that any Registrar fully realised the danger of the situation or took any adequate steps to meet it. No Registrar appears to have advised Government that any particular action was necessary in view of the seriousness of the position disclosed in his annual report, nor does the Development Commissioner appear to have attempted to control the situation in any way. A bare consideration of the series of reports should however have convinced Government of the case for strong action.

85. Though the bank was aware that its financial position was being seriously threatened, it took no steps to show the true position of its affairs in its balance sheet and annual report. It continued to arrive at its total

The Profit and
Loss Account.

revenue for the year by a method which has resulted in book profits being shown in years when its expenditure exceeded its real revenue.

In appendix V will be found a statement showing the interest earned each year and the interest nominally received. Owing to the different methods, adopted in different years (see Appendix VI) it has not been possible to compile the figures for interest received (column 5) on a uniform basis. Up to 1920-21 the figures for overdue interest received are included. From 1920-21 to 1925-26 this has not been possible. In the last two years overdue interest for which provision had been made in the Compounded Interest Reserve is included. The figures have however benefited by the fact that all cash receipts are in the first instance allocated to interest, and we think that the amount received from societies in liquidation, and other bad and doubtful societies, which has been credited to interest (instead of being utilised in reduction of principal), considerably exceeds the amount omitted from the figures. It seems clear to us therefore that much of the interest has never been received and that in consequence the present amount shown in the Balance Sheet as loans to societies includes a considerable amount of accumulated interest which has been spent as revenue.

* . * . *

In a letter from the Registrar to the bank dated the 20th June 1927 we find the statement "The receipts of the bank with a few negligible exceptions consist wholly of interest. It is an elementary principle that in calculating the profits of a bank no interest should be taken into account which, if it has not been received, is not certain to be received."

86. The auditors have at no time made any qualification to their report to the shareholders though in separate reports to the Registrar they have drawn attention to many defects. In their report to the Registrar of 1918 they state that all the loans "have been duly authorised," though they state that a considerable number of societies "had not complied with the Registrar's request as to the reduction of the loan from year to year." In 1920 they state "that a number of the cash credit forms which contain the Registrar's sanction for the loans were not available for our inspection as they had been sent to the various unions for completion." They make a similar remark in 1921 and also state "there are a number of societies whose loans exceed that authorised by the Registrar." In 1922 both these points are again referred to in similar language except that "the maximum authorised by the Registrar" is substituted for "that authorised by the Registrar." A schedule of such loans accompanied the report. In their report for 1923 they state

“ there are a large number of societies whose loans exceed the maximum amounts authorised by the Registrar,” and a schedule of these loans is again forwarded. They also draw attention to the fact that many central banks were not reducing their indebtedness and urge that pressure should be brought to bear on the defaulters. In 1924 they again refer to the large number of societies whose loans exceed the authorised maximum (about Rs. 5 lakhs in all) and forward the usual schedule. They refer to the increasing failure of societies to pay interest which they consider is a sign of financial weakness. They forward a list of societies “ the authorities for whose loans were not available.” They draw attention to the fact that many societies “ have been in liquidation for a number of years and comparison with former lists show that neither the loans nor interest in many cases are being paid off.” In 1925 they report “ that liquidation of these societies is abnormally slow and drastic steps should be taken to hasten these liquidations.” They forward a list of loans to societies which they have been unable to check “ with the authorised maximum as the authorities have not been available.” They further forward a list of societies “ for which audit reports were not produced to us ” and “ where no assets were shown in the audit reports.” They state : “ we rely on these audit reports as evidence that the debts due to the bank by the various societies who have compounded their interest are secured.” The manager of the bank informed the Registrar that the auditors required a definite statement from him regarding societies whose outstandings exceeded their maximum limits. This statement the Registrar refused to give. In 1926 they forward lists of loans which exceed the authorised maximum, and also of those respecting which the authorities were missing. They also forward a list of “ crop ” loans that had not been repaid on due dates and state that “ no evidence that the loans have been extended was in possession of the bank.” In 1927 similar statements were furnished. They state in their report for this year “ we have examined some of the audit reports of these societies who have compounded interest and we found that in most cases the excess of assets over liabilities considerably more than covers the outstandings due to the bank.”

It is evident that the auditors have relied on the maximum borrowing limits fixed by the Registrar in respect of the safety of the loans to societies and have made it clear to him that they have done so. They considered their duty ceased once they had furnished the Registrar with lists of loans which were not in accordance with his authorisations, etc. It is also admitted by them that they made no change in their practice when the by-laws of the Bank were changed in 1923. * * * * *
Apparently, however, they considered the Reserve Funds strong enough to meet all possible losses. In 1926 they state : “ In our opinion these reserves adequately provide for any possible losses on loans

outstanding on 30th June 1926," and in 1927 they state : " We have been shown a letter from the late Registrar addressed to the Chairman, Burma Provincial Co-operative Bank, Limited, in which he states that in his opinion the total Reserves of the Bank should be large enough to provide for a possible loss of 8½ lakhs of rupees and we agree with this view. The Reserves of the Bank therefore are sufficient at 30th June 1927 to cover estimated losses." In 1928 they refrain from comment.

* * * * *

They recommended however the writing up of the Government securities by Rs. 2,30,951-9-0 and they transferred Rs. 59,728-6-11 from General Reserve to Compounded Interest Reserve so as to avoid showing a loss in the accounts of this year. * * *

In appendix VII we give the balances shown in the Loan Account in the General Ledger of the head office of the Provincial Bank from January 1911 to December 1925. These figures need weighting to allow for increases in the balances due to the starting of new societies, and on the other hand for decreases due to the transfer of societies to central banks, which have been organised from time to time, and to branches of the Provincial Bank which have been opened. It has not been possible for us to make the necessary adjustments, but we consider that the figures should have provided a clear warning to all who had access to them that much of the money out in loans to societies was practically dead. The repayments in April and May, which in most parts of Burma should have been heavy owing to the sale of the crops, are obviously very poor and it is clear that such amounts as have been repaid have largely been reloaned almost at once. These figures have been easily available : they only took us a few hours to abstract.

87. As shown above the management of the Provincial Bank has for some years held strong views regarding the dangerous position to which the Bank was moving and has taken repeated opportunity of impressing these views on the Registrar. We can find nothing in the Bank's annual reports however that would be likely to convey any impression to the shareholders and depositors of the real condition of affairs ; in fact we think the impressions obtained must have been the reverse of facts. Presumably the management felt itself justified in this policy on the argument that publicity would mean the Bank's deathblow and, as regards the depositors, it seems to have held that Government was responsible for any losses.

The statistics appended to the annual reports of the Registrar have been prepared in such a way as to give quite a wrong idea of the position, and it seems to us that depositors would have considerable justification

if they quoted them as the reason for their confidence in the Bank. Since 1922-23 the figures shown are :—

Year.	Disbursements.	Receipts.	Profit and Loss.			
	Loans to Societies.	Loans and deposits recovered from Societies.	Interest due.	Interest accrued.	Total of profit.	Amount actually received.
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1922-23 ...	32,94,649	27,10,206	6,51,327	8,99,901	8,99,901	6,72,484
1923-24 ...	28,90,079	22,73,083	7,42,680	9,77,404	9,77,438	9,76,340
1924-25 ...	23,72,560	24,57,636	7,58,730	9,95,825	9,95,943	9,95,943
1925-26 ...	44,04,094	38,14,275	7,60,390	10,06,535	10,06,834	10,06,834
1926-27 ...	50,34,092	49,15,353	7,62,979	10,64,838	10,65,272	10,65,272
1927-28 ...	45,82,204	48,32,614	7,34,123	10,95,737	13,30,006	13,30,006

88. We stated above that earlier steps should have been taken to enquire into the defects that had been brought to notice and to seek for remedies. If suitable action had been taken following the Registrar's report for 1923-24 the present position might have been mitigated. It does not however appear that the Registrar took definite steps to ask for orders from Government until the 21st August 1927 when he approached the Financial Commissioner and the latter submitted a note to the Government of Burma. The Registrar again addressed the Secretary to the Financial Commissioner on 26th September 1927 in a letter which gives full details of the situation. He writes :—

"He (the auditor) accepts the valuation of the members of the society who have neither the time, skill nor education to make a just estimate. In fact the estimate is a guess : it is compiled on inadequate information with inadequate care : and in my opinion is nearly always untrustworthy. The only way in which Compounded Interest Reserve can be enlarged to the required extent is by writing up the Government Securities held by the Bank to their market value. This is an expedient which should not be resorted to except in a grave emergency. It might be justifiable if the business of the bank were on a sound footing. But as I have shown in paragraph 7 above the bank has been working at a loss for the last 5 years and unless drastic steps are taken the loss next year will certainly exceed the Rs. 3 lakhs which it lost in 1926-27." The estimate made does not take into account the fact that all receipts

are first allocated to interest which makes it higher. " I have therefore considered whether I should advise the bank to wind up its affairs while it is still, in the opinion of the auditors, able to meet its liabilities in full. I find that both the Bank and its depositors are of opinion that Government will stand by the Bank in a crisis and will see that depositors get back their money. For many years the advertisement of the bank contained a caution that Government does not guarantee the debts of the Bank ; this caution was withdrawn when Mr. G. E. Harvey, I.C.S., became Joint Manager of the Bank and has not been replaced."

The only action apparently which Government took was to depute two Joint Registrars (1) to ensure regular payment of interest on loans to the Provincial Bank (2) to reconstruct and speed up the backward societies and (3) to promote the early establishment of district or township banks in each of the districts. The Registrar pointed out that the liabilities of the Provincial Bank would shortly exceed its assets and suggested more drastic action. The Financial Commissioner agreed ; but the original scheme was adhered to though it was agreed to divert as many Junior Assistant and Assistant Registrars as were needed to help in the work. This intensive effort to secure a reasonable amount of repayment failed completely. The actual repayments secured in the Sagaing district were Rs. 10,000 out of a total debt of Rs. 13 lakhs.

89. We have already referred to the uncovered cash credit for Rs. 14 lakhs which the Imperial Bank of India has granted to the Provincial Bank on the guarantee of the Government of Burma, and we have suggested that the hope that the Bank can make good its deficits within a reasonable period with the help of this cash credit rests on a slender foundation. Apart from the fact that we do not think the Bank's earnings as a working institution can cover its outgoings for some years to come and that some time must elapse therefore before anything is available to reduce the deficit, the cash credit will not assist in balancing the Bank's assets and liabilities. It must appear in the Balance Sheet as a liability to the Imperial Bank whereas, when our report is published, the assets must be reduced by the amount of loans considered irrecoverable, or a Reserve Fund must be formed for the amount which will have no corresponding assets. The result of such a Balance Sheet must be the withdrawal of deposits and the cessation of new ones. The only methods by which the Bank can be kept alive are therefore by a direct Government grant or by a Government guarantee of depositors' money. We have no particular sympathy with depositors : they could not equitably expect 7 to 8 per cent. on deposits guaranteed by Government but we feel that the action and lack of action on the part of the Registrar and of Government have prevented proper safeguarding of the depositors' and shareholders' interests. Our main sympathy is for such honest members of societies as have suffered and are suffering under unlimited liability

and the union guarantee, and we are making proposals later in this report whereby the hardship to them may be lessened with, we think, an advantage also to the depositors' interests.

90. We have condemned the system whereby the Provincial Bank undertook the finance of primary societies. This is the function of central banks. It remains to be discussed whether it is possible or advisable for the existing Provincial Bank to be reconstituted as a true apex bank.

The Maclagan Committee regarded an apex bank as necessary to co-ordinate and control the working of central banks, forecast and arrange for the provincial requirements as a whole and be the financial co-operative centre of the province. Its main functions would be—

- (1) To attract deposits on more favourable terms than central banks could obtain ;
- (2) To balance surpluses and deficits in central banks ; and
- (3) To borrow from commercial banks on the security of co-operative paper.

In Burma the Provincial Bank has been entrusted with the control of the fluid resource of the co-operative movement but we have already condemned this course.

With regard to the above three functions :—

(i) The Provincial Bank has certainly in the past been very successful in the attraction of deposits. It is clear to us however that the success has been due to the high rates offered combined with the idea that Government would come to the rescue of the bank in times of difficulty. We are of opinion that whatever decision is now made the responsibility of Government must be clearly defined for the future as, if Government is to be responsible, high rates are neither justifiable nor economic. If Government is to accept responsibility however the cheaper course will be for Government to borrow the funds itself, and lend them direct to the central banks rather than to support an institution, which will add say 3 per cent. to the rate of interest to cover its establishment expenses, etc., and cannot, we think, give compensatory advantages. On the other hand, if Government does not accept the responsibility, we doubt if the Provincial Bank will be able to continue to attract deposits at present rates, especially after our report is published, and even these present rates are too high to provide a sufficient margin at the current lending rates to societies.

(ii) Only one central bank has funds in excess of its requirements for loans to societies at the present time. If the central banks confine themselves in the main to cultivation loans, it is possible the number will increase, though we think for some years depositors will be shy. Central banks have however in many cases in the past preferred to deposit any surplus with commercial banks, so that we do not think that this function alone is sufficiently important to influence the decision.

(iii) We should prefer to see the central banks dealing direct with commercial banks, as has been done in one case since 1923. The intervention of the Provincial Bank must result in a higher rate of interest to the societies and we further think that, if the central banks are brought into direct relations with well managed commercial banks, the former and the societies they deal with, will benefit by the punctuality in repayments which will be exacted. The commercial bank should, we think, send an approved representative periodically to central banks borrowing from it, who would inspect the books with a view to satisfying his bank that the affairs of the central banks were being conducted on sound lines. From the point of view of the commercial banks we think that the intervention of the Provincial Bank does not strengthen the position. The capital of the Provincial Bank is in the main subscribed by the co-operative banks themselves and, although it averages risks to a certain extent, it is not quite the same as capital provided from outside the movement. Further the resulting higher rate of interest to societies makes the risk of default the greater. Again a commercial bank should be in a position to know at any rate approximately the amount of its finance out in any particular crops ; if the finance is made through the medium of the Provincial Bank it is difficult for it to know in what districts its funds are invested and for what purposes its loans are being used and it cannot tell the source of its repayments : if the finance is given direct to the central banks these facts will be approximately known.

91. From the above it will be clear that in our opinion the Provincial Bank is insolvent ; that it cannot be restored to a state of solvency within a reasonable period by any measure short of a large government grant, that its continuance as a financing agency for societies scattered over so many districts is inadvisable and that it has no future as an apex bank. We therefore recommend that it be ordered to be wound up forthwith.

Some suggestions regarding liquidation are contained in the next chapter.

CHAPTER IX.

THE PROBLEM OF LIQUIDATION.

92. We have given long and anxious consideration to this problem both as it relates to the Provincial Bank and to the societies.

If Government accepts responsibility for the depositors' money the rate of interest should be at once reduced. Provincial Bank. As already stated 7 per cent. to 8 per cent. is not an economic rate for Government guaranteed deposits. Depositors should be offered their money back immediately or the alternative of a rate equivalent to that at which Government can borrow. If Government accepts partial responsibility only, the rate does not matter as depositors will not get any interest, but immediate action is necessary to prevent full payment of deposits falling due in the near future to the detriment of others. If Government accepts no responsibility a similar position arises.

In the first case Government has the option of taking over the assets of the bank and making its own arrangement for recoveries. In the second the same arrangement might be part of the contract under which Government accepts partial responsibility. In the third case the Registrar will have the right to appoint a liquidator under the Act and Government should give every assistance possible in the matter.

93. The losses to be incurred by Government or by the depositors will depend on the steps taken to obtain recoveries from the societies. The following statements are we think correct :—

Primary Rural Credit Societies. (1) loans to members of primary societies have in general been based on the repaying capacity of members over a period of years (*in theory* not exceeding five) rather than on the value of their material assets, whereas the maximum loans to the societies have been based to a large extent on the total value of the material assets of members.

(2) the method of liquidation aims at the realisation of the material assets and is not based on repaying capacity with the result that when the assets (if any) have been sold the member is discharged under all heads, *viz.*, debtor, surety, unlimited liability and union guarantee. This is of course the ordinary insolvency law, the protection of which any debtor can claim.

(3) the material assets of members do not realise nearly their true value in a forced sale even under favourable circumstances, and the value obtainable, when a large number of forced sales are taking place

at the same time, must be much below the true value, and many of the debtors as well as the creditor must suffer losses thereby.

It is obvious from the above that liquidation on ordinary lines will involve both the Provincial Bank and many members of societies in heavy losses and we have earnestly sought for some method of minimising them. We have not had time to make a detailed enquiry, and in any case a new scheme can only be tested by experience of its working. We therefore put forward the following suggestions very tentatively.

A large number of the societies in liquidation are we think beyond assistance. Many of the members have disappeared and the rest have very little repaying capacity, but even among these there are probably a number of members who would prefer the alternative we now suggest to a forced and summary sale of their property. It is probable that little can be done for societies which have been in liquidation for two years or more, or which have paid nothing for five years, except to complete liquidation as quickly as possible. There are however probably some societies recently placed under liquidation which will show better recoveries if repayments by members are made on the basis on which the loans were granted, *viz.* on repaying capacity over a period of years.

There are also probably many societies not in liquidation the members of which cannot repay their loans in the instalments now fixed. The instalments were originally too large for their repaying capacity, many of them are overdue, and interest has been accumulating. If however instalments are reduced to small amounts at a low rate of interest spread over a sufficiently long period of years repayment may be possible.

As already stated members of societies can at any time claim the benefit of insolvency law, but on the other hand many of them stand to lose if they do so in the low price which their land will fetch if a large number of forced sales are proceeding throughout the province. Many others, who under present conditions are trying to save themselves by placing every obstacle they can in the way of recovery, may we think prove more honest and more willing to do their best if the instalments asked are adjusted to their repaying capacity.

Our suggestion is that an effort be made to offer such members a scheme of repayment over a period of years instead of asking them to do so in a lump sum, if in liquidation, or in impossible instalments, if not.

If Government takes over the assets of the Provincial Bank the scheme would be much simplified. The depositors can be paid in part or in full as far as necessary out of money borrowed by Government. The cost of such money would probably be between 5 and 6 per cent.

The first step would be for the Registrar, with the help of his Range Officers, to estimate the repaying capacity of each society and, if it is necessary to do so, to adjust the instalments of their loans accordingly. The simplest course would be to equate the principal and interest into equal

annual payments. The amount of equated payment offered should be low enough to tempt as many members into the scheme as possible : some of us think that as low a rate as 12 per cent. will be necessary in some parts. On the other hand there are obvious advantages in shortening the liquidation as far as possible : some of us think 10 years should be the longest period allowed for repayment but others think that in special cases this period may be exceeded. These two considerations will necessitate a very low rate of interest. If Government can borrow at $5\frac{1}{2}$ per cent. the rate charged to societies should not, we think, be more than 7 per cent : if the rate charged is $6\frac{1}{2}$ per cent. and the period 10 years, the equated payment would be 13'91. We have not however had the time or the data for a full consideration of these details. Wherever members have unencumbered property, mortgages in favour of the societies should be taken.

The immediate machinery for the above procedure must obviously be the Co-operative Department though, as Government financial interests may prove to be deeply involved, all other departments should be called in to assist, and the Financial Commissioner will presumably control such co-ordination.

It will be necessary to make provision for cultivation loans as, if the members have to seek these outside their societies, the terms will be onerous and will reduce their repaying capacity and to this extent will militate against the success of the scheme. We hope that it will be possible to arrange that this finance is supplied by central banks formed in each district but in the meantime we suggest that Agricultural loans be granted to the societies or that the Registrar be authorised to endorse their pro-notes in favour of a commercial bank. Such loans should be kept quite distinct in the societies' books from the long term loans under liquidation.

A further advantage might we think reasonably be offered to societies which accept the scheme we propose, *viz.* release from liability under the union guarantee. The evidence we have received is to the effect that this guarantee is proving useless in liquidation under the present system, so that relief from it is unlikely to release any security of material value. On the other hand it would be obviously unfair to hold societies which accept the offer liable for societies that do not. Under such conditions we do not think the scheme would work. In certain cases it might even be equitable and to the advantage of the scheme to release members from their responsibility under unlimited liability. The problem is however a different one from that of the union guarantee. We have proposed that the latter be discontinued but unlimited liability must remain as the basis of the rural credit societies : anything therefore that affected the sanctity of the contract as regards past transactions might weaken it as the basis for the future. Any such relief can therefore only be given with great discretion.

(89)

It is doubtful whether any claims under the union guarantee or under unlimited liability can be released unless Government takes over the assets of the Provincial Bank as, even though as a security they may be useless, creditors may raise objections.

From our chapter on Central Banks it will be seen that many of these banks have similar problems to face and we think that the adaption of the above proposals to them is also worthy of consideration.

CHAPTER X.

LAND MORTGAGE BANKS.

94. There is general unanimity in all Indian provinces that primary credit societies are led into long term loan business History. owing to the absence of any alternative sound controlled source of long period credit, and that these loans are a danger requiring special precautions. In Burma the question has for long received consideration and has been subject to close inquiry. In a note prepared for the Royal Commission on Agriculture, Mr. S. G. Grantham, I.C.S., wrote: "The need of agriculturists for long term credit has engaged the attention of officers in Burma for many years. As long ago as 1905 a proposal was made to establish an Agricultural Bank of Burma on the lines of the Agricultural Bank of Egypt. Co-operative circles in Burma have been discussing land mortgage banks since 1917, and made them a subject for a sub-committee of the provincial co-operative conference in 1919. . . . In 1920 a conference of representative people was held in each important district to advise on the utilization of the profits of the war time Rice Control with reference to the needs of the district; several of these conferences included amongst their suggestions the establishment of banks, described in some districts as 'land mortgage banks' and in others as 'agricultural banks to lend money for land purchase at low rates of interest' or by similar terms." In this note Mr. Grantham gives a very interesting account of the history of the question up to the time of writing (1927).

The first societies on a land mortgage basis were founded in Mandalay district in 1922; they were special societies to meet a particular local purpose. In 1924 the local Government placed two and a half lakhs at the disposal of an officer on special duty to provide funds to start land banks; nothing was done by these mortgage societies as different views were entertained of the type which would prove most suitable to the local conditions of Burma, and the great care needed to work out a sound and suitable type has occupied much time.

The result of this prolonged deliberation was embodied by Mr. Grantham in his "Burma National Mortgage Bill" of 1927. Meanwhile there had been held at Bombay in January 1926 a Conference of Registrars of Co-operative Societies, at which Burma was represented by its Registrar, which passed a detailed resolution on the subject. This resolution, it is well known, was drafted in considerable measure by Mr. C. F. Strickland, I.C.S., who had studied the question during two

periods of deputation in Europe as well as in India. It received the full support of the Royal Commission and with one exception it has met with the approval of Mr. Grantham.

The Royal Commission made a number of recommendations in amplification of the resolution and these also have met with general approval.

95. The present position, as we understand it, is that the Government of Burma propose to make a beginning with two mortgage banks as an experiment ; these institutions will be registered under the Co-operative Societies Act and will be founded in general on the lines recommended by the Royal Commission.

We think it desirable to state at once that in our opinion it would be vain to hope for any immediate relief from the present crisis in the co-operative movement from the establishment of land mortgage banks. Elsewhere we have suggested a long term repayment scheme based upon mortgage security for societies in liquidation and it may be that ultimately this scheme will fit in with the land mortgage banks ; but the two schemes should not be amalgamated at this time. It is obviously desirable to begin the land mortgage banks under the most favourable conditions obtainable, and not to tie them from the start to societies or bodies of co-operators who are practically insolvent ; members for the new institutions must be carefully selected and choice would not naturally first fall upon those who have shown inability or unwillingness to fulfil their contracts with the ordinary village societies.

96. We recommend that experiment be made to establish land mortgage banks in two selected districts. The area of operations should be a township or other similar convenient unit ; it should not ordinarily be more than half a district as otherwise the control would become too dispersed. We think that in order to secure the utmost simplicity in the early stages, these banks should deal directly with individual borrowers whose liability should be clearly defined.

97. In Madras and the Punjab members must take shares, and the Registrars' Conference, supported by the Royal Commission recommended this. Mr. Grantham fears that the insistence on share capital might deter members from joining and so militate against success ; in his scheme the liability of members was not easily defined and we think that it would be better to commence the experiment with a capital founded on shares. These may be small, about ten rupees each, they should be fully paid and members should be made to take up a number based upon their borrowings such as one share of ten rupees for every five hundred or fraction of five hundred rupees borrowed. When any member no longer owes any liability to the bank as borrower, surety or otherwise, he should be allowed to sell his shares through the bank, but not otherwise.

Madras allows a dividend not exceeding 8 per cent., the Punjab allows none, all profits being carried to an indivisible reserve fund which must be invested outside the bank and maintained as security for creditors. In the absence of any considerable practical experience of this new type of institution in India, and in view of the novelty of land mortgage debentures we think that all profits should be placed to reserve and invested outside the bank. There may arise good grounds for altering this policy later, but until debentures have gained the confidence of the public we think that every practicable measure should be taken to inspire that confidence. If our recommendations are adopted, there should be considerable additional cover available when the time comes to invite public subscription to debentures.

It is objected to this course that the cost of borrowing will inevitably rise as instalments of principal are paid off because the interest earnable on the value of the shares must be spread over the sum borrowed, and the latter declines with repayments leaving the same amount of interest to be spread over the smaller sum. To this there are two answers : one that the interest to be charged is so small compared with rates obtainable elsewhere that the addition is not material, the other that the objection may be got over by allowing the borrower to sell his excess shares to other members (through the bank) as his outstanding loan gets less. It is also to be remembered that in the early stages of a loan the security is not so good as it becomes later by reduction of principal and the extra payment on account of share capital may be regarded as cover for the extra risk.

98. The maximum amount of loan contemplated in the Burma National Mortgage Bill was ten thousand rupees ; in Madras it has been placed at one thousand rupees or three-fourths of the estimated net income from the land mortgaged as security during the period of the loan (subject to the thousand rupee maximum). In the Punjab the maximum for the first five years is not to exceed thirty times the land revenue of the land mortgaged. In Burma it is contemplated that the ordinary loan will be about a thousand rupees, but from our inspections of societies we gather that there will be a demand for larger sums; and the Madras Committee recommended that the maximum there should be raised to five thousand rupees. In the Punjab, where the average loan granted is less than Rs. 2,000 the new proposal is that there be a maximum of ten thousand, and banks are being persuaded to restrict themselves for the present to a maximum of five thousand. From the above it will be seen that such experience as there is favours a low maximum in the early years and we would suggest the Madras Committee's figure of five thousand until experience is gained of the working of the system. This was Mr. Grantham's intention in submitting his proposal.

99. The amount of loan is limited by the period as it should represent so many years' repaying capacity. The Burma National Mortgage Bill imposed a limit of twenty-five years ; but Mr. Grantham's idea was that a limit of about fifteen years should be observed in ordinary practice. The Madras by-laws fix twenty years and the Committee recommended an outside maximum of thirty. The Punjab by-laws fix twenty years, but loans are not usually given for more than ten years, and the Registrar (Mr. Darling) remarks in his last report that " at the outset these banks will be well advised to confine themselves to the class of business intermediate between the short-term loan of the ordinary credit society and the long term loan of the western mortgage bank. To pass straight from the one to the other may very well end in failure, if not disaster." We are inclined to agree with this view and would as a rule limit the period of loans to fifteen years until further experience was gained. There should be a fixed maximum of twenty-five years beyond which no loans should be granted.

100. In the National Mortgage Bill the initial capital of every bank is to be provided by the Government as a loan, and it was hoped that this might be free of interest for the first few years. In Madras the separate small regional banks tried to issue debentures and Government undertook to take up these to the same amount as the banks sold in the open market. The Committee on Co-operation recommended that debentures should only be issued by a central land mortgage bank and the Royal Commission supported this but dissented from the idea that Government should subscribe. In the Punjab, Government is prepared to advance loans direct to the individual banks (covering a tehsil or township) but the Provincial Bank has floated debentures as well. Of the total capital (18'5 lakhs) of the eleven banks at work, 8'13 lakhs have been advanced by Government 2'17 lakhs by the Punjab Co-operative Union from a special fund, and 6'77 lakhs by the Provincial Bank, while, 1'46 lakhs represents shares, reserves and profits. The local Government advanced 6 lakhs last year and is prepared to advance another 8 lakhs this year at 5½ per cent. interest. The Royal Commission stated: " if funds from State sources are needed, a simple loan offers the most suitable means of providing them ; the Co-operative Acts provide special facilities for the recovery of such loans and the risk of loss would be small." We recommend that in the early stages the fund should be provided by simple Government loans under the Co-operative Societies Act. Presumably power will be taken under the constitution of the banks to accept long term deposits on terms suitable to the class of business contemplated.

101. As the number of land mortgage banks increases, it will be possible to advance a stage further with the structure outlined in the National Mortgage Bill and to constitute a central land mortgage bank at Rangoon. The chief function of

this will be to issue and control debentures, to finance the operations of the township banks beyond the stage of the Government loan. Actually the two sources of funds must for a time continue together. The terms on which these debentures should be issued must depend upon the caprice of the market in which they are to find buyers. They would be secured by a floating charge on the whole assets of the central bank which would consist for the most part of the mortgages transferred to it by the township banks, but the latter should also assign to the central bank its assets in the way of owned capital, etc.

There are two bases on which debentures may be floated ; in the one adopted in the Punjab and Bombay the debentures are redeemable at the option of the bank after twenty-five years, and must be redeemed within thirty-five years. The proceeds of the debentures become the permanent capital of the bank, and the claims of the holders are met out of a sinking fund made up of accumulated profits. Under this scheme the proceeds may be re-issued as borrowers repay their loans to meet new business, the bank being responsible to see that its sinking fund will grow sufficient to meet the demand upon it when the debentures mature.

In the other system, the debentures are linked up with particular mortgages and are repaid out of the repayments of the loans. The principal sum is thus held at all times earmarked for the redemption of the debentures. The procedure is thus described in the report of the Madras Committee : " Each year the bank should issue six months' notice of the quantity it wishes to redeem. If a sufficient number of debentures is not voluntarily forthcoming for redemption, the debentures up to the required amount may be retired by drawing lots. The bank may offer cash or new bonds up to the value of the bonds so redeemed, but the debenture-holders should have liberty either to accept or to refuse the new bonds, and to demand payment in cash."

In both systems bonds, especially when available below par, may be purchased out of the sinking fund.

At the present stage it is not possible for us to determine which system is most likely to prove popular ; it is not necessary that the issue of debentures should be confined to one type ; when the time comes careful inquiry should be made into the comparative prospects of the two systems.

102. In the Punjab and Bombay, the local Governments have guaranteed interest only for the maximum term of the bonds and have entered into an agreement with the issuing bank whereby a sinking fund has to be kept with trustees and the Government has power to intervene whenever the bank defaults in the payment of interest. Government is thus in a position to protect the assets with the object of ensuring that the principal sum will be duly repaid on maturity. In their report the Madras Committee recommended this guarantee of interest only for five years. The Royal Commission,

which had the advantage of studying the Madras report before arriving at its conclusions, supported the Bombay and Punjab system of a Government guarantee of interest during the life of the bonds, as they regarded this as "the best means of encouraging the investment of long-term money in land mortgage banks." The National Mortgage Bill gives power to Government to guarantee both principal and interest, but this was intended more to fix a maximum limit to Government's total liability than to create a power to assume more.

We are inclined to think that a Government guarantee of interest throughout the currency of the bonds will be the most suitable mode in which State aid can be granted, but we recognise that the decision must depend largely upon the market at the time of issue.

In view of the recommendations that Government should advance the necessary funds in the early stages, we think that there should be a clear declaration that Government is in no way responsible for any losses incurred beyond the amount of its own loans, and that its responsibility to debenture-holders is strictly limited to whatever it is prepared to guarantee.

103. In Madras, the by-laws confer power to demand sureties in addition to mortgage of property ; in the Punjab two sureties are necessary in all cases. The Burma bill did not prescribe personal sureties in addition to the mortgage.

The personal surety has valuable duties and should relieve the Managing Committee of much unpleasant work when borrowers are about to default. We think that, if practicable, sureties should always be demanded.

104. The difficult matter of remedies against defaulters remains to be considered. If the banks are registered under the Powers of Recovery. Co-operative Act as is contemplated, then the bank will resort to the arbitration procedure and secure an award which can be executed as a decree. In the Punjab, the bank has no special powers and can only take possession of the land and farm it out ; in Madras a rule has been framed under the Act [section 45 (2) (1) of the Indian Act corresponding to section 50 (2) (1) of the Burma Act] enabling the award to be enforced as arrears of land revenue on a requisition to the Collector of the District by the Registrar. In the National Mortgage Bill, clause 53 (2) it was proposed to give the bank power to sue for sale of the property mortgaged and to secure a decree for immediate sale, the Court having discretion only to delay sale for one month ; moreover the bank could issue a certificate to the Deputy Commissioner whereupon the Deputy Commissioner could proceed to recover as if he were a Court empowered to execute such a decree. Such a sale was to confer on the purchaser title free from all encumbrances ranking subsequently to the national mortgage. It will be noted that in all cases the first step is to get an award which is to be executed, so that there is

still the door open to objections although the scope is very limited. The Madras Committee considered that a power of sale without recourse to courts was necessary if debentures were to be popular and marketable ; they recommended that rules should be framed for the issue of due notice of the intention to exercise the power of sale, for due publicity of all proceedings connected with the proclamation and conduct of the sale, and for the postponement of sale when the highest bid for the property is not adequate. They further recommended that the sale should be conducted through the agency of the Registrar, or an officer authorised by him, or such other officer as Government may prescribe. Mr. Stocker, who was a member of that Committee, is strongly of opinion that some such power of sale without recourse to court is essential. We do not know how provision could be made for this suggestion or to what extent it would differ in practice from the summary procedure designed in Madras, but consider that it should receive careful consideration at the hands of the legal advisers to Government with a view to adoption if the legal obstacles are not too strong.

We are further of opinion that the by-laws of the banks should provide that immediate steps for recovery must be taken if any instalment is three months overdue. We are afraid that, if any discretion is left, extensions will become the rule instead of the exception.

We received evidence in the villages to the effect that members would not object to provisions for immediate summary recovery in the manner we suggest if it enabled them to obtain long-term loans on reasonable terms of instalments and interest.

We foresee that occasions will arise when a price sufficient to cover its dues cannot be obtained for the land and the sale must be postponed. In these cases the bank should sell as soon as any offer is received which is sufficient to cover its dues. The bank should endeavour not to hold any parcel of land for more than twelve months. At the end of a year the loan must be treated as a bad debt.

105. In the above paragraphs we have attempted to state our conclusions based upon such examination of the problem as we have been able to make within the time at our disposal. We wish to add a word of warning against any idea that land mortgage banks even on the most carefully thought out scheme can be organised in a short time. In the course of our examination of this subject as well as in our inspections of societies, it has been abundantly clear that while there will be many willing to borrow there will not be the same anxiety to repay. It must be remembered that most of the loans will be for the transfer of old debt to a new basis, so that the prospective borrowers will largely be drawn from a class addicted to debt. If the loans were always for carrying out improvements to land, which would provide funds for their own redemption, the prospect

would be brighter, but we have Mr. Dawson's experience that large loans are not being taken for this purpose but that most if not nearly all are for redemption of old debt. The present proposal is to organise two banks in different districts and we agree that steps to this end should be taken ; it must not be expected that much opportunity for investing large sums on really sound lines will be found at once. The experience of both Madras and the Punjab indicates how slow progress is likely to be. The oldest land mortgage bank in India, that at Jhang in the Punjab, has advanced less than six lakhs in eight and a half years and has only three lakhs outstanding. Dawson's Bank has a longer history which clearly illustrates how slow and cautious must progress be if the business is to be conducted on thoroughly sound lines. The clients of the banks we contemplate will be smaller men than those who deal with Dawson's Bank, and in the early stages great care will be necessary to make sure of the titles to land ; there will not be the experience nor the trained staff which many years have gained for Dawson's Bank and without these it would be rash to press progress too fast. Proper verification of title postulates a well trained staff, and a well trained staff cannot be created by a stroke of the pen. The effect of moving in advance of such a staff can only mean that titles will not be thoroughly investigated, with the inevitable result that assets will prove as imaginary as they have proved in the case of the long-term credit of existing rural societies. The whole technique of title investigation will have to be worked out before the training of officers can be begun.

On other matters we think the banks should follow the usual well tried lines, but there are two points which will need to be considered. The first is whether in the initial stages it would not be wise to provide for a Government nominee on the managing committee of the township banks and the other is whether the debenture-holders should be represented on the governing body of the central bank.

In regard to the first suggestion we think such provision should be made and should be taken advantage of whenever found necessary and when a suitable person is available.

As regards the representation of debenture-holders we feel that sufficient experience has not yet been gained as to the occasions in which such a provision would prove useful or desirable. Presumably, if Government guarantees interest on debentures, it will take power to step in and assume control as soon as the central bank defaults in payment, and this will probably be sufficient to allay any weakening of confidence amongst debenture-holders.

Land mortgage banks, like any other financial institutions, must conform to business rules, and we feel we cannot express our opinion too strongly that danger must result if other considerations influence the working of the banks.

CHAPTER XI.

THE STAFF.

106. For the last seven years the staff of the Department has consisted of a Registrar, two Joint Registrars from the Indian Civil Service, ten or eleven Assistant Registrars, a Chief Government Auditor and 32 to 35 Junior Assistant Registrars. In addition there have been a number of probationary Junior Assistants. The maximum number of societies has been 5,563. The Maclagan Committee recommended a scale of one super-auditor to every 200 societies and one Registrar (*i.e.* officer exercising any of the powers of a Registrar) to every 1,000 societies, so that on this scale the staff should never have been higher than one Registrar (with possibly one Assistant in the shape of a Joint or Deputy Registrar), 6 Assistant Registrars, and 28 Junior Assistant Registrars. Thus so far as numbers are concerned the staff has never been below the strength recommended. The Punjab with nearly three times as many societies has one Registrar, three officers of the Joint or Deputy Grade, 15 Assistant Registrars and 109 Inspectors; the scale adopted is one Assistant for every 1,000 societies, and one Inspector for every 200. (The actual number is increased owing to special posts such as control of consolidation of holdings, work amongst women, etc.)

The first obvious comment on the staff is that it is top heavy. Recently three appointments of Deputy Registrar were sanctioned and have been filled. We were unable to find out for what duties these appointments were made. They were not asked for by the Registrar. The immediate result was that the Registrar found himself with five assistants of the Joint Registrar and Deputy Registrar type supervising 11 Assistant Registrars who were in their turn supervising 35 Junior Assistant Registrars. This surplusage was got rid of by re-organizing the Province more on the lines of the Maclagan Committee into five charges, with this big difference from the other provinces that instead of a charge being held by an Assistant Registrar on Burma Civil Service rates of pay it is now held by a Joint or Deputy Registrar. Assistant Registrars were placed on a par with Junior Assistant Registrars as Range Officers. The heavy burden of liquidations made it possible to utilize the services of Assistant Registrars as well as of Junior Assistant Registrars as Range Officers.

We believe that as the present heavy burden of liquidations is reduced there will be opportunity to diminish the staff, but for the next two years we recommend that the present strength of Charge and Range Officers be retained. When conditions have become more normal and

the members of the staff have acquired the better training which we recommend, we think that the scale to be adopted should be :—

- One Registrar ;
- One Joint Registrar as a general assistant when required ;
- One Joint or Deputy Registrar (Charge Officer) for every thousand or fraction of a thousand societies ;
- One Range Officer for every 150—200 societies.

It will be noted that even this staff will differ from that to be found in any other province in the higher grade of the officer to be placed in charge of a thousand societies. We are assured that local conditions justify this and that the present grade of Assistant Registrar promoted from among the Junior Assistant Registrars is not as a whole competent to perform the duties of similar officers in other provinces, for instance one of the three promoted Deputy Registrars now holding charges is not considered fit to be entrusted with any of the powers of a Registrar. At the same time for so long as the Deputy Registrar is an officer of no particular educational qualifications who has risen from the bottom to the grade of Assistant Registrar we think that the needs of the case would probably be met by the grant of a suitable charge allowance (as is done in the Punjab) and that the creation of a special cadre of Deputy Registrars is unnecessary. An able Assistant Registrar has always the chance, as a member of the Burma Civil Service, of being appointed to hold a listed post of Joint Registrar. We see no objection to a Joint Registrar appointed from the Commission, provided that he is not too senior, being placed in control of a charge. It will afford him a thorough training in co-operative administration and it might be found convenient to pass comparatively junior officers through this training with a view to their coming back as assistant and ultimately as successor to the Registrar.

The present so-called Range Officers are composed of the two classes formerly styled Assistant and Junior Assistant Registrars. If these are not competent to perform any of the duties of Registrars, their title should not include the term 'Registrar' as this leads to confusion outside Burma.

The numbers of officers both in Provincial and Subordinate services will require adjustment when the number of charges is reduced, and we merely remark here that in view of the nature of the duties of a Range Officer the proportion on the comparatively high Burma Civil Service rates of pay appears high. It is for consideration whether these two services should be combined in a single cadre on a common time-scale.

The Joint and Deputy Registrars should be given as full powers of a Registrar as they are competent to exercise. The Range Officers should not be given any powers under the Act, Rules or By-laws, beyond the authority to inspect, call for books, accounts, etc. Their success should depend upon their personal qualifications rather than on any executive authority.

The Chief Government Auditor at headquarters performs no useful function as such, but he is also head of the training branch. We recommend that he be retained in this latter capacity and undergo such a thorough education in all that makes for success in co-operative institutions that he will be competent to carry out the duties we propose to assign to him.

The foundation of the official staff should be the Range Officer ; as far as practicable, he should be selected from amongst graduates in economics or from Diplomates of the Agricultural College ; preference should always be given to candidates from the rural classes and anyone with pronounced urban bias should be rigorously excluded from the rural side. Provided that the pay is on an incremental scale, the opportunity of rising to a post of Deputy Registrar with the chance for a man of particular ability of holding a listed post of Joint Registrar, should provide sufficient incentive to good work. A small number of posts may be given to exceptionally deserving and competent men of the auditor class who succeed in passing the same examination as we suggest should be required of the candidates for direct appointment.

There does not appear to be any regular systematic training for candidates for the post of Range Officer, and we recommend that the Punjab system be adopted (with such modifications as local conditions require) until one more suitable can be evolved. This scheme has the advantage of being based on long trial and experience, and so is more likely to prove satisfactory than one prepared *de novo*. In order to diminish the difficulties of introducing such a scheme, we recommend that two members of the staff of medium seniority be sent to the Punjab for six months training, to include the four months special course to lectures in co-operation and rural economics ; unless this experiment prove discouraging it should be repeated for two more years in order to provide a nucleus of highly trained men who should be able to improve the educational qualifications of the rest. One of the first to be sent should be the officer who is to be in charge of training.

Candidates for Range Officer will under this scheme undergo at least fifteen months' training before appointment but their education should not stop at this. The success of any attempt at economic uplift depends largely on the continuous influx of new ideas ; a leader in co-operation must be as careful to keep his reading and study up to date as any professional man, and to ensure this there should be regular refresher courses for the staff, with lectures given by selected members and with every encouragement to reasonable criticism from their fellows. At present the absorption of the staff in the work of liquidation seems to have led to a certain amount of rustiness in their knowledge of matters co-operative which would be fatal to all attempts at fresh propaganda, and it will be necessary to insist upon study by the senior members as well as by candidates.

We have spoken of the Range Officer as being the foundation of the official staff ; his main function should be the education and training of the people in co-operative principles and in everything necessary to ensure success in whatever directions the applications of those principles may take ; he is primarily responsible for the supervision and training of auditors and for rendering assistance to honorary workers in the more difficult problems that confront them. His work should lie almost entirely within the villages where societies are found ; he has to study their economic position, the causes of their economic troubles and the remedy to be applied wherever this can be done on co-operative lines. He must train himself to be an expert in village life, and must know where to procure advice on matters outside his own sphere but vitally important to the cultivators. It is for him to prepare the ground for visits from the agricultural, veterinary and public health staffs in so far as their work concerns directly the economic position of the village. He should for this purpose keep in close touch with the officers of these departments, visit demonstration farms, understand the policy of combating cattle disease, and march abreast of his colleagues in these sister departments in all their efforts to improve rural conditions. It is not intended that he should attempt to secure a smattering of technical knowledge, but he should know what kind of benefits are available to those willing to adopt skilled advice, where this advice can be obtained and when it should be sought. Equipped with intimate knowledge of rural affairs, he should regard himself as the best friend of the cultivator and should seek to secure for himself this position amongst the people. A well educated, highly trained man in full sympathy with the difficulties of village life should have little difficulty in procuring adoption of well thought out schemes, such as, for instance, controlled credit as exemplified in the rules and by-laws. To such a man power to enforce an opinion would detract from his usefulness ; the decision must always rest with the people if the success is to be lasting ; they must be persuaded that the advice is good and must adopt it because it is good, not because it is an order from above.

The chief object of the superior staff should be to improve in every possible way the usefulness of the Range Officer, to check his work, seek for defects and apply remedies, to equip him with arguments, answers to difficulties, and sound advice on his work. There are so many ways of doing things wrong, and bad teaching is so apt to be fruitful that no pains should be spared by the superior staff to make the Range Officer thoroughly competent in every way to perform the duties allotted to him.

We think it will facilitate the introduction of this scheme of training Range Officers if opportunity can be given to the Registrar and senior Joint Registrar to visit the Punjab alternately next cold weather with a view to their studying methods and results and selecting whatever they think would prove of value to Burma. It is not suggested that methods

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can be transferred *en bloc* or that every remedy found effective in one province will prove equally effective in another : but the majority of the recommendations made in this report regarding the detailed working of credit societies are in ordinary everyday use in the Punjab, and their cumulative effect can be studied and their suitability for the special conditions existing in Burma can be judged.

CHAPTER XII.

SOME LEGAL MATTERS.

107. In the course of our inquiries, some defects in the Burma Act of 1927 have come to our notice and we think that early steps should be taken to remove them.

The first relates to the omission from section 9 of the provision in the corresponding section of the Indian Act empowering the Local Government to confer on persons appointed to assist the Registrar all or any of the powers of the Registrar.

The words do not appear to have been omitted for any particular reason and we are of the opinion that the Local Government should have this power. It is desirable to confer on Charge Officers as many of the powers of the Registrar as they may be competent to exercise (*cf.* paragraph 106, page 99) partly to set the Registrar free for his more important duties and partly to make these Charge Officers realise their responsibilities for the work under their care.

108. Sections 20 and 21 prescribe that in certain cases a society with limited liability shall pay the value of the share of a deceased member or of a liquidated society to the nominee or liquidator. This in practice has involved a reduction of paid up capital (*cf.* paragraphs 37, 62, and 75) in cases where this capital is cover for the depositors, and is contrary both to the Indian Companies Act and to banking law. The Industrial and Provident Societies Act, section 19 (1) prescribes that "No registered society which has any withdrawable share capital shall carry on the business of banking." We suggest that to these sections there should be added a proviso to the effect that nothing in them should be read as authorising any society with limited liability holding deposits or loans to reduce its paid up capital. The original Indian Act did not authorise such reduction. The exact form of words is of less importance than their legal effectiveness in preventing the reduction of the assets which are the security for creditors.

109. The proviso in clause (2) of section 26 appears to confer on members an easy method of escaping liability where the society contains a wealthy member; all they have to do is to resign membership one day before the society is wound up and they are then exempt from all trouble from the liquidator so long as he can recover the sums due from the wealthy members.

It is probable that the intention was to confine this clause to societies with limited liability where past members are responsible for very little, but the wording does not seem to us to secure this.

110. In section 45(1) the Registrar has discretion to wind up a society as a result of an inspection carried out at the instance of a creditor and there is nothing requiring him to do so if the society is failing to pay its debts. We found that the Provincial Bank repeatedly called upon the Registrar to inspect societies under this section when it found itself unable to recover its loans, but it does not appear that effective measures were taken by the Registrar to recover the loans or to liquidate the societies. We are of opinion that if it had been compulsory upon the Registrar to put into liquidation societies which failed to repay their debts to the Provincial Bank, action would have been taken years ago which would have in large measure diminished the intensity of the present crisis. In the case of companies registered under the Indian Companies Act (*cf.* section 163) if a creditor to whom a company owes a sum exceeding Rs. 500 serves a demand which the company neglects to pay for three weeks, the company shall be deemed to be unable to pay its debts and may be wound up by the Court. The former Registrars whom we examined agreed that a Registrar was morally bound to liquidate a society which was unable to pay its debts, but there is a dangerous loophole in the uncertainty as to when a society is unable to pay. In the case of companies, the issue of a demand brings matters to a head and neglect to pay becomes inability to pay. The Provincial Bank frequently issued such demands upon societies but without result. We recommend that the Act should be amended so as to make it clear that, wherever in the course of an inquiry under section 43 it appears that a society is neglecting to pay sums due, the Registrar shall ordinarily order the society to be wound up. Section 48 (1) confers upon the Registrar power to cancel an order for winding up for good reason, and this power could be used when the petitioning creditor was satisfied. We think, however, (*cf.* paragraphs 34 and 64) that it is the duty of the Registrar to satisfy the creditor of an indebted society whenever such a creditor asks for an inquiry.

111. The Indian Act (section 19) conferred on a society a 'prior claim' in respect of certain property of members; the Maclagan Committee recommended that this might be altered to a first charge and the Bombay Act has done this. In Burma the section has been omitted altogether as the prior claim was of little value and was never enforced, and the 'first charge' was not provided as it was not certain what the effect would be. In Bombay the privilege has not been enforced in any proceedings so that its value in Court has not been ascertained. The section

provides that the claims of any *bona fide* purchaser or transferee shall be unaffected. We agree with this provision as we feel that a charge entitling a society to follow up produce or its proceeds in the hands of *bona fide* purchasers would result in reluctance on the part of purchasers from dealing with the produce of co-operators except at a discount. The value of such a charge, however, would appear to be mainly a moral one. In this report we have stressed the importance of loans for cultivation purposes and we think that some definite provision should be sought to secure prompt repayment out of the gross produce at harvest. Such protection is afforded in the English Agricultural Credits Act, 1928, which provides for charges in favour of banks approved by the Minister. In that Act the charge is described as an "agricultural charge" and it is enacted (section 11) that if, with intent to defraud, any farmer who has created an agricultural charge fails to comply with the obligations imposed or removes or suffers to be removed from his holding the property subject to the charge he shall be liable to penal servitude for three years. We are of opinion that if some such provision could be introduced into Burma, the whole atmosphere for co-operative credit would be immensely improved.

What is required is amendments which would give a society a fixed charge or agricultural charge upon produce obtained with the aid of loans from a society, and which would render liable to three months' imprisonment any cultivator-borrower who disposed of his produce without repaying this loan. This would probably need an all-India Act, but we think that the suggestion would prove useful and would find favour outside Burma.

112. Under the Indian Act, section 42 (2) (b) a liquidator was given power to determine the contributions to be made by members and past members to the assets of the society. Following the Indian Companies Act, the word "contribution" was construed to mean contributions payable by members as such under the general liability and not to include debts owing by such members. The difficulty in dealing with recalcitrant members was surmounted in other provinces by securing the awards of arbitrators against all members which the liquidator could execute in the manner provided. In Bombay, however, the term "contributions" was specifically declared to include debts due from members, and in the Burma Act 'debts payable' are placed on an equal footing with contributions. The result is that the liquidator is practically given the power of a civil court to adjudge claims for debts and there is no appeal provided. We think that this is liable to lead to ill feeling and remonstrance while it is not necessary. The difficulty can be got over by conferring on the liquidator the power to refer to the Registrar for arbitration as is recommended by the Madras Committee, or by having all claims for debts referred to arbitration before the order for winding up is passed. In some provinces an appeal against the

award of an arbitrator may be filed with the Registrar ; no difficulty seems to be experienced in this connection. We recommend that this be tried here.

In so far as the liquidator has the power to levy contributions from members to make up the deficiency in assets we do not see any reason to recommend alteration of the Act.

113. In most provinces of India, including Burma, provision has been made by rules under section 24 (2) (f) for the Resort to Arbitration. reference of disputes between members or between a society and its members to the Registrar or to arbitrators. Such a reference is made mandatory by the use of the word ' shall . ' It has been held that the use of this word serves to exclude the jurisdiction of Civil Courts which was the intention behind its introduction into the rules, so that co-operative societies in India are on a footing similar to Friendly Societies in England in their independence of civil jurisdiction in the simple matters of their internal business. In Burma, the whole intention of the rule has been avoided by giving to the word ' dispute ' a more restricted meaning than is usual in legal works. The term ' dispute ' ordinarily means all matters which could form the subject of civil litigation ; so that a claim which the debtor neglected to meet is a dispute ; in Burma, however, it has been the policy to exclude from disputes all claims which were admitted even though overdue and not being paid. The result is that while claims for debt which were admitted have been instituted in Civil Courts, it has been always open to the defendant to oust the jurisdiction of such Courts by defending the suit ; while if the claim were submitted to arbitration the defendant could as easily defeat the arbitrator by admitting the claim. The view of the Department has been based on the assumption that reference to arbitration weakens the sense of responsibility in the committee of a society with regard to watching over and recovering loans, while the institution of suits in courts apparently has no such effect.

What appears to have been overlooked is that most money suits are not contested in Court and that as the value in the great majority is small, any means of escaping the expense, delay and trouble of resorting to Court is usually regarded as welcome. In the last six years, there have been instituted in the Courts in the interior of Burma 367,000 suits of which 179,000 were valued below one hundred rupees. Seventy-five per cent. of suits are not contested. Thus of the class of suit brought by co-operative societies, the great majority are for small amounts and most would not be contested. What the arbitration procedure effects is to substitute a simple machinery in the village for an expensive Court in a Township.

The department seems to have mistaken the procedure for securing the award for the procedure for executing a decree. In both cases the execution is through the Court, and the Registrar has nothing whatever

to do with this. We are of opinion that it was the intention of Government in framing the rules that all disputes concerning the internal working of a society should be decided by arbitration and should not be taken to Court, and that it was never intended that a defendant should be able to escape the jurisdiction of a Civil Court by objecting to the claim. The practice in Burma should be brought into line with other Indian provinces.

114. In the draft Bill submitted to the Legislative Council there was a clause empowering the Registrar to require a society to pay a sum found to be due before a given date, and on the society failing to pay such sum, the Registrar could take steps to have it collected as an arrear of land revenue. In this case, the power was to be available when the society admitted the claim but withheld payment without sufficient cause, so that it was more drastic than the power to refer to arbitration which the department considered to be liable to weaken the sense of responsibility of societies. The clause was thrown out in select committee. In Madras, and the United Provinces a rule has been made under section 42 (2) (i) dealing with references to the Registrar or arbitrators 'on a requisition to the Collector of the District made by the Registrar of Co-operative Societies all sums recoverable under the decision or award shall be recovered in the same manner as arrears of land revenue'. This seems to us to give all that is required to meet obstinate cases and we consider that a rule on these lines should be made under section 50 (2) (i) of the Burma Act of 1927.

CHAPTER XIII.

CONCLUSION..

115. This Committee was appointed " with a view to discovering the best means to remedy the defects of the agricultural credit societies and to restore confidence in co-operative organization " but our terms of reference went somewhat wider and included all co-operative institutions. In the time at our disposal we have found ourselves fully occupied with the credit side of the movement and have had no leisure to enquire into agricultural societies other than credit. For this reason we have not examined the officers of the Agricultural or Veterinary Department as to the methods whereby co-operation is helping or should help them to secure the adoption by cultivators of the expert advice they have to offer.

In our opinion the Registrar and his staff will be fully occupied for some years to come in dealing with dead and dying societies and with attempting to restore the rest to vigorous life along the lines we have recommended.

Our grateful acknowledgments are due to the Registrar, Mr. P. C. Fogarty, I.C.S., to the Joint and Deputy Registrars and the staff of the Department for the continuous assistance they have freely given to us throughout our inquiry. We also wish to thank the staffs of the Provincial and Central Banks for their readiness to supply us with all the information we asked for. We further wish to record our regret at the death of U Sein, late Manager of the Provincial Bank, who gave us particularly valuable assistance.

Finally we desire to express our cordial appreciation of the work of our Secretary U Ba Tin (2) and his staff who have discharged their duties promptly and satisfactorily.

(Signed) { H. CALVERT.
E. P. STOCKER.*
H. O. REYNOLDS.*
E PE.
HLA BU.

13th March 1929.

* Subject to note of dissent.

Summary of Recommendations.

Recommendations on which the Committee are not all in agreement are marked with an asterisk.

CHAPTER II.—A BRIEF HISTORY.

No.	<i>The Need for Co-operation.</i>	PAGE
1	Government is justified in deciding to proceed with the attempt to construct in Burma a sound well-controlled system of rural credit. The object of such an attempt should be to extend gradually through the length and breadth of the province the benefits of organized co-operative banking (including here co-operative land mortgage) until this becomes in time the main source of finance for all rural industries	11
2	Side by side with this, and in the less indebted tracts perhaps preceding it, there is required a well founded co-operative organization, on lines to a large extent prescribed by the agricultural and veterinary departments, for securing better methods in all the business transactions (apart from credit) of all rural classes, including both more economical provision of the requisites of their agriculture and more profitable disposal of the products of their labour	11
3	Attempts should also be made to bring about a better standard of living by educating and organizing local public opinion in favour of measures advocated by the Departments of Education and Public Health calculated to improve village life and even by organizing local public opinion to eradicate habits and customs tending to hinder economic progress and to lower the standard of health ...	11

CHAPTER III.—PRIMARY RURAL CREDIT SOCIETIES.

The Teaching of Principles.

4	The Government staff, once adequately trained, should do their utmost to teach all the members, and not merely the chairmen and secretaries, patiently and persistently, to understand the economic principles underlying their every day activities	15
5	The attempt to spread co-operative societies should for the time be abandoned where the people prove deaf to teaching, incapable of absorbing it or unable to profit by it	15
6	There should be no hesitation in liquidating any societies tainted with dishonesty	15

No.		PAGE
7	It should be accepted as axiomatic that where the principles of co-operation are not accepted, or being accepted are not translated into action the people cannot be given the great benefits which a sound co-operative movement can confer	15

Types of Rural Primary Credit Society.

8	The initial share instalment should be fixed low enough to ensure that cash payment can be rigidly insisted on from the class of cultivator whom it is desired to attract into membership	16
9	Each member should be induced to subscribe according to his ability	16
10	The instalments should be continued over a series of years to encourage thrift	16
11	The refund of shares should not be allowed until the society has accumulated sufficient of its own capital by way of surplus profits or otherwise to protect the unlimited liability of members against any loss	16

Reserve and Profits.

12	Indivisible reserve is preferable but, if the people insist upon the Luzzatti model, care should be taken to avoid the resultant weaknesses	17
13	The payment of dividends should be discouraged ...	17
14	The rule regarding dividends under section 50 (2) (g) should be amended so as to prohibit any society of unlimited liability from distributing a dividend as long as it holds deposits from non-members or borrows from its financing agency	17

By-laws Elaborate.

15	The existing by-laws are too elaborate and should be cut down to exclude all that is not really necessary to the binding agreement between members and must be couched in as simple a language as possible so that every member should be able to understand them	17
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Inspection, supervision and control after registration.

16	The prime duty of the staff, adequately trained and educated, should be to continue the teaching and instruction of members until they are able to dispense with it ...	18
17	The withdrawal of official supervision should be made gradually as the societies become competent to manage without outside aid	19
18	The Junior Assistant Registrars should be given no executive power except to call for the books and accounts of societies	19

No.		PAGE
	<i>Audit.</i>	
19	The present audit form is unsuitable as it requires the collection of elaborate statistics and should be recast in the light of our criticisms	20
20	Two copies of audit report should be made, one to remain with the society where it may be seen by the supervising staff and the other should be sent through the government staff to the financing bank for information, and record	20
21	The auditor should make a specific mention of all cases where a loan has been misapplied or where the borrower has disposed of the profits without first repaying the society	21
22	Super-audits should be on a scale prescribed to ensure that the auditors are doing their work in a reliable manner ; special detailed inquiries should be made when societies are in difficulties. When a society offers nothing suspicious a check audit should suffice	21
23	At the conclusion of every audit the auditor should get the chairman to summon a general meeting and should explain the accounts, the defects he has discovered, the methods of correcting them and the points on which he thinks that more publicity is desirable. The defects brought out at the audit should be corrected in the auditor's presence, and he should endeavour to make this general meeting one of the most important and instructive of the year	21
24	The standard of audit should not be lowered on the plea of expenses	21
25	Audit should be so conducted as to be educative to members and the auditor should be regarded as an integral part of the machinery for instructing co-operators to take the management of their affairs into their own hands ...	21
26	In order to secure full benefits the auditors should work under the control of the Registrar and be trained under his supervision	21
	<i>Accounts.</i>	
27	It is essential that members should understand the accounts and in order to achieve this end they should be of the simplest character consistent with clearness ...	21
28	A simple loan ledger with enough columns to suit the ordinary transactions of a society, as per sample, should be used	22
29	It is unnecessary to make any entries in the ledger as to interest until payment is made ; one page should last several years and several consecutive pages should be allotted to each member	22
30	The cash-book in the form attached is suitable ; it should be totalled every month and below the monthly total there should be entered the running total for the year	22

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31	The object of the loan should always be properly specified so that the committee may be in a position to check the requirements of the members and the use of it, when advanced	22
32	Promissory notes in bound volumes should be used for all classes of loans : the pages should contain spaces for the application for the loan with the object specified and the names of sureties and the order of the committee sanctioning the loan	22
<i>Fictitious Accounts.</i>		
33	The whole weight of the department must be brought to bear to fight against the practice of showing fictitious figures, paper adjustments of repayments and fresh loans	23
34	* If a loan has to be postponed to allow time for repayment it is better to show it as extended than to include it in the fresh loan along with the new loan required by the member	23
<i>Loans.</i>		
35	The crop loans should be regarded as the principal business of primary societies and the object of the loan should be stated clearly so that the committee as well as the staff may form an opinion as to the need of it by the member for the specified purpose	24
36	The sums actually required should be advanced serially at the proper time	24
37	All loans required for the expenses of cultivation except for cattle should be repaid out of the gross produce at harvest	24
38	Loans for the purchase of food for the household or for labourers should similarly be repaid at harvest ...	24
39	Repayment at due date should be strictly enforced and extensions should not be permitted except for definite sound reasons, such as the failure of the harvest or some similar calamity	24
40	Separate account should be kept of any extensions, and recoveries should be carefully watched. On no account should such overdues be merged with other loans ...	24
41	These crop loans should be executed on separate promissory notes, and their transactions should be separated in the lines of the cash book and ledger from other loans given on the same day	24
42	The issue, repayment, extension and balance overdue of all crop loans should be separately collected and commented on in the annual report	24
43	" B " and " C " loans should also be provided for but great care must be exercised in the grant of these loans ...	24
44	Where the necessity is clear, as in the case of replacing of deceased plough cattle, there should be no delay, but where it is obviously possible to delay the loan, as in the case of repayment of old debt or purchase of land, the society should wait till its own capital is increasing to the amount required to provide cover for such transactions ...	25

No.		PAGE
	<i>Long-term Loans.</i>	
45	*Where land mortgage banks exist or are organized in the future it would be better for societies to confine themselves to small loans for current needs of agriculture ...	25
46	*The staff should give close personal attention to "B" and "C" loans in their inspections ...	25
	<i>Amount of Loans.</i>	
47	The amount of loans should be strictly confined to the actual requirements, and further, no loan should be granted unless there is seen to be a clear method of recovery within the prescribed period out of the earnings ...	25
48	*In granting a loan for the redemption of land the borrower must satisfy the committee or general meeting that he can repay within four years ...	25
49	*In the case of a loan for the redemption of old debt bearing a usurious interest the borrower should be made to show the sincerity of his desire to get rid of debt by selling any superfluous property, and it is rarely advisable to redeem old debt unless the debtor makes a substantial contribution ...	25
50	*Loans of two or three thousand rupees should not be given on personal security alone unless there is something in the local conditions to justify exceptional treatment ...	26
	<i>Normal Credit Limit.</i>	
51	The general meeting should fix for each member what it considers sufficient for his normal requirements based on his agricultural and other transactions ...	26
52	The committee should be authorised to sanction loans up to this amount; if more be required the sanction of a general meeting should be necessary ...	26
53	The value of material assets of the members should not serve to enhance the normal requirements of a society, though it may serve to reduce them ...	26
54	If a society applies for a loan in excess of this normal limit, it should be made to justify it ...	26
55	The maximum normal credit limit of societies should be scrutinised by the staff who should attempt to advise the financing body as to whether it is reasonable or not in view of local conditions ...	26
56	*All applications for loans for other purposes than crop loans and all loan applications from C and D societies should for the present be submitted through the Junior Assistant Registrar ...	26
	<i>Period.</i>	
57	The period of the loan should be strictly confined to the scale prescribed in the by-laws with the possible exceptions that loans to enable a cultivator to hold up his crop, to pay revenue, or to trade should be limited to three months ...	27

No.		PAGE
58	Repayments should be permitted at any time and should be encouraged at all times. Every effort should be made to secure repayments whenever income is received	27
59	Concession in regard to money order commission which the Royal Commission on Agriculture recommended to all Provincial Governments, should be extended to Burma	27

The Work of the Financing Agency.

60	In order to encourage frequent remittances from societies to their financing bank remittances of fresh loans in their proper time should be made promptly ...	27
61	The Manager should be empowered to lend cultivation loans without reference to the Managing Committee, the application for which may be required to be sent through the Junior Assistant Registrar if found necessary ...	28
62	Where loans are required for purposes other than cultivation or in excess of the normal, the application, except in the case of "A" class societies (and later perhaps of "B") should for some years to come always be sent through the Junior Assistant Registrar	28
63	All inspection notes of societies should be shown to the financing bank when required	28
64	A careful classification based upon the recommendation of the Bombay Conference of Registrars should be adopted	28

Security for Loans.

65	Personal sureties may be continued for loans for cultivation expenses	28
66	Every effort should be made to provide long term credit through the agency of land mortgage banks at the earliest possible date	28
67	*The village society should confine itself to personal sureties for all loans and should protect itself by limiting the loans to amounts and for periods for which this security is suitable	29

Loans to Officers.

68	The Punjab rule allowing any member to refer to arbitration the question whether the chairman or members of committee have too large loans might be adopted in Burma and its use encouraged by the staff when inspecting societies	29
69	The staff, during their inspection, should pay particular attention to the maximum normal credits adopted for the chairman and members of committee and should not hesitate to secure a reduction whenever they appear to be dangerously high	29

No.		PAGE
	<i>Renewals and Extensions.</i>	
70	No renewals should be allowed	29
71	The borrower and committee must be taught that their original decision as to instalments is a definite promise and a definite order arrived at by mutual agreement and that any departure from these terms should only be sanctioned for thoroughly sound reasons	29
72	In the delta, there should be less occasion for extensions and more ground for strictness	30
73	*It should be impressed on all members that the instalment fixed is the minimum and not the maximum and there should be no hesitation in demanding a larger sum if the state of the harvest justifies this	30
74	Effort should be made for the collection of information for both overdues and extensions for the annual statements	30
75	The committee should be taught to regard overdue loans as doubtful debts. All payments on account of these should be carried to principal and not to interest and no credit should be taken for interest due on these loans until actually paid in cash	30
76	The auditor and the inspecting staff should see that the committee carry out the recommendations regarding the treatment of overdue loans	30
77	The staff should make a point of inquiring into all cases of non-payment of instalments, extensions and overdues	30
	<i>Expulsion of Members.</i>	
78	Undesirable members must be steadily expelled as their unfitness becomes evident	31
79	A defaulter should normally be expelled unless he at once makes full repayment and the by-laws should be amended to this effect	31
80	Any member who fails to make any substantial repayment of principal for two years may be regarded as due for expulsion, and awards should be obtained against him	31
	<i>Owned Capital.</i>	
81	*The accumulated net profits or surplus assets of societies should be used in loans to members	31
	<i>Expenses.</i>	
82	With the simplification of accounts, it should be possible to secure an increasing number of member-secretaries who will work gratuitously or for a small honorarium	32
83	With strict control, the expenditure should be brought within reasonable limits	32
84	The cost of audit cannot be reduced but need not be heavy	32

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	<i>Liquidation.</i>	
85	It is imperative on the Registrar to inspect a society when called upon to do so by a creditor and it should be imperative on him to wind up a society which has definitely shown its inability to pay its debts ...	33
86	Where there is a difference of opinion between the Registrar and a creditor as to a society's ability to repay, the opinion of the creditor should prevail ...	33
87	No hesitation need be felt in ordering liquidation on account of difficulties involved, which are increased and not decreased by delay ...	33
88	Retired Government servants and others acquainted with court procedure may be tried as liquidators and remunerated by results on an ascending scale of commission ...	34

CHAPTER IV.—NON-AGRICULTURAL CREDIT SOCIETIES.

General Requirements.

89	The need for teaching of members both before and after registration is urgent ...	36
90	Unconditional compliance with the by-laws should be rigidly insisted upon ...	36

Share Capital.

91	The payment of ten rupees on admission and the remaining forty in four quarterly instalments on account of share might be generally adopted ...	37
92	Payment by small monthly sums might also be tried ...	37
93	The provisions of the Act regarding the refund of share should be carefully observed ...	37

Fixed Deposits.

94	In accepting fixed deposits care should be taken so as to avoid large sums falling due at one time ...	37
95	The rates of interest on fixed deposits by members as well as non-members are high ...	37
96	The total borrowings of an urban bank should be limited to three times the owned capital ...	37

Savings Deposits.

97	The rate of five per cent. on savings deposits is also too high. Interest should be paid on the minimum monthly balance and not on the daily balance, at an even monthly rate ...	37
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	<i>Current Accounts.</i>	
98	Current accounts should be opened for members only and that only in societies with efficient management ...	37
99	A small text book dealing with technical knowledge of the law and practice relating to cheque and current accounts should be provided ...	38
100	Interest should be calculated only on the minimum monthly balance and should be low ...	38
	<i>Fluid Resource.</i>	
101	Fluid resource on one-third of fixed deposits falling due in the next twelve months should be kept in addition to the standard generally kept for current and savings deposits, which is 75 and 50 per cent. respectively ...	38
102	The urban banks should be advised to purchase Government securities or post office cash certificates for that purpose, and arrange for a cash credit with the nearest branch of the Imperial Bank or other approved joint stock bank by lodging them with it ...	38
	<i>Loans.</i>	
103	The taking of personal security for loans up to Rs. 500 and of mortgage security for loans above that is suitable ...	38
104	The urban banks should issue small loans only and those who require large loans should be referred to joint stock banks ...	38
	<i>Period for Loans.</i>	
105	With regard to loans given to petty traders to stock their shops repayment from sale of such stock should be rigidly insisted upon, and the whole loan should be cleared within three months. This should not prevent fresh loans being given for fresh stock during the currency of the previous loan, provided that the daily receipts were passed through the bank ...	39
106	Urban banks may borrow from central banks on the security of their members' promissory notes for periods limited to the non-cultivation season out of surplus funds at the harvesting season ...	39
107	The maximum period of loan should be fixed at six months, and extension should only be given when it is proved to the satisfaction of the committee that the full object of the loan has not been attained ...	39
108	Cash credits should only be granted when there are surplus funds after the needs of all the smaller members have been met and recalled whenever funds are needed ...	39
109	In the case of salary earners in urban banks the maximum loan should be reduced from six to three months' salary ...	39

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	<i>Overdues.</i>	
110	Too many loans should not be given to liquidate old debts	39
111	Repayments should be insisted upon when the purpose of the loan has been fulfilled	39
	<i>Reserves.</i>	
112	Part of the reserve sufficient to provide fluid resource should be invested in Government paper or postal cash certificates	40
	<i>Dividends.</i>	
113	The bank on which the auditor reports badly should be prohibited from distributing a dividend	40
114	In the case of overdue loans the first cash receipts should be applied to reduction of principal and not to interest	40
115	In bad banks the same rule might be applied to loans extended, if the extensions are given without proper care and good reason	40
116	So long as these banks accept deposits from non-members the maximum rate of dividend should be lower than the 20 per cent. now permitted by rule and 10 per cent. would be preferable	40
117	Expenses of management are almost everywhere high and call for the attention of the staff	40
	<i>General Meetings.</i>	
118	It should not be beyond the capacity of the staff to instil some life into general meetings; the proposal to prohibit dividends in the case of societies badly reported on might do some good and a breezy discussion of defects might aid towards the same result	41
	<i>Audit.</i>	
119	The audit requires much improvement and should be more stringent	41
120	A special place in the report should be given to the auditor's opinions on securities for loans, extensions, overdues and book adjustments	41
121	The auditor should count the cash balance and see that it is kept under the control of the bank in a safe with two keys at least. The practice of keeping the cash with the chairman should cease	41
122	The accounts should be as simple as possible, compatible with clearness	41
123	Special record should be kept of loans extended or overdue and these should be separately entered in the balance sheet	

No.	<i>Supervision.</i>	PAGE
124	The cases of all defaulters should be reviewed and suitable action taken to recover the sums due ...	41
125	In future loans should be granted on a more strict basis, and care should be taken that failure to comply with the terms of loan should meet with instant steps to recover ...	41
126	No hesitation should be felt in ordering the winding up of any societies which refuse to put their house in order	41
127	Where work done by urban societies is of a simple nature they might be supervised by the ordinary staff for rural societies, but where the financial transactions are markedly different from those of village banks they must continue to be supervised by a special staff ...	42
<i>Salary Earners' Society.</i>		
128	Facilities for loans appear to be too generously provided. The maximum might well be limited to a sum equal to three months' salary ...	42

CHAPTER V.—SECONDARY ORGANIZATIONS FOR GUARANTEE, AUDIT AND CONTROL.

(1) Gurantee Unions.

Defects.

129	If the union guarantee survives this report it should be enforced by deducting the amount due from the reserve and showing an equal sum as due to the creditor bank to be adjusted within a definite period ...	45
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Future of the Unions.

130	The Union Guarantee should be abolished as soon as this is practicable ...	46
131	The work of supervising primary societies should, to a large extent, be carried on by the staff ...	46
132	Unions which are found to be performing useful functions as educative or supervising bodies should be retained without an expensive staff of secretaries and supervisors, elaborate forms and books or office ...	46
133	The future of the union lies in its becoming a real union of societies, holding periodical gatherings of members at which topics of mutual interest can be discussed	46
134	The representatives on secondary bodies should be elected in general meeting as this course would have a greater educative effect than being appointed <i>ex-officio</i> ...	47

(2) District Agricultural and Co-operative Associations.

135	The district association should not undertake control of audit but transfer it back to the council as reorganized	48
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No.	<i>Township Associations.</i>	PAGE
136	Township associations should be formed in the place of district association with their area of operations limited to townships, and having all the societies within the area as its members	49
137	Conferences should be held at convenient centres within the township, in which the general body of co-operators in the area should take part, and no resolutions should be passed which the association itself is powerless to carry out	49
138	Every endeavour should be made to utilize these general meetings for the propaganda of the advice of the Departments of Agriculture, Public Health, Veterinary, Education and so on, by giving short lectures on the subject concerned	49
139	A grant should be placed at the disposal of the Registrar to assist these township associations, when formed, to hold general meetings and to provide facilities for the propaganda work of the various departments	49
140	No permanent staff, nor books, nor office should be maintained in the initial stages and the auditor or the Junior Assistant Registrar should be capable of organizing such meetings	50
141	The annual general meeting of the central bank should be used for the purpose of discussing any matter on a district basis	50
(3) The Burma Provincial Co-operative Council.		
142	The council should be retained with the Registrar as Chairman for the next five years and worked by representatives of central banks, or surviving district association, or township associations	50
143	The general meeting of the reconstituted council should meet once, and if practicable, twice, a year, in which the Joint or Deputy Registrars should find a place	51
144	The council should find its own funds for audit but the State should contribute to cover cost of audit of societies in their first three years, cost of all education work and activities outside the sphere of credit, such as propaganda work	51
145	In assessing audit fees, the societies with a larger working capital should not be made to pay a lower rate per cent. than smaller and poorer ones	51
146	The committee endorse the recommendation of the Royal Commission on Agriculture to the effect that public funds may be spent in assisting institutions whose object is to spread education in the application of co-operative principles	51
147	If the proposals as to the abolition of union secretaries and supervisors are accepted the auditors should be made responsible for teaching the society-secretaries accounts and for general instruction of members in the system of book-keeping and secretarial work	51

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148	They should also visit the less efficient societies to assist in the preparation of forecasts of recoveries	51
149	They should not be permitted to make entries in books except in red ink by way of correction as it is of great importance that responsibility for original entries should rest with an officer of the society	51
150	They would also have to assist secretaries to prepare annual statements. They should attend refresher classes and assist in classes for secretaries	52
151	• They may be required by the Range Officer to attend on different occasions during the inspection of societies, preparation for township conferences, etc	52
152	The scale should be fixed at one auditor for fifty societies	52
153	They should be highly trained in co-operative principles, in the meaning of the Act, Rules and By-laws, so that they may be able to explain the why and wherefore of the Act, Rules and By-laws	52
154	Every effort should be made to recruit men of the high school final standard, and the pay and prospects should be framed with this in view	52
155	Responsibility for their competency must be placed on the Range Officers ; their independency of outside influence will be secured by their being employed by a central council with the Registrar as President	52
156	The Junior Assistant Registrar should supervise the work of the auditor, and improve his training, and his reports on the work of auditors should be submitted through the Assistant Registrar to the council for necessary action	52
157	If in the future, the standard of audit shows any tendency to relapse to the unsatisfactory level at which the committee have found, the whole question of its control through a council will need to be reconsidered	52
158	The council should undertake the responsibility of printing and selling all standardised books of accounts, registers and other stationery required by societies	52
159	The by-laws of the council should be amended so as to limit liability to a guarantee of one hundred rupees in case of deficit on liquidation	53
 (4) The Burma Urban Co-operative Federation. 		
160	Necessary action should be taken to make it quite clear that every society classed as urban is bound to be affiliated to the federation and is equally bound to pay such sum for audit as may be decided to be necessary	53
161	The audit fee should be paid not later than the date of audit	53
162	The auditor should see that the audit fee is paid before he finishes his audit	53
163	If the chairman fails to pay, action should be taken against against him under section 42 of the Act, 1927	54

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164	Advantage would ensue if the Registrar were to attend annual general meetings of the federation for the next few years in order to stimulate interest and guide its deliberations along the most useful lines	54
165	A local auditor, who may be a member of the bank or not, should be employed for doing monthly internal audit. When this is not possible the Registrar must see that definite arrangements are made for the work to be done by an auditor of the federation	54
166	The final audit should include a verification of all the assets of a society and an enquiry into its overdue debts ; and the auditor doing the final audit should also satisfy himself that the internal audit has been properly carried out by an examination of a percentage of days' entries ...	54
167	The Registrar should satisfy himself that the auditors have the necessary qualifications and, should also certify as to the fitness of the auditors appointed	54
168	The Registrar should also take steps to replace any " internal " auditor who is not doing his work satisfactorily	54
169	A grant should be made to meet the deficit and to allow of a little surplus if the federation is in need of funds to place itself in a solvent condition after paying all overdue salaries	54
170	A recurring grant equivalent to the cost of auditing all societies not two full years old should also be made ...	54
171	Government should also make a grant-in-aid to assist the federation to undertake education or propaganda work, and in the training of the staff so employed and also in the training of its audit staff	54

CHAPTER VI.—INSURANCE.

Agricultural Insurance.

172	The cattle insurance societies which are doing no work should be closed down in all the districts except Mandalay in which action may be delayed until the Registrar has time to make more detailed investigation	55
173	The Re-insurance Union should be wound up at once, and its funds deposited in a sound central bank until definite decision is arrived at as to its disposal ...	55

CHAPTER VII.—CENTRAL BANKS.

By-laws.

174	<u>It is not advisable to include salaried officials in the committee of management</u>	56
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Shares.

175	The rule requiring societies to take up shares in proportion to their borrowings has the support of the Maclagan committee but it is doubtful whether experience has not shown this to be inadvisable	56
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<i>Internal Control.</i>		
189	The banks must not rely on the department : they may rely on it for advice but the financial responsibility must be their own	59
190	The banks should have the right to obtain any information they require from societies in debt to them and to demand liquidation in the case of defaulters ...	59
<i>Funds.</i>		
191	The practice of making deposits out of loans should be stopped, and <i>bona-fide</i> deposits of funds surplus to the requirements of members should be encouraged in every possible way	60
192	Dividends should be paid in cash as much as possible	60
<i>Current Deposits.</i>		
193	Current accounts should not be opened except in very rare cases, as, for instance, where there is a branch of the Imperial Bank or other first class commercial bank in the same town with which the central bank can open an account	60
194	The whole sum in current account should be covered by fluid resource	60
<i>Savings Bank Accounts.</i>		
195	The practice of receiving savings deposits should be continued but the formation of special thrift and saving societies could as well and perhaps better serve the same purpose	61
196	The rate of 5 per cent. on savings deposits is too high, and it should be low enough to permit the bank to hold a large portion of the total sum in postal cash certificate without loss	61
197	The interest should be calculated on the minimum monthly balance and not on daily balance	61
198	The question of reducing rate of interest and of providing adequate fluid resource should be carefully examined in each central bank whenever it is inspected, remembering that the success is in considerable measure due to the retention of a special collector and not the unstimulated desire to put away savings	61
<i>Cash Balance.</i>		
199	The cash in hand should always be kept in the bank under custody by the management ; a safe with at least two keys should be used	61

No.	<i>Reserves.</i>	PAGE
200	The whole of the reserve fund should be invested in government paper and placed with the nearest branch of the Imperial Bank of India or other well managed commercial bank as cover for a cash credit, until the sum so invested is sufficient to meet the fluid resource requirements	61
201	Great care must be taken by the Registrar to see that the necessary fluid resource is maintained, and if the monthly statements are not received or show deficits immediate steps should be taken	62

Audit.

202	All investments in shares in the provincial bank should be at once written off as worthless	62
203	The auditor should discuss the subject of overdues, claims against societies in liquidation and so on, when the bank authorities expect to lose a large sum on bad debts	63
204	The standard of audit should be improved	63
205	Central banks should be audited twice a year, once by the regular auditor and the second time by the Junior Assistant Registrar of another district, who should be changed every year	63
206	The auditors should receive careful instructions as to their duties and be supplied with printed forms giving the main head under which they should report	63
207	The auditor should verify all assets by examining the relative society, etc., and should state whether loans are granted at suitable periods or whether repayments at harvest appear satisfactory	63
208	An extract of the General Ledger Balances of Loan Account at the end of each month may with advantage be included in the report	63
209	The auditor should examine the accounts for book adjustments and for the granting of fresh loans shortly after the repayment of old ones and should report fully on any he finds	63
210	The auditor should also report fully on all doubtful and overdue debts	63
211	A periodical inspection of each bank by the Registrar should also be made	63

Loans.

212	It should be made clear that the Registrar's maximum borrowing limit merely applies to the society and is a maximum. It does not and could not interfere with the discretion of the central bank and it should never be mistaken for an opinion of the Registrar that a society should be lent so much	63
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213	The maximum which the bank is prepared to lend to a society not exceeding the maximum borrowing limit fixed by the Registrar should be fixed by the managing committee, and up to this the executive committee should be authorized to lend. Sums required in excess should not be granted without reference to the managing committee	63
214	The audit note of societies affiliated to the bank should be on record with the bank, and the sending of union abstract may be discontinued	63
215	No avoidable delay should be permitted in issuing a loan after it has been approved	63
216	The practice of requiring the attendance of three members of the society's committee should be discontinued	64
217	The practice of delaying the fresh loan until the existing one is fully repaid merely makes for fictitious work and should be stopped	64
218	Each loan should be considered on its merits and issued at the time it is required	64
219	A central bank has no right to dictate to a primary society the distribution of a loan amongst its members ...	64
220	The bank should concern itself as regards the source from which repayments are made, and should take action if it discovers that the repayments are not being made out of earnings	64
221	It is unnecessary and impracticable to make the promotes repayable on a fixed date; a certain modicum of elasticity will make it easier for societies to repay from the sale of members' produce	64

Overdues.

222	Overdues should be carefully watched, especially overdue interest	64
223	The first repayments should not be credited to interest as soon as the bank has reason to regard the loan as becoming "sticky" or doubtful	64
224	Where no sum on account of principal has been received for a full year and no satisfactory reason is forthcoming the receipt should invariably be credited first to principal	64
225	It is far better to allow overdues which can be watched than to insist upon a rigid proportion of repayment which has to be filled by borrowing from outside	64
226	Figures for overdue interest due by societies to central banks should be shown in the statistics published. A footnote should appear to the effect that overdue interest is not included in the figures but is shown on a subsequent page	65
227	A subsidiary register should be kept to facilitate the calculation and tracing of overdue interest, which should be checked at audit.	

No.	<i>Solvency of Banks.</i>	PAGE
228	A detailed examination of the assets of all central banks is urgently necessary	66
229	The adjustment of the instalments on loans to repaying capacity on a system of equated payments may assist in recovering some loans which otherwise will prove bad ...	66

CHAPTER VIII. —THE PROVINCIAL BANK.

Causes of Failure—(iii) Treatment of Interest.

230	The practice of crediting all interest due and accrued to Profit and Loss Account whether received or not is not sound, and so also the practice of crediting first cash payments by societies in liquidation to interest instead of principal	74-75
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Relations with Central Banks.

231	The practice of purchasing Government securities out of depositors' funds for the provision of fluid resource for central and urban banks, and of showing the amount of fluid resource so granted as loan to the central or urban banks which redeposits same with the provincial bank appears to be a dangerous juggling with figures ...	76
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Remedial Measures.

232	The only methods by which the bank can be kept alive are by a direct Government grant or by a Government guarantee of depositors' money	84
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An Apex Bank.

233	The financing of primary societies should only be done by central banks and not by the Provincial Bank ...	84
234	Whatever decision is made with regard to the provincial bank the responsibility of Government must clearly be defined for the future	84
235	If Government is to accept responsibility the cheaper course will be for Government to borrow the funds itself and lend them direct to the central banks	84
236	Central banks should deal direct with sound commercial banks which should send approved representatives periodically to their debtor central banks for inspection of books	85
237	The provincial bank had a defective constitution from the start : It aroused no interest in primary societies : Its area of operations was too wide : Its loss is estimated at 37 lakhs : On its bad debts it is earning no interest, while it is paying interest on its deposits, and so is working at an annual loss estimated at not less than 1½ lakhs :	

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Its demands for inquiry were not complied with by the Registrar, although to do so was a statutory duty :	
It took maximum borrowing limits of societies as authority for making loans :	
It had no control over overdues :	
It took book credit for interest on loans but had to pay interest to depositors out of its working capital :	
It took no steps to inform its shareholders or depositors of the true state of affairs :	
* * * * *	
The bank is insolvent and cannot recover its position :	
It should forthwith be ordered to be wound up ...	85

CHAPTER IX.—THE PROBLEM OF LIQUIDATION.*

Provincial Bank.

238	If Government accepts responsibility for the repayment of deposits, the rate of interest should be at once reduced, and depositors should be offered their money back immediately or the alternative of rate equivalent to that at which Government can borrow ...	86
239	If Government accepts partial responsibility only or no responsibility whatever, immediate action is necessary to prevent full payment of deposits falling due in the near future to the detriment of others. In the latter case the Registrar will have the right to appoint a liquidator under the Act and Government should give every assistance possible in the matter ...	86

Primary Rural Credit Societies.

240	In the case of societies which have been in liquidation for two years or more, or which have paid nothing for five years there is no alternative but to complete liquidation as early as possible ...	87
241	Effort should be made to offer members of societies in liquidation a scheme of repayment over a period of years instead of asking them to repay in a lump sum, or in impossible instalments in the case of societies not in liquidation ...	87
242	If Government takes over the assets of the Provincial Bank the scheme would be much simplified. The depositors can be paid in part or in full as far as necessary out of money borrowed by Government ...	87
243	The first step would be for the Registrar with the help of his Range Officers, to estimate the repaying capacity of each society and if it is necessary to do so, to adjust the instalments of their loans accordingly ...	87

* Tentative suggestions only.

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CHAPTER X.—LAND MORTGAGE BANKS.

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No.	<i>Area of Operations.</i>	PAGE
259	Experiments should be made to establish land mortgage banks in two selected districts with a township or other similar convenient unit as their area of operation, which should not ordinarily be more than half a district	
260	These banks should deal directly with individual borrowers whose liability should be clearly defined ...	91
<i>Shares and Dividends.</i>		
261	It would be better to commence the experiment with a capital founded on shares which should be small in amount and fully paid. Members should be made to take a number of shares based upon their borrowings	91
262	A member should be allowed to sell his shares through the bank if he no longer owes any liability to the bank as borrower, surety or otherwise	91
263	All profits should be placed to reserve and invested outside the bank	92
264	Until debentures have gained the confidence of the public, every practicable measure should be taken to inspire that confidence	92
<i>Amount of Loan.</i>		
265	The maximum loan may be fixed at five thousand rupees until experience is gained of the working of the system	92
<i>Period of Loan.</i>		
266	The period of loans should as a rule be limited to fifteen years until further experience was gained. There should be a fixed maximum of twenty-five years beyond which no loan should be granted	93
<i>Government Loan.</i>		
267	In the early stages the funds should be provided by simple Government loans under the Co-operative Societies Act	93
<i>Debentures.</i>		
268	When the time for the formation of a central land mortgage bank for the purpose of issuing and controlling debentures has arrived careful enquiry should be made into the comparative prospects of alternative conditions for debentures and either one or both of them might be tried	94
<i>Government Guarantee.</i>		
269	A Government guarantee of interest on debentures is the most suitable course in which State aid can be granted but the decision must depend largely upon the market at the time of issue	95

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270	There should be a clear declaration that Government is in no way responsible for any loans incurred beyond the amount of its own loan, and that its responsibility to debenture holders is strictly limited to whatever it is prepared to guarantee	95
	<i>Sureties.</i>	
271	Sureties if practicable should always be demanded.	
	<i>Powers of Recovery.</i>	
272	If the banks are registered under the Co-operative Act, they will resort to arbitration procedure and secure an award which can be executed as a decree	95
273	The summary procedure of recovery designed in Madras should receive careful consideration at the hands of the legal advisors to Government with a view to adoption if the legal obstacles are not too strong	96
274	The by-laws of the banks should provide that immediate steps for recovery must be taken if any instalment is three months overdue	96
275	The bank should endeavour not to hold any parcel of land for more than 12 months and should sell as soon as any offer is received which is sufficient to cover its dues. At the end of the year the loan must be taken as a bad debt...	96
	<i>A Warning.</i>	
276	Steps to organize two banks in different districts should be taken. It must not be expected that much opportunity for investing large sums on really sound lines will be found at once	97
277	It would be rash to press progress too fast until an efficient machinery for the proper verification of title of land has been found	97
278	The banks should follow the usual well tried lines.	97
279	Provisions should be made for the inclusion of a Government nominee in the managing committee of township banks	97
280	Land mortgage banks like any other financial institution must conform to business rules and their working should never be allowed to be influenced by other considerations	97

CHAPTER XI.—THE STAFF.

281	The scale to be adopted should be one Registrar, one Joint Registrar as a general assistant, one Joint or Deputy Registrar (Charge Officer) for every thousand or fraction thereof, one Range Officer for every 150 to 200 societies...	99
282	So long as the Deputy Registrar is an officer of no particular educational qualification who has risen from the bottom to the grade of Assistant Registrar, a suitable charge allowance would probably meet the needs of the case and the creation of a special cadre of Deputy Registrars is unnecessary	99

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283	A Joint Registrar may be appointed from the Commission to be placed in control of a charge, provided that he is not too senior	99
284	It is for consideration whether the Provincial and Subordinate services should be combined in a simple cadre on common time scale	99
285	The Joint and Deputy Registrar should be given as full powers of a Registrar as they are competent to exercise	99
286	The Range Officers should not be given any powers under the Act, or by-laws, beyond the authority to inspect, call for books, accounts, etc. Their success should depend upon their personal qualifications rather than on any executive authority	99
287	The Chief Government Auditor should be retained as head of the training branch and should undergo such a thorough education in all that makes for success in co-operative institutions that he will be competent to carry out his duties	100
288	For the posts of Range Officers—the foundation of the official staff—selection should be made from amongst graduates in economics or from Diplomates of the Agricultural College; preference should always be given to candidates from the rural classes and any one with pronounced urban bias should be rigorously excluded from the rural side ...	100
289	The pay of Range Officer should be on an incremental scale with opportunity of rising to a post of Deputy Registrar and with chance for a man of particular ability of holding a listed post of Joint Registrar	100
290	A small number of posts may be given to exceptionally deserving and competent men of the auditor class who succeed in passing the same examination as that recommended by the committee for direct appointment as Range Officer	100
291	The Punjab system of training for candidates for the posts of Range Officers (with such modifications as local conditions require) may be adopted until one more suitable can be evolved	100
292	Two members of the staff of medium seniority be sent to the Punjab for six months' training, to include the four months' special course of lectures in co-operation and rural economics. One of the first to be sent should be the officer who is to be in charge of training	100
293	Candidates for Range Officer will, under the scheme, undergo at least fifteen months' training before appointment but their education should not stop at this	100
294	There should be regular refresher courses for the staff, with lectures given by selected members and with every encouragement to reasonable criticism from their fellows	100
295	Study of matters co-operative by the senior members as well as by candidates should be insisted on	100
296	The main function of the Range Officer should be the education and training of the people in co-operative principles and in everything to ensure success in whatever direction the applications of those principles may take. He	

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	is responsible for the training of auditors and for rendering assistance to honorary workers, in the more difficult problems that confront them. His work should lie almost entirely within the villages where societies are found and he must train himself to be an expert in village life and must know where to procure advice on matters outside his own sphere but vitally important to the cultivators ...
297	101
	He should keep in touch with the officers of the Departments of Agriculture, Veterinary and Public Health, visit demonstration farms, understand the policy of combating cattle disease and must be abreast of his colleagues in these sister departments in their efforts to improve rural conditions
298	101
	He should regard himself as the best friend of the cultivator and should seek to secure for himself this position amongst the people
299	101
	He should have little difficulty in procuring adoption of well thought out schemes by people who must be persuaded that the advice is good and must adopt it because it is good, not because it is an order from above ...
300	101
	The chief object of the superior staff should be to improve in every possible way the usefulness of the Range Officer, to check his work, seek for defects and apply remedy, to equip him with arguments, answers to difficulties, and sound advice on his work
301	101
	In order to facilitate the introduction of this scheme of training for the officer, opportunity should be given to the Registrar and Senior Joint Registrar to visit the Punjab alternately next cold weather with a view to their studying methods and results and selecting whatever they think would prove of value to Burma

CHAPTER XII.—SOME LEGAL MATTERS.

Powers of Registrar.

302	103
	Provision should be made in section 9 of the Burma Act empowering the Local Government to confer on persons appointed to assist the Registrar all or any of the powers of the Registrar

Reduction of Paid-up Capital.

303	103
	No society with limited liability holding deposits or loans should be allowed to reduce its paid-up capital. Sections 20 and 21 of the Burma Act should be amended accordingly

Liability of Past Members.

304	103
	The proviso in clause (2) of section 26 appears to require amendment so that the past members in societies of unlimited liability do not escape under its provisions ...

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	<i>Societies unable to pay Debts.</i>	
305	The Act should be amended so as to make clear that wherever in the course of an enquiry under section 43 it appears that a society is neglecting to pay sums due, the Registrar shall ordinarily order the society to be wound up	104
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306	Amendments to the Act are necessary which would give a society a fixed charge or agricultural charge upon produce obtained with the aid of loans from a society and which would render liable to three months imprisonment any cultivator-borrower who disposed of this produce without repaying this loan	105
	<i>Liquidator's Powers.</i>	
307	The liquidator should be given power to refer claims for debts to arbitration or all claims for debts should be referred to arbitration before the order for winding up is passed	105
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BA TIN,
Secretary.

Minute of Dissent.

We have given very serious consideration to the classes of loans suitable for co-operative credit societies. In countries where co-operation has proved the greatest success it was started by people who realised they were "up against it" and saw no other means of getting out of their difficulties. The urgent need of the co-operators ensured personal interest and a readiness for self-sacrifice in the societies. In such cases the growth has been a natural one, and strict rules regarding the nature of loans undertaken have proved unnecessary, though we understand that in these countries in recent years inter-connection with commercial banks has existed and this may have assisted in preventing the "eternalization" of loans. In other countries (*e.g.* France) co-operation is in essence a state institution. In several countries the longest term of loan is one year (Calvert's Law and Principles, pages 216-7). Further in many countries a large proportion of the deposits are obtained from members of the primary societies themselves, and such member-depositors exert a wholesome influence on the utilization of their monies.

As stated in the introductory chapter the co-operative movement in Burma was started by Government and not by the people themselves. Further the Registrars were at first more than doubtful whether any need for co-operative credit existed; and throughout they were never clear as to what requirements they were attempting to cater for or how they were going to set about it. The extracts in Appendix VIII, will, we think, justify this opinion. The shift in the Registrar's point of view between 1907 and 1915 is remarkable, and it seems that by the latter date he had in mind the financing of all cultivation expenses by the co-operative department. On the other hand there is no attempt in the system of account keeping or in the Registrar's instructions to adjust the provision of credit to this purpose. We have nowhere found any clear statement as to what a "crop loan" meant, and the system by which they were granted, repaid, and extended indicates confusion and vagueness as to the object in view.

Not only has the growth in Burma been unnatural but it has also been divorced from that relationship with commercial banks which, as we have stated above, exists in some other countries. The Maclagan Committee recommended finance by commercial banks or, *if this is not feasible*, the formation of a Government apex institution. Some of the *ex-Registrars* we have examined have laid great stress on the advantages of finance of the movement by banks which are not bound to lend as the

only possible method by which the movement can be made businesslike. The advantages of dealing with commercial banks are referred to in the chapter on the Provincial Bank.

The deposits by members in their societies in Burma are insignificant and the wholesome influence which they might provide is therefore missing. The statistics appended to the annual reports of the Registrar include amounts which are not real deposits : on enquiry we find that the real deposits of members in four districts, described by the Registrar as probably the best co-operative districts, total in all Rs. 3,656-8 (one district accounts for Rs. 2,765 of the total).

2. In view of the above considerations and of the very serious extent to which loans in the past have become locked up and been lost, we have come to the reluctant but definite conclusion that the co-operative movement in Burma is at present only suitable for crop loans. In this view we are supported by four out of five ex-Registrars with the proviso in one case that other loans might be granted out of the societies' owned capital. We think that the main advantages of such a limitation are five :—(i) The cost of cultivation can be estimated with approximate accuracy by the department and central banks with the assistance of Settlement Reports (*vide* Appendix III) and of the Agricultural Department, and once estimated will remain fairly stable from year to year : assessment of credit requirements will therefore be much simplified ; (ii) the fact that with proper safeguards, which can easily be watched, it will effectively prevent short term loans developing into long term loans, which has been the curse of the movement in the past, and will stop fictitious repayments ; (iii) it will enable co-operative banks to offer commercial banks a security which the latter may accept : there is a supply of cheap credit on the one side and a demand for it on the other which have so far been practically unconnected ; (iv) the rates and conditions imposed for cultivation loans by money-lenders are more onerous than those imposed for long term loans (*vide* extracts from Settlement Reports in the Appendix II) and, as there is only a limited amount of co-operative finance available, it seems advantageous that the more onerous loans be dealt with first ; (v) there will be a great simplification in accounts of societies.

3. It will often be necessary to allow for the normal living expenses of the cultivator during the cultivating season in addition to his actual out-of-pocket expenses on cultivation, as the habit of selling off the whole of the crop and disposing of the surplus proceeds (if any) long in advance of the next harvest cannot lightly be broken down. We consider though that the Department's teaching should stress the desirability of retaining " *wunza* " from last year's crop. We see no objection to a cultivator taking a loan for the replacement of cattle or other

urgent purpose provided he can repay the amount, together with such cultivation loans (if any) as he may have taken, out of the proceeds of his harvest in a normal year.

It may be noted here that what we term a crop loan differs radically from a long term loan in that the repaying capacity for the former is the proceeds of the crop less the amount the cultivator requires to retain for cost of living, whereas his repaying capacity for his long term loan is limited to the surplus of the proceeds of his crop over the cost of cultivation plus the cost of living.

Whatever their declared object, if these "crop" loans are not repaid within a period after harvest strictly limited on consideration of the normal market procedure of the crop in question, immediate action must be taken by the central bank (if necessary through the agency of the Registrar) for recovery. Only in cases of crop failure certified by the Department may extensions be given, and only then after careful enquiry to see that there are prospects of recovery in future. In other cases the loans must be distinguished as overdue loans and treated as such. Extended and overdue loans must be shown separately in all accounts and statistics, whether of the society, of the central bank or of Government.

4. The present system of almost invariably issuing crop loans in one lump sum at the beginning of the rains is not in conformity with the indigenous practice and we consider that it should be discontinued. In the light of the following quotation from Mr. Clayton's report on indebtedness in the Irrawaddy Division it is remarkable that no real attempt should have been made to grapple with this problem :—

"In the third place the annual loan for expenses of cultivation and living, which is so common a feature of the agricultural economy of the Delta, is very rarely taken in one lump sum. The cultivator, usually, from considerations of economy, takes as small an amount as possible at the commencement of the season and frequently finds that something more is required for cooly wages, for food, and for other purposes over and above his first estimate. If he has a running account with some neighbour or local trader there is no difficulty about getting these further sums. In the case of a Government advance it is impracticable.

For these reasons it is, I think, impossible that loans under the (Agriculturists Loans) Act should ever attain any great importance as a factor in the financial system of the cultivator. As a palliative or for use in an emergency they may, in the hands of a sympathetic district officer, possess considerable value. Thus supposing a village to be visited with a sudden disaster such as an epidemic of cattle disease, serious flood or a heavy fall of rain while the paddy is out on the threshing floor, the generous allotment of agricultural advances in the village would do much to save the people from the ruin that usually ensues. In such cases also the number of recipients in the village would be considerable and it should

be possible to work the loans on a co-operative basis with the mutual unlimited liability of all the borrowers and thus greatly simplify the procedure.

As a general method of financing agriculture however the loans can only be of very partial application and are certainly not to be regarded as an alternative to the provision of a sound system of agricultural credit on co-operative lines."

The report on the condition of Agricultural Tenants and Labourers by Mr. T. Couper (Chapter 4) indicates that loans tend to be taken at three periods, seeds, transplanting and harvest and contains useful information on the subject.

In future arrangements should be made for the issue of these loans in instalments, roughly at seed time, transplanting time, and harvest time, as they are required. Great care must be taken that they are granted only at the proper period. Where a cultivator requires funds for all three operations it is merely a temptation to extravagance to issue the whole amount in one lump at seed time.

5. As regards the utilization of the owned capital we feel that it should in the first instance be invested in Government securities or in the post office savings banks. The investments should be made by the central banks or by the Registrar who should hold the securities on behalf of the societies. The object of this recommendation is to provide a reserve for crop failures which we think should be the first aim of every society. The frequent occurrence of seasons when widespread extensions coupled with fresh loans will be essential is evident from Appendix I. Under the present system such seasons result in a pressure on societies to repay instead of in assistance out of their difficulties. One of the main objects of the movement is to teach the people organised thrift, self-help and mutual-help and we think our recommendation is on these lines. The society may of course lose a little in interest but it has to be remembered that the loans will only be out for part of the year whereas the reserves will be invested for the full year, and 5 per cent. for 12 months = .10 per cent. for six months. Thrift however must in essence mean self-sacrifice. When the owned capital is sufficient to provide a reasonable reserve for crop failure we think the rates of interest on loans to members should be reduced and dividends allowed. The decision as to what constitutes a reasonable reserve must depend upon agricultural conditions, and these vary greatly over the Province.

Such societies with large reserve funds employed in their own business as we visited were in nearly all cases dormant or worse; the absence of pressure for repayment by an outside creditor appeared to have induced apathy and not interest.

In the years following years of crop failure societies will have a fund which they will have a right to use for their cultivation expenses, and the

method will be for the central bank to allow an overdraft against the reserve fund investments. If the central bank has not the funds available, which is a likely contingency where failure is widespread, it must realise the investments or borrow from a commercial bank on the security of them. The proposal is therefore quite different from the practice in several provinces of 'placing societies' reserve funds on deposit with central banks and allowing the latter to utilise them in their loan business.

While on this point we should like to make our view quite clear that the frequency of years of disaster in certain Upper Burma districts is so great that unless the societies in these districts can, in favourable years, provide a sufficient margin for years of disaster, then co-operative credit, even when restricted to "crop loans" only, is not a practical proposition and had better be dropped. The facts are inexorable, and unless there is a margin of saving in the better years business on these lines simply cannot go on. Other forms of co-operation should be sought for.

6. It may be argued that our proposals make no adequate provision for loans to replace death of cattle and other occasional but none the less urgent purposes. At present however very few societies have funds readily available for such purposes and in some cases members on their own initiative subscribe Re. 1 a month to provide for such contingencies. We recommend an extension of this system. Whenever possible members should subscribe a small sum each month. A ledger will be kept of such savings and in the event of the death of cattle, etc., the committee may permit a member to withdraw his balance and to overdraw his account if necessary : such member will of course continue his monthly payments as usual. The total amounts overdrawn on these accounts should never exceed the total deposits in these accounts. We think this proposal will result in a more active interest in the societies by the members and may prove a substitute for cattle insurance, which has not worked. An examination of Settlement statistics indicates that on a rough average and excluding violent epidemics (which can only be met by some such measure as agricultural advances) a rupee per mensem is about the sum required for replacement of cattle by the owner of one yoke. In some of the cattle breeding districts it will be less.

7. In the main report we all recommend a charge over the crop with a penalty in the event of a borrower disposing of it in breach of his obligations. We consider this an important part of our proposals. The repaying capacity of the borrower of a crop loan is founded on his crop and a charge will strengthen confidence that the borrower is unlikely to dispose of it improperly. It will enable tenants to offer security for their repaying capacity, which they have not so far been able to do, besides strengthening the position of the societies as regards all their members.

8. Our proposals will inculcate thrift and honesty, will check the misuse of loans, and will help the small man and the tenant. By ensuring that failure to repay out of the crop proceeds will entail immediate action they should eliminate the fear of unlimited liability and should encourage the well-to-do to help the societies by becoming members. Whether the proposals work or not, we feel that by applying them Government will have done its best to provide cultivation finance on reasonable terms to those who need it most. The provision of other finance involves special considerations which have to be met by machinery other than that at present under discussion if disproportionate risks are to be avoided, not only in respect of such finance but also of cultivation finance if the latter is undertaken by the same institutions.

9. We feel that if finance is strictly controlled in the way we suggest, and if an effective control of audit is also enforced which will bring to light irregularities, administrative control (as distinct from teaching) can be greatly simplified as societies which are badly managed will obtain no finance. Strict financial and audit control are in no way unco-operative, in fact they are necessities in all forms of banking : on the other hand the more administrative control can be relaxed the nearer is the co-operative ideal of self-help and the more rapidly can the movement spread. The Registrar will have a clearly laid down policy to follow which will not depend on his personal predilections.

10. The work of the central banks will be much simplified. The assessment of each society's credit for cultivation purposes should not prove difficult. The Co-operative and Agricultural Departments should give all assistance possible but it must be made absolutely clear that the responsibility lies entirely with the central banks, who must themselves inspect the societies if they wish to do so. Such inspection will be comparatively easy if crop loans only are granted : failing this restriction we do not think the central banks are capable of it and the present position of quasi-government responsibility will continue. If loans are not repaid after harvest the central banks must take immediate steps to advise the Registrar, and the latter must at once recover the amount or wind up the society unless there has been crop failure. We would have preferred to have eliminated the agency of the Registrar in this connection but we can at present think of no alternative. His work however would in our view be practically automatic : if societies do not pay and there is no crop failure they are wound up. Crop loans should be sharply distinguished from the loans already outstanding with the central banks, both in the accounts and the balance sheets. Renewals should under no circumstances be granted and the totals of loans extended due to crop failure, and of overdues, should be shown separately in the balance sheets.

11. Audit will also be much simplified. One of the auditor's chief duties should be to ascertain whether members are repaying their societies by borrowing elsewhere.

12. One of us, who has had experience in other provinces, is influenced in his views by the fact that in such provinces there were extraneous influences to which he partly attributed the defects he found. In one province political influences had obviously done much harm, in another the relations between the department, the central banks and the non-official bodies were strained. Such factors have had little influence in Burma and can in no way account for the present position. Any apparent change in his views is explained by this. We both feel that co-operation of whatever form must from its commencement be exposed to the discipline of sound business and economic facts, and not protected from them, if it is to be healthy. Only after they have learnt by such experience can societies function on their own initiative ; this is the object in view.

13. In his note on our dissenting minute the Chairman pleads for another trial of comprehensive co-operative credit. We cannot agree with him as the cost of such trial, in the event of failure, to people other than those who will get the money, weighs so heavily with us. Facts must be faced ; comprehensive co-operative credit is in difficulties in other provinces as well as Burma. Further we think that the system we suggest has much better chances of success and will result in greater general benefit.

The Chairman's remarks regarding Reserve Funds are we think answered by recommendations made elsewhere in the report.

E. P. STOCKER.

H. O. REYNOLDS.

Chairman's Note on Dissenting Minute.

I think a few words may be expected as to the reasons preventing me from agreeing with my colleagues, Messrs. Reynolds and Stocker, in regard to the matters dealt with in their dissenting minute.

I quite agree that the deplorable condition of the credit movement in Burma supports the case for great caution in advancing loans in future but do not see sufficient reason for rigidly prohibiting all loans except those for expenses of cultivation. The advantages they set forth will be gained by all societies to the extent to which they make crop loans their main business, and we are agreed that societies should attempt to do this. I set little stress upon the later-than-death-bed repentance of former Registrars in their advocacy of a policy which they did not attempt to introduce when they had the power to do so. The real difference between my dissenting colleagues and myself is this, that while I think that our recommendations will, if adopted in full, make for such an improvement in the management of societies that loans for other purposes than cultivation may be advanced with safety, they do not.

In regard to their somewhat startling proposal in their paragraph 5 that the owned capital of societies should be invested in securities until it is sufficient to provide a reserve against bad seasons, I may point out that by no calculation which I have ever seen can the state of societies under this proposal be in any way better than that of societies which employ their owned capital in their business. When the year of crisis comes, both are in the same position ; so long as societies have need to borrow to meet the current requirements of their members, for so long should savings by way of shares, reserves and profits be used in reduction of the total sum which has to be obtained from the financing agency. The proposal goes further than anything recommended by the Maclagan Committee or the Committees on Co-operation in the Central Provinces or Madras or by the recent Royal Commission or by any conference of Registrars. A sum invested in Government securities is a sum lent to Government for some usually unknown purpose such as a canal in the Punjab, a railway in Bombay or a war with Germany, while a sum lent within the society is usually for some known purpose to a known person. The difference which I understand my colleagues wish to emphasise is that the former is more readily convertible into cash than the latter : but the best way to make society paper convertible is not to refuse to lend the money but to improve the working of the society. There is ample evidence of the willingness of commercial banks to discount co-operative paper wherever the movement is run on thoroughly sound lines, while in

the banking crisis of 1912 even the Bank of Bengal refused to advance upon Government paper, an incident which influenced the formation of the present Imperial Bank.

The weakness of their position is acknowledged by my colleagues in their discussion of loans for cattle ; the suggestion of special monthly deposits towards a fund for this purpose would be excellent if they could point to any large measure of practical success attained by it. The idea is not new and has been tried and given up. Insurance has also been tried and we recommend that this also be given up.

Where, I think, I differ from my colleagues is in the conception of the whole aim of Local Governments when attempting to introduce co-operative credit into their provinces.

The fundamental idea was to introduce a sound controlled system of credit which would replace the too facile system which was proving the ruin of the cultivator class. The suggestion, now again revived, that loans should be confined to advances necessary to carry on cultivation was put forward by the Famine Commission in 1901 and was abandoned by the Government of India in their resolution of 1904. It was considered then and has been felt ever since that co-operation to be a success must include the whole transactions of a cultivator's life. It is generally recognised by all writers on rural problems that it is impossible to separate a cultivator's occupation from his life ; he produces so much for his household needs and lives so much on the produce of his own fields that it is not possible to say definitely what expenditure is on account of his industry and what on account of his family. The attempt to separate clearly productive from unproductive expenditure has proved impossible.

A co-operative credit system which cover only a fraction of a cultivator's needs and leaves the rest to be met by the local money-lender will never prove successful. For many years past the Punjab Department has collected and published figures showing the objects for which loans are advanced ; loans strictly for cultivation absorb only about 28 per cent. of the money advanced ; cattle absorb a further 20 per cent. and old debt 24 per cent. The latter should be reduced as debt is paid off, but cattle are always required and it is estimated that the Punjab cultivator spends about four crores a year or about one rupee six annas per cultivated acre on this purpose alone. There is no reason to believe that the cultivator of Burma spends much less in proportion. There does not appear to me any room for doubt that the cultivator needs loans for cattle, and, under the system proposed, he will not get these from the co-operative societies. The minimum loan from the land mortgage banks will be too high ; the period (minimum on Mr. Grantham's Bill is four years) will be too long. Between the cultivation loans of eight or ten months obtainable from a society and the minimum loan for four years from a mortgage bank there will be a gap, and loans required for two or three years will not be obtainable and the purposes

suitable for these loans will be unserved. It would seem as though even when there are both co-operative credit societies and mortgage banks at hand the cultivator will still be driven to the money-lender for finance even for many of his most ordinary needs. I do not advocate any system of rural credit which would have this result.

There is much more in this question than the narrow relations between a lender and a borrower ; the administrator striving to secure the economic improvement of the people entrusted to his charge must not adopt " safety first " as his motto ; he may, and ought to, exhaust every possible source of information, endeavour to the utmost to make his schemes sound, suitable to local conditions and free from defects, and provide safeguards against every possible element of weakness, but he must not stay his hand at the risk of losing a few rupees. It is one thing to impose a rigid prohibition on any class of loan for a necessary purpose and to tell the people that no standard of character or conduct will lead to relaxation, and quite another to base restriction or permission on such character or conduct, and to say that loans for cattle will be given when the people have shown that they are to be trusted with such funds. It is one thing to put away reserves and profits into some unknown thing called Government paper, which has never been seen in the village and would not be recognised if it were, and quite another to explain from facts and figures known or knowable to all that their character and their thrift are producing definite results in their effort to secure economic freedom and salvation from the money-lender. On a recent official tour, I found throughout India that the Agriculturists Loans Act aroused no enthusiasm ; it served no educative purpose ; it provided no examples for explanation of village economics ; it was devoid of community effect. It is doubtful if a society limiting its activities to the same purposes would achieve much more. The chief difference between a system of cultivation loans only and one embracing the whole life of the cultivator will be mainly psychological. It does not seem to me that much moral gain will accrue from teaching the people to combine with their fellows when seed or labour is required, but not to combine when oxen have died of pestilence. Nor do I think that much progress would have been achieved in fighting famine if the Government had confined itself to storing funds in the People's Famine Trust, instead of embarking on that large campaign of railway and irrigation development which has proved such an excellent insurance against calamities of season. Nor do I think that much will be achieved in the economic uplift of the cultivator until his whole life is studied and every source of weakness strengthened and every source of strength developed. I fully admit that my colleagues have seen much to lead them to their decision ; I, personally, would make yet another effort to introduce into Burma a sound system of controlled rural credit.

APPENDIX I.

In view of the almost universal assertions made to the Committee that failure by primary agricultural societies to repay instalments of loans due was attributable to crop failures, an attempt has been made to see how far these assertions are supported by records of crop failure, etc., available in the Season and Crop Reports and elsewhere.

Figures for the whole province are of little assistance as the continuous rise in occupied area that has been taking place for many years tends to obscure seasonal differences. In the figures of all Lower Burma the only outstanding fact is the bad year 1923-24. The figures for Upper Burma indicate the years 1907-08, 1911-12, 1920-21 and 1923-24 as the worst, and this is borne out by the enquiries made into the districts described below.

The districts selected for enquiries were Prome, Minbu, Shwebo, Mandalay, Sagaing, Kyauksè and Meiktila. Of these Prome is a district depending entirely on unirrigated paddy with a rainfall of some 50 inches and therefore on the margin of security. Minbu in the dry zone had good irrigation, but has also an area of precarious cultivation. Shwebo depends mainly on rice of which the irrigated area is secure and the unirrigated area highly insecure. The rice crop of Mandalay is almost all irrigated and is very secure. The other crops are mostly on island land and are secure except for flooding by a late rise of the river.

Cultivation in Sagaing, except for the fringe along the river, is precarious, and even the latter suffers from untimely rises of the river. Kyauksè is similar to Mandalay though the irrigation is not quite so reliable. Meiktila is highly precarious, even the irrigated areas not being secure.

These districts are all long established centres of the co-operative movement, and include the four districts (Sagaing, Mandalay, Kyauksè and Meiktila) where the societies have failed to repay their loans on the largest scale.

For each of these 7 districts the curve of the "net matured area" (taken from the Season and Crop Reports) has been separately plotted for the year 1907-08 to 1927-28. In studying this curve it must be remembered that though very good and very bad years stand out clearly, the curve does not necessarily give a true picture of the outturns of the crops, especially in what appear at first to be average seasons. In Prome and in the irrigated areas of the other districts any crop actually reaped is recorded as matured. In the unirrigated portions of the remaining districts any crop of which the Revenue Surveyor decides that a quarter of the normal outturn as fixed at settlement has been obtained is recorded as matured, and it is often a matter of great difficulty to estimate with accuracy whether a quarter of the normal outturn has in fact been obtained. Thus the curve of net matured areas may indicate an area of bumper crops or an area of crops on the margin of complete failure, and some further standard of comparison is clearly essential. This has been obtained by plotting the curves of the outturns of certain predominant crops taken from Statement V of the Season and

* Graphs are not reproduced.

Crop Report. These outturns represent the normal outturn per acre as fixed by the Settlement Commissioner multiplied by the matured area and weighted by the "condition figure" (i.e. percentage of that normal) accepted for the crop in the particular year in each district. Though there is room for a certain amount of inaccuracy here owing to over and under estimation of the condition figure—sometimes extending over a series of years—the outturn curves do afford a useful check on the matured area curves, particularly in the case of *ya* crops where the early rains have been good and have resulted in extensive sowings but which have given poor results owing to failure of the later rains.

In addition to allowances for variations in outturn allowance has also to be made for the natural increase in matured areas attributable to the almost universal expansion of cultivation that has been going on throughout the period. This has been done by plotting in a straight line the "occupied area" as it stood at the beginning and end of the period. Actually there is some fluctuation in the occupied area from year to year, but the straight line is sufficient for general purposes and on the whole the curves of "matured areas" rise *pari passu* with the lines of "occupied areas."

As a further indication of the nature of the seasons the amounts of cultivator's loans taken each year have also been shown on the graphs. In the 7 districts examined these loans were practically all issued under the Agriculturist Loans Act, loans under the Land Improvement Loans Act being negligible. The significance of the amounts varies: it has always to be remembered (a) that budget provision is made before the character of the season is known with a consequent tendency towards the issue of the amount budgetted for in ordinary years, and (b) that after bad years owing to the insufficiency of budget provision the extra money required is often not available till after the 30th June, consequently a large portion of the loans due to one season do not appear in the returns till the following agricultural year. In spite of all this the issues of cultivators' loans do support the curves of matured areas and outturns, especially in years of disaster.

It will be obvious from the above remarks that the graphs can only be used with reservations. Apart from possible defects in the curves themselves there are other factors that do not appear. Complete failures can only be inferred from a drop in the matured area: to have plotted them would have crowded the graphs unduly. Another factor is that the distribution of rice between irrigated and unirrigated: thus a district like Shweba with large areas of unirrigated rice and some *ya* and island crops as well as a large irrigated area may have a bumper year of irrigated rice where everything else has failed. Again the importance of island crops, which are almost entirely dependent on rises of the river and not on the local rainfall is not brought out, though these are very important in Minbu, Sagaing and Mandalay. In applying the figures to primary agricultural societies in the dry zone it has therefore to be remembered that societies in a favoured area may be in a strong position although there has been a wide failure of crops over most of the district.

But even with these reservations the graphs are sufficiently instructive. They show clearly the general incidence of years of disaster such as 1907-08, 1911-12, 1920-21 and 1923-24, and also the fact that there are undoubted sequences of bad years such as that of from 1918-19 to 1921-22 which occurs with minor variations in all the districts examined. It is also evident that such a sequence may extend over a very long series of years in a particular district—in Sagaing it has lasted for 9 years with

only two exceptions. These occasional years of disaster which may occur in any Upper Burma district and the prolonged sequences that occur in certain Upper Burma districts are facts which any body or society lending money has got to face.

In Sagaing and Meiktila at least the assertion that bad seasons have been responsible for the failures to repay loans cannot be lightly dismissed in the light of the figures set out. In Sagaing in particular it is difficult to see where any recovery was possible since the year 1920-21. On the other hand Prome district which in the years 1919-20 and 1923-24 suffered relatively more than any of the other districts examined and was not able to recover fully in the three years in between them managed not only to repay the 12½ lakhs of cultivators' loans taken in 1920-21, but has also been punctual in repaying its loans to the Provincial Bank. With the picture of Prome before us the contention that the societies in Mandalay, Kyauksè and in the irrigated areas of Shwebo and Minbu were unable to repay their instalments owing to crop failures cannot be sustained. On the other hand a certain amount of tightness in the series of years with 1919-20 as its centre must be admitted even in these districts as the drop in the curves of rice outturn in the series of years in Minbu, Mandalay and Kyauksè can hardly be mere co-incidence.

Sagaing.—Percentage of crops sown—

Late sesamum	...	...	16 to 29 per cent.
Beans	...	...	11 to 28 "
Rice	...	...	10 to 23 "
Cotton	...	...	10 to 20 "
Millet	...	...	10 to 24 "
Others	...	...	10 to 36 "

Millet and early sesamum have declined in area and cotton has increased.

The interpretation of the graph is complicated by the large area of island crops regarding which information is scanty. On the whole the outturn of rice and late sesamum, two of the principal crops, tend to coincide. Cotton on the other hand has done best in one or two years when the former crops have failed. 1907-08 was a year of disaster, as were also 1920-21 and 1923-24. 1911-12 was also a bad year. Otherwise the series of years from 1908-09 to 1913-14 was distinctly good. There was another group of fairly good years from 1917-18 to 1919-20, but since then out of the last 9 years only 2 (1922-23 and 1924-25) have been favourable. The rise in the amounts of cultivators' loans during the last 8 years is noticeable. In four of these years island crops are also reported to have been poor.

Meiktila.—Percentage of crops sown—

Rice	...	...	13 to 42 per cent.
Millet	...	...	10 to 25 "
Early sesamum	...	...	11 to 26 "
Cotton	...	...	10 to 14 "
Others (bean predominating)	...	...	14 to 37 "

Percentages of cotton and sesamum remain steady.

Millet is decreasing. The area of rice sown fluctuates with the season. The years 1907-08 and 1911-12 were, as usual, bad. Otherwise the years up to 1918-19 were fairly good with a bumper year in 1912-13. Then comes the run of disastrous seasons extending from 1919-20 to 1923-24. The amounts of cultivators' loans taken exemplify this. 1925-26 was a bumper year for rice, but other crops failed. 1927-28 was bad and 1928-29 probably worse. (The figures are not yet available.)

Minbu.—Percentage of crops sown—

Rice	...	...	...	33 to 48 per cent.
Early sesamum	...	...	...	15 to 28 "
Beans	...	...	...	10 to 14 "
Other crops 18 to 34 (millet predominating).				

Nearly all the rice is irrigated and secure, even in a good year only about 10 per cent. being unirrigated. The fluctuation in the matured area of rice is therefore small except in the disastrous years of 1907-08 and 1923-24. There was apparently a period of low outturns during years 1916-17 to 1919-20. The years 1922-23 and 1924-25 had bumper crops of rice. As in most parts of Upper Burma the outturn of sesamum shows great fluctuations and is steadily declining. Cultivators' loans have not been shown on the graph as they remained remarkably low and steady till the year 1921-22 when a slow rise in the amounts commenced culminating in half a lakh in 1927-28.

Mandalay.—Percentages of crops sown—

Rice	...	...	...	50 to 62 per cent.
Beans	...	...	...	18 to 32 "
Others	...	...	...	16 to 25 "

The rice is practically all irrigated and most of the beans are grown on island land. Fluctuations in the net matured area are remarkably small, though the bad seasons of 1907-08, 1911-12 and 1920-21 are apparent. The four years 1918-19 to 1921-22 were years of low outturns of rice and the two last show a remarkable increase in the amounts of cultivators' loans taken. 1922-23 was a bumper year of rice.

Prome.—Rice is the predominating crop and with the exception of the three years 1907-08, 1919-20 and 1923-24 the net matured area has increased steadily.

Prome district is sufficiently close to the dry zone to be affected by dry zone conditions, and these three years were all disastrous years in the dry zone. In the year 1918-19 practically no crop was obtained and cultivators' loans, which had jumped to 1,67,000 in the year ending the year 30th June 1920, rose to 12½ lakhs in the following year. The next three seasons were all poor and on the top came another disastrous year 1923-24—yet the whole of the 12½ lakhs of the cultivators' loans were repaid during this period. The four seasons 1924-25 to 1927-28 were good and much above the average.

Kyaukse.—Percentages of crops sown :—

Rice	...	...	...	48 to 64 per cent.
Early sesamum	...	...	...	11 to 18 "
Others	...	...	...	22 to 40 "

Practically all the district is irrigated and fluctuation in the net matured area are relatively small, though the bad years 1907-08, 1910-11, 1920-21 and 1923-24 form depressions in the curve, and the good years 1922-23 and 1924-25 are marked. It is possible that the 'condition figures' of rice for the years 1912-13 to 1915-16 were pitched rather high, but there is a remarkable similarity between the Mandalay and Kyaukse outturn curves, and crops from 1917-18 to 1921-22 were evidently poor in both districts. As in the case of Mandalay 1922-23 was a bumper year for rice. The outturn of early sesamum has fallen off since 1921-22. Cultivators' loans remained low and steady till the bad year of 1921-22, when they rose sharply and stayed up for three years.

Shwebo.—Percentages of crops sown :—

Rice	...	...	...	71 to 87 per cent.
Others	...	...	...	13 to 29 (principally beans and early sesamum).

Shwebo has some 300,000 acres of irrigated rice land which is secure. The fluctuations in the graph are mainly due to the unirrigated rice land which may extend in a good year to 200,000 acres. As usual the years 1907-08, 1911-12 and 1920-21 were bad ones. On the other hand the year 1923-24 which was conspicuously bad in the rest of the dry zone was a bumper year in Shwebo. There was the usual decline in rice outturn from 1918-19 to 1921-22, but unlike other districts 1922-23 was also a bad year for rice. Figures for cultivators' loans are not very significant except the high figure for 1921-22 following the bad year of 1920-21 and the low figure of 1924-25 following the good year of 1923-24. Recent years in Shwebo have been satisfactory and the current year is likely to prove a bumper one.

APPENDIX II.

INDEBTEDNESS.

Below are given summaries and extracts from certain Settlement Reports commenting on the figures for indebtedness as ascertained by enquiry at Settlement. The numbers of cultivators examined were sufficient to be representative, but for all reports prior to the Ma-ubin report it has to be remembered that owing to the system then in force a large amount of short-term debt, either discharged just before the enquiry or incurred just after it, escaped enumeration except where special enquiry was made (as in Myaungmya and Shwebo). Allowance has also to be made for refusal to admit debts, which is thought to have been considerable especially in some Upper Burma districts.

Permanent Debt.

	Old Settlement.		New Settlement.		
	Percentage of households in debt.	Average debt per indebted household.	Percentage of households in debt.	Average debt per indebted household.	Percentage on personal security.
Toungoo, 1910-13. ...	38	125	56	220	58
Tharrawaddy, 1913-15. {	South ...	56	} 59	261	78
	North ...	60			
Prome, 1914-16. {	Prome-Hmawza Township.	42	70	184	} Not worked out; more than 50 per cent. unsecured.
	Thegon Township.	57	72	382	
	Paungde Township.	55	78	443	
Sagaing, 1915-18. ...	...	...	22	73	...
Myaungmya, 1916-19. {	Tracts 12, 18, 19, 23.	17	} 45	454	39
	Tracts 24, 25, 26.	17			
	Tracts 8, 9, 10, 14, 15, 16, 17.	61			
	Tracts 20, 21, 22.	49			
Kyaukse, 1919-22. ...	See text		31	124	48
Shwebo, 1918-23. {	Mogaung area	38	23	61	...
	Canal area ...	47	35	123	...
Mau-bin, 1925-28. {	Pantanaw Township.	...	} 55	341	60
	Danubyu and Yandoon Townships.	...			
	Mau-bin Township.	...			
		428			

Ordinary statistics were found so misleading that they were not reproduced. Figures showing alienations of land indicate that alienation owing to permanent debt is increasing. As regards temporary debt it is estimated that one-fifth of cotton crop is disposed of in advance, and that in the Myingyan Township from a third to half the groundnut crop is sold at less than the full harvest price. Permanent and temporary debt are usually found in the same place. The increase of indebtedness is an indubitable fact. There are no indications that any large proportion of the debts are attributable to extravagance, but the border line between debts due to extravagance and debts due to poverty is ill-defined. "Probably there is a very natural tendency to adjust expenditure rather to the profits of a successful year than to the normal results of cultivation. Much of the extravagance of a cultivator consists in staying in his village in place of emigrating, and in filling his stomach instead of tightening his waistband."

"A part of the increase in the cost of living is due to higher prices and extravagance, but in the main it represents a higher standard of living. Indebtedness due to a rise in the standard of living, though itself an evil, is evidence of an improvement in the general condition of the people. That the main cause of increasing liabilities is not agricultural necessity is indicated by the facts that the purchase of cattle is a much less common occasion of debt than it formerly was, and the proportion of the loans which are contracted for household expenses and other objects not connected with cultivation is much higher."

Cash loans repayable in produce only occur in north of the district. Usual period eight months.

"It is the general custom of the Burman cultivators in the Settlement Tharrawaddy, 1914-16. area to spend their incomes before they get them, living on credit during the rains and spending freely after harvest. It may be presumed that the ordinary cultivator is in debt during the rains, and if there has been a series of bad years, all the year round. When a good harvest comes there is a general settling of accounts. Old debts are cleared off, and no more debt is incurred till the following rains. This system of living accounts for practically all the debt of the Settlement area."

"The loans are chiefly loans of small amounts to substantial cultivators where the risk is small."

"Lack of money for housekeeping and for expenses of cultivation are the main reasons given."

"The percentage of households indebted has increased by 50 per cent. and the debt for the indebted household is three times as much as before. A rise of 20 per cent. in the price does not account for this magnification of debt. In most parts of the world cultivators rely upon borrowed capital, and the existence of these debts, which after all do not amount to as much as the value of the land, does not represent an acute state of affairs. But many intelligent villagers have declared that the debtors of to-day are not the same class as those of 16 years ago. They declare that there is a constant degradation of the cultivator. They say that debt originates as a rule in a bad season and is increased because the next season is also bad ; a mortgage is then necessary for security ; the interest proves

to be a burden too heavy to permit repayment of the principal and after 4 to 6 years, when another bad season adds its interest to the debt, the matter becomes hopeless and is settled by foreclosure. But it is clear that this were really so general an experience as is alleged one ought to find a much larger proportion of the land held by tenants of moneylenders than one does. The actual proportion of paddy land let has in fact diminished since 1901-02 from 12.5 to 11.4 per cent. At the same time there are indications that the precarious crops of this district are not sufficient support for a debt, and that remedies ought to be sought in improved methods of financing the cultivators, and in new crops or methods of cultivation."

"It is admitted that the settlement enquiries do not elicit all or most of the indebtedness of agriculturists.
Sagaing, 1915-18. The only facts that can safely be deduced from the figures are that—

- (1) the people in the wealthy tracts are more in debt than the people in the poor tracts,
- (2) that loans are utilized mainly for household purposes, or in other words that people habitually live ahead of their income,
- (3) that the rates of cash interest is seldom higher than 60 per cent. which is the normal Burmese rate for loans without security.
- (4) that the short-term loans repaid in kind bear usually a higher rate than this."

[More than half the cultivators in the district were examined and the aggregate debt admitted was approximately 61 lakhs.]

"Rather less than half the families examined were found to be involved to some degree in permanent debts
Myaungmya, 1916-19. More disquieting is the number of owners—whose debts exceed Rs. 1,000 ; not only are these numerous but their debts are large. Tenants necessarily have less debts than owners, not merely because they have less security to give but because many of them are former owners who have cleared off their debts by surrendering that status."

"Compared with the conditions at the beginning of the current settlement a large increase in debt is indicated."

"The fact that so large a proportion of the debt is secured on land shows that the cultivating owners are solvent. A debt secured on land is never allowed to exceed the value of the land ; rarely does it exceed two-thirds of that value. So long therefore as there is no general withdrawal of credit precipitating a large number of sales at one time the liabilities can generally be met."

"One may say that two-fifths of the debts amongst cultivating owners are ascribed to investment in land and cattle and land improvements, and one may notice that amongst the heavily indebted tracts the percentage of debt in this class is generally above the average Economically unproductive debts account only for 13 per cent. on the whole."

"In nine of the tracts a record was made of the temporary loans taken by cultivators to finance themselves through the cultivating season 59 per cent. of the cultivating owners and 75 per cent. of the tenants examined took such loans These temporary loans are taken chiefly without security The usual custom is to borrow at cash interest if the loan is taken early in the season, say before August or September, and at *sabape* later."

" Most of the loans are on personal security but if the amount is large, land or moveable property is given in pledge. Kyaukse, 1919-22. Money is usually borrowed for expenses of cultivation or household expenses. Loans for purchase of cattle and land are not infrequent."

" The statement that most loans are taken on personal security is slightly misleading. The security in most cases is the expectation of a crop. The cultivator's credit begins as soon as his crop has been sown or seedlings are coming up in his nursery and lasts until the crop has been reaped. The money lender will feed the cultivator so long as there is an unreaped crop on his field."

" At the original Settlement (1891-92) indebtedness was even heavier than at the present day. 34 per cent. of the land holding families were found to be in debt, two-thirds of them over a hundred rupees. Of the cultivators examined by Mr. Gibson (1902) only 14 per cent. were in debt and of these half the number owed Rs. 50 or less. This confirms the inference that there has been an increase of prosperity which has not been maintained."

" The statistics of indebtedness . . . do not include short period loans taken during the cultivating season and repaid at harvest. In irrigated tracts it was observed that this temporary indebtedness was considerable and invariably took the form of forward sales or *sabape* advances. A record of all these advances was made and the result is summarized in the following table :—

		Percentage of persons taking advances.	Percentage of crop sold forward.
Shwebo Canal area	...	43	46
Ye-u Canal area	...	31	29

This table shows that nearly half the cultivators in the Shwebo Canal area have utilized the improvement in their credit resulting from security of crops to live six months ahead of their income. There can be doubt however but that a very considerable portion of this temporary indebtedness is due not to necessity but to sheer force of habit and want of forethought. In villages inhabited by followers of the Hngetkaing *Sayadaw*, who preached thrift and moderation in expenditure on religious ceremonies, I observed that there was much less indebtedness than in the neighbouring villages otherwise similarly situated."

" The amount of debt is high in proportion to the area of flooded land in the tract except in two tracts where the debt is limited by the lack of credit of the poorer class of cultivator." Ma-ubin, 1925-28.

" The average temporary debt was Rs. 249 per household in debt. It was uncommon to find a cultivator carrying on the season's work without resort to the moneylender. The enquiries always revealed a certain amount of temporary debt which the cultivator is able to discharge at the end of the year. I sometimes found a cultivating owner carrying on the agricultural operations of the year with savings of the previous year but he was indeed a *rara airs*."

APPENDIX III.

COST OF CULTIVATION.

In view of the Committees' recommendation that the supply of credit to primary agricultural societies should in future be mainly confined to crop loans, of which the greater part will be loans to meet the expenses of cultivating a crop and will be repayable out of the proceeds of that crop immediately after marketing the harvest, it was thought desirable to examine some of the figures available regarding costs of cultivation, both to see how far they coincided with the requirements as stated in evidence before the Committee, and to suggest a rough means of checking on the demands of societies. The society, and the society only, will be in a position to know the genuine requirements of its individual members in this connection, but an intelligent examination of Settlement figures combined with a reference to the Agricultural Department should detect unreasonable demands for credit.

2. With this object a number of Settlement Reports have been examined. These include some not very recent ones, selected partly because the enquiries were known to have been carried out with particular care and partly because if the examination was entirely confined to post-war reports its scope would be very limited. Allowances for rises in prices can be made where necessary.

3. The wide range found in the costs in different parts of the same district emphasizes the impossibility of applying any general figure. The big item is invariably the hire of labour, and this varies with the status of the cultivator and the area of the land worked.

The costs quoted below have been rigidly confined to the actual out-of-pocket expenses as ascertained at Settlement. Unless otherwise stated no allowances have been made for the value of home labour, and the costs of replacing cattle have been excluded. In dry zone districts, where a number of crops are grown on the same holding, the costs of cultivating a particular crop and of cultivating a particular area with the prevailing rotation have been differentiated. However in much of the *ya* land of the dry zone in a few cases the intermixture of crops is so great that the only workable cost is one calculated by the acre and weighted according to the percentage of the different crops.

4. The costs include the cost of feeding such labour as is hired, but do not include the cost of feeding the cultivator and his family. The demands for credit by societies will frequently include a provision for this item which will raise the costs considerably beyond those given below. Recent Settlement reports (*e.g.* Yamèthin and Ma-ubin) include calculations not only of the actual out-of-pocket costs but of the full cost of cultivating the land assuming all labour including that of the cultivator himself to have been paid for, and, though the comparison is not exact, it would not be unreasonable to take this full cost as a guide where credit both for the costs of cultivation and living is required.

(a) Lower Burma—Paddy.

(i) Tharrawaddy (1913—15). The costs per acre vary from Rs. 5·7 to Rs. 12·8 over the different assessment tracts. The average for the whole district is Rs. 10·7. By another method which allowed for the value of home labour the Settlement Officer arrived at a cost of Rs. 15·5 per acre. For owners and tenants the costs are Rs. 11·4 and Rs. 9·1 respectively. The average area worked was 11·5 acres.

(ii) Prome (1914-16). The costs (excluding one exceptional tract) vary from Rs. 5·3 to Rs. 15·2. In the tracts in the plains in the south of the district bordering on Tharrawaddy the costs vary from Rs. 10 to Rs. 15. By another method allowing for the value of home labour costs varying from Rs. 10·2 to Rs. 19·8 per acre were obtained. The average area worked by each of the cultivators examined was 6·14 acres, and varied from 4·1 to 11·2 acres in the different tracts.

(iii) Myaungmya (1916—19.) Costs vary from Rs. 5·3 to Rs. 15·7 over the 22 tracts, the average tract cost being Rs. 11·5 per acre. Owners' costs usually, but not always, exceed tenants' costs. The average area worked by one cultivator examined is 20 acres.

(iv) Ma-ubin (1925—28). By Townships the costs vary from Rs. 14·2 to Rs. 20·2 per acre, and by tracts from Rs. 10·3 to Rs. 24·1. The lower costs are almost entirely in badly flooded tracts where flood-resisting varieties of paddy are grown as cheaply as possible. The value of home labour (not included in the above figures) varied from Rs. 6·8 to Rs. 16·8 per acre. The average area worked is 25 acres, the highest area in any tract being 40 and the lowest 14 acres. Costs do not invariably follow the size of holdings.

The Ma-ubin figures are the only post-war figures available; they are considerably higher than those of the three other districts referred to. If the latter are increased by 40 per cent. to allow for the postwar rise in prices we should have—

			Rs.	Rs.
Tharrawaddy	...	...	8·0	to 17·9
Prome	...	...	7·4	" 21·3
Myaungmya	...	...	7·4	" 22·0
Ma-ubin	...	...	10·3	" 24·1

and the actual expenses of cultivation may range anywhere between these figures, varying largely in different areas in the same district.

In one union in Prome we were told that the cultivator of a one-yoke holding would require from Rs. 100 to Rs. 150—which on a 6-acre holding would work out at from Rs. 17 to Rs. 25 per acre. In two societies in Amherst District the requirements of two societies for which we have figures have been put as high as Rs. 30 per acre, but these are evidently for large holdings where all labour is hired.

(b) Upper Burma—Paddy.

(i) Sagaing (1915—18). Tract costs* of cultivating *mogaung* paddy vary between Rs. 5·5 and Rs. 9·1 per acre, the average of all tracts being Rs. 6·6. *Mavin* paddy costs vary from Rs. 7·9 to Rs. 11·7 with an average cost of Rs. 9·9. These figures include the value of labour furnished under the mutual-help system, but it is not a considerable item.

* Cost of cattle has been deducted at a flat rate of Re. 1 per acre for all tracts. Actually there is a small variation from tract to tract.

(ii) Magwe (1915—19). The tract costs, including the cost of cattle, vary from Rs. 4·8 to Rs. 12·6. For the whole district the average cost (excluding cattle) is Rs. 4·8

(iii) Kyauksè (1919—22). The cost of cultivating unirrigated rice (Tract 8) is Rs. 6·0 per acre. The costs of irrigated rice are much higher, and ranging from Rs. 12·9 to Rs. 15·7. As usual the difference in cost is accounted for by the amount of labour employed. The areas cultivated are large, varying from 12 to 23 acres per cultivator.

(iv) Shwebo (1918—23). The costs for unirrigated paddy vary from Rs. 4·1 to Rs. 8·3 with an average cost of Rs. 5·6. Though lower than in Kyauksè the costs of irrigated rice are high, ranging (with one exception) from Rs. 7·9 to 12·3 with an average of Rs. 9·9. The majority of the holdings worked lie between 6 and 14 acres in size.

(v) Yamèthin (1925-27). The costs for all kinds of rice vary (with two exceptions) from Rs. 6·1 to Rs. 10·7, the average being Rs. 8·5. There is no appreciable difference in the costs of cultivating irrigated and unirrigated rice.

Upper Chindwin (1926—28). In the two tracts nearest to civilization the costs are Rs. 5·3 and Rs. 5·7.

Myitkyina (1926—28). In the two tracts of the Mohnyin Valley the costs are Rs. 11·0 and Rs. 14·7. They contained unusually rich rice land and there is a lot of hiring.

Summarized the results for unirrigated rice are fairly consistent.

			From	to	Average
Sagaing	1915-18)	...	5·5	9·1	6·6
Magwe	(1915-19)	...			4·8
Kyauksè	(1919-22)	...			6·0
Shwebo	(1918-23)	...	4·1	8·3	5·6
Yamèthin	(1925-27)	...	6·1	10·7	8·5

There appears to have been little rise in costs, but an increase of 40 per cent. would bring Shwebo and Sagaing up to the Yamèthin figure, and the cost of cultivating unirrigated rice may safely be put at from Rs. 6 to Rs. 10 per acre.

Upper Burma Ya land.

(i) Myingyan (1909—13). The average of all the tracts for all ya crops is Rs. 2·7 per acre. The Settlement Officer writes : "the cost of cultivating sesamum and millet excluding the cost of cattle and of the labour of the cultivator and his family appears to be Rs. 2·50 per acre on ordinary soil. This figure may be somewhat high but is not too low

There can be little doubt that the cost of cultivating cotton including all expenses is about Rs. 10 to Rs. 15 per acre and that of nut Rs. 15 to Rs. 25."

(ii) Magwe (1915—19). The average cost of cultivating sesamum in all the tracts is Rs. 2·3 and of nut Rs. 1·70. The variations between tracts are large.

(iii) Sagaing (1915—18). The average cost of cultivating sesamum was Rs. 2·0, of white millet Rs. 1·5 and of cotton Rs. 3·75. The tract costs for all crops grown were worked out separately by soil-classes with the following averages for the four chief classes of ya land:—

				Rs.
Y1-A	...	...	...	3·8
Y2-1	...	...	...	3·4
Y3-2	...	...	...	2·6
Y4-3	...	...	...	2·3

The highest cost per acre on any soil class in any tract was Rs. 5.6. On inundated land the costs were rather higher, the 3 classes averaging from Rs. 4.1 to Rs. 6.3, the highest cost on any soil class in any tract being Rs. 9.6 per acre.

(iv) Kyauksè (1919—22). Much of the *ya* land in this district is either irrigated or affected by irrigation. Costs vary from Rs. 6.0 to Rs. 7.8 per tract and are much higher than in any other district examined.

(v) Shwebo (1919—23). *Ya* crops are of minor importance in this district. The cost of working sesamum varies from Rs. 0.4 to Rs. 4.5 per tract with an average cost of Rs. 2.2, that of cotton from Rs. 3.0 to Rs. 6.6 and that of different kinds of beans from Rs. 1.6 to Rs. 6.5.

(vi) Yamèthin (1925—27). The costs of working *ya* land in the various tracts range from Rs. 2.5 to Rs. 5.1, the average being Rs. 3.3 and the crops included being chiefly sesamum, millet, cotton and beans in various proportions.

The Settlement Officer gives the following as the incurred cost of working selected crops in a group of four tracts :—

				Rs.
Sesamum	...	...	...	2.5
Cotton	...	...	...	3.0
Millet	...	...	...	3.7
Nut	...	...	...	8.0
Beans	...	...	...	2.2
Maize	...	...	...	2.0

Nut in Yamèthin is worked on a much smaller scale than in the chief nut growing districts.

There is no great inconsistency in the figures of these six districts if the figures for Kyauksè be excluded, nor is there any indication of any great rise in prices since the war. Rs. 5 per acre would more than cover the out-of-pocket expenses of cultivating most of the *ya* lands in the dry zone. Groundnut is in a class by itself and may cost anything up to Rs. 20 per acre.

In a society in Pakôkku where the members cultivate just over half their land with groundnut, their estimated requirements per acre are Rs. 8. In addition they state that they require somewhere round Rs. 200 per household as cost of living, though in many instances this demand is obviously excessive for eight months, the more so as they harvest a small early sesamum crop during this period.

Special crops.

There are numerous special crops such as chillies, sugar-cane, onions, tobacco, betel vine, etc., mostly grown on island land for which no general estimate of cost is possible. Worked in small quantities by the cultivator and his family, the out-of-pocket expenses may be negligible; worked on a large scale they may be enormous. For instance in Kyauksè and Sagaing the cost of cultivating onions was calculated at Settlement as between Rs. 25 and Rs. 30, but in Myingyan between Rs. 65 and Rs. 75 per acre. The costs of cultivating sugar-cane as stated range from Rs. 30 to Rs. 90 per acre, and of tobacco from Rs. 12 to Rs. 25.

APPENDIX IV.

BURMA PROVINCIAL CO-OPERATIVE BANK, LIMITED.

A Government Communique.

Maymyo, April 1926.

The following communique has been issued :—

Government has had under consideration for some time past the position of the Burma Provincial Co-operative Bank, Limited, resulting from the failure of a number of societies to make satisfactory repayment in respect of their loans from the Bank and the consequent belief that a number of these loans must now be held to be bad debts. After careful investigation it is estimated that these bad debts involve a deficit of approximately twelve lakhs of rupees. Steps have already been taken and others are under the consideration of Government for the improvement of the Co-operative movement and for securing more close relations between the primary societies and officers of the department. As the result of these measures the Government has no doubt that the movement will be solidly re-established. In the meantime, it has arranged for a supplementary cash credit from the Imperial Bank of India, of a sufficient amount to place the Burma Provincial Co-operative Bank again in a sound financial position.

APPENDIX V.

Year.	Capital.	Reserve.	Interest earned.	Interest from loans received during year.	Interest collected on cash credits and on Government Securities.	Total cash revenue.	Interest paid on deposits and on Bank over-drafts.	General charges.	Total expenditure.*
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1910-11	41,640	...	11,440	11,440	...	11,440	9,990	3,200	13,190
1911-12	59,150	1,410	81,410	81,410	320	81,730	61,640	3,700	65,340
1912-13	1,62,850	23,900	1,14,660	1,14,280	2,100	1,16,380	77,720	6,570	84,290
1913-14	1,77,500	53,135	1,55,780	1,55,130	16,520	1,71,650	90,720	8,250	98,970
1914-15	2,03,800	51,820	1,69,790	1,69,290	12,790	1,82,080	65,340	20,230	85,570
1915-16	2,28,400	62,510	2,11,150	2,08,500	37,350	2,42,850	1,73,830	19,760	1,93,590
1916-17	2,51,450	94,590	2,39,410	2,11,840	43,840	2,55,680	2,22,210	25,480	2,47,690
1917-18	2,68,550	1,48,940	3,56,270	3,04,050	91,110	3,95,160	2,62,060	33,590	2,95,650
1918-19	3,11,700	2,22,920	3,83,890	3,34,590	1,48,650	4,83,240	3,99,600	36,720	4,36,380
1919-20	3,33,900	2,67,500	4,81,420	4,63,860	1,73,150	6,37,010	4,22,960	50,780	4,73,740
1920-21	5,74,950	3,50,000	4,90,430	3,74,990	2,13,370	5,88,360	4,86,100	56,210	5,42,310
1921-22	6,50,600	4,42,750	6,23,310	4,77,150	2,34,250	7,11,400	5,91,630	76,530	6,68,160
1922-23	6,67,400	5,38,640	6,61,680	4,24,430	2,32,380	6,56,800	6,22,100	83,420	7,05,520
1923-24	6,67,050	6,41,730	7,41,960	4,56,550	2,24,870	6,81,420	7,12,700	94,680	8,07,370
1924-25	6,67,050	7,47,880	7,93,150	5,93,950	2,32,490	8,29,440	7,44,910	1,00,240	8,48,150
1925-26	6,61,450	9,39,630	7,80,700	4,81,810	2,62,780	7,44,590	8,08,120	1,21,000	9,29,120
1926-27	6,09,400	9,96,260	8,07,030	2,66,590	2,62,570	5,29,160	7,61,970	1,39,750	9,01,720
1927-28	5,80,950	14,38,830	8,94,220	4,16,740	2,46,970	6,63,710	8,19,480	1,45,770	9,65,250

* The amounts paid in dividends and bonus to shareholders have not been included as a large portion has been credited to the Societies' loan accounts and not disbursed in cash.

† The amounts do not include contributions to General Provident Fund of the employees.

APPENDIX VI.

Messrs. Craig, Gardner and Harris reorganised the accounts in 1914-15. Previously only cash receipts of interest appear to have been credited to Profit and Loss Account. In this connection the committee of the Provincial Bank states in the report for 1914 :—

“ The Profit and Loss Statement has been drawn up in two parts (a) and (b). The first part shows profits actually realised up to 30th June 1913. The second part shows the amount of accrued interest payable to and by the Bank as it stood on 30th June 1913. It is probable that the whole of this interest will in due course be realized by the Bank, but the Committee prefers to treat the profit resulting from it as not realized and as a reserve against bad debts in the coming year.”

In the auditor's report for 1915 however they state :—

“ *Profit and Loss Account.*—We think very few remarks are necessary on this account but would point out that the debits and credits to this account for interest include all amounts accrued due to the Bank and all amounts payable by this bank at the 31st January 1915.”

Since then the following procedure has been adopted on the 30th June :—

From 1915 to 1920 : interest due on 31st March, and not yet received and credited to Interest Account, was debited to the Loan Accounts and credited to Interest Account. Separate columns were provided in the loan accounts to show the amounts of interest overdue and no interest was charged on such overdue interest. The total overdue interest so shown in 1921 was Rs. 97,000.

Interest accrued from 31st March to 30th June was debited to Loan Ledger Interest Account (a General Ledger Suspense Account), and credited to Interest Account.

The balance of Interest Account was transferred to Profit and Loss.

*From 1921 to 1925 :—*The separate overdue interest columns in the Loan Accounts were discontinued and the interest due in 31st March was debited to the Loans on 30th June as principal so that the societies would have to pay interest on their overdue interest.

All other entries remained unchanged.

In 1926 the auditors in their report stated that :—

“ In future years the total of all interest received which, when compounded was credited to the Interest Compounded Reserve Account, will be debited to this account and credited to Interest Account. The Interest Account will be debited with the total amount of Interest compounded in that year and the Interest Compounded Reserve credited. The credit balance on Interest Compounded Reserve at the end of any year will thus represent the total amount of interest compounded after 1st July 1925 which has been not received in cash by the Bank.”

As the first receipts in cash from societies are treated as payments of interest up to the amounts due, the effect of this recommendation would be to defer the inclusion in profits of the interest due by societies which

made no cash payments in the current year until such year as cash payments are received. As societies, which cannot pay their interest when due, must at any rate be doubtful debtors, we think that the first payments received from these should be utilised in reduction of principal, or else transferred from Compounded Interest Reserve to Bad Debts Reserve and not to Interest Account as the auditors recommend.

In that year (1926) they transferred the whole balance of Profit and Loss Account to Interest Compounded Reserve Account and transferred a sum of Rs. 2,08,471-11-7 from General Reserve to this special Reserve.

In 1927 and 1928 the balance of Profit and Loss Account did not permit of their adopting the procedure, they recommended *viz.* the crediting of all interest due on 31st March but not received by 30th June to Interest Compounded Reserve and the debiting of interest received, which had been so compounded in previous years, to this Reserve and crediting it to Interest Account, without showing a loss in Profit and Loss Account. They therefore made no transfers from and to Interest Account (*i.e.* they left the interest due or accrued but not received at credit of this account available for profit) but transferred the differences between these two items from General Reserve Account to Compounded Interest Reserve Account and transferred the balance of Profit and Loss Account to General Reserve Account. In 1928 they further had to write up Government Securities by Rs. 2,30,951 to avoid showing a loss.

Societies in Liquidation.

Up to 1917 no distinction was made between societies in liquidation and live societies. From 1918 onwards the interest accrued has been included in the total interest accrued which has been credited to Interest Account, but the amount accrued in respect of societies in liquidation has been deducted from the total of Interest accrued shown in the Balance Sheet and Profit and Loss Account. The first cash payments received from societies in liquidation were credited to Interest Account up to the amounts equivalent to the interest due on the dates of receipts and were therefore shown as profit even though the receiving of the full principal *plus* interest was improbable.

APPENDIX VII.

Statement of Outstanding Loans to Societies.

Month.	1911.	1912.	1913.	1914.	1915.	1916.	1917.
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
January ...	3,04,000	10,23,000	14,40,000	17,77,000	20,94,000	25,64,000	32,98,000
February ...	3,31,000	10,33,000	13,34,000	17,38,000	20,92,000	25,49,000	33,43,000
March ...	3,71,000	10,45,000	12,03,000	14,48,000	19,62,000	24,40,000	30,56,000
April ...	5,23,000	10,87,000	13,76,000	14,28,000	19,75,000	21,30,000	29,67,000
May ...	6,06,000	11,88,000	14,90,000	15,97,000	20,31,000	20,97,000	31,83,000
June ...	6,45,000	12,20,000	16,70,000	16,92,000	21,31,000	26,53,000	35,70,000
July ...	6,47,000	12,37,000	16,77,000	18,14,000	22,95,000	28,30,000	37,26,000
August ...	6,48,000	12,67,000	17,05,000	19,32,000	23,62,000	30,27,000	38,43,000
September ...	7,56,000	13,73,000	17,40,000	19,82,000	25,01,000	30,98,000	38,93,000
October ...	8,22,000	13,89,000	17,48,000	20,56,000	24,84,000	31,96,000	39,58,000
November ...	9,20,000	14,11,000	17,73,000	20,71,000	25,53,000	32,65,000	40,20,000
December ...	9,52,000	14,21,000	17,77,000	20,91,000	25,87,000	32,44,000	40,39,000

Month.	1918.	1919.	1920.	1921.	1922.	1923.	1924.	1925.
(1)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
January ...	38,86,000	40,97,000	47,85,000	52,18,000	68,12,000	70,37,000	77,91,000	81,87,000
February ...	39,48,000	40,80,000	47,20,000	51,68,000	67,39,000	70,14,000	77,43,000	81,16,000
March ...	38,67,000	40,78,000	44,61,000	49,20,000	62,96,000	67,81,000	73,97,000	77,39,000
April ...	36,42,000	40,92,000	41,87,000	46,85,000	60,09,000	65,32,000	73,76,000	73,62,000
May ...	37,21,000	44,61,000	44,13,000	49,69,000	63,49,000	68,86,000	75,48,000	73,79,000
June ...	38,49,000	45,58,000	49,33,000	57,22,000	66,56,000	72,55,000	78,62,000	74,15,000
July ...	39,52,000	47,77,000	52,20,000	62,34,000	67,06,000	75,22,000	79,71,000	74,50,000
August ...	39,90,000	49,03,000	53,61,000	65,67,000	68,10,000	76,81,000	80,75,000	76,14,000
September ...	40,64,000	49,51,000	55,09,000	65,92,000	69,33,000	77,15,000	81,59,000	76,91,000
October ...	41,13,000	47,65,000	54,10,000	66,67,000	67,01,000	78,26,000	81,73,000	77,15,000
November ...	41,22,000	48,02,000	51,29,000	67,10,000	68,00,000	78,13,000	81,89,000	77,15,000
December ...	41,29,000	48,06,000	51,81,000	67,57,000	68,73,000	78,09,000	81,93,000	77,27,000

APPENDIX VIII.

“ in Burma borrowing is mostly due to habit and want of forethought and not to necessity
1907.
Page 15, para 49. the capital really required to finance cultivation (apart from luxury) is very much less than that is generally supposed and that mere provision of cheap money through co-operative societies or otherwise tends, owing to the existing state of public feeling, to induce waste of income rather than thrift;”

“ In other countries it may be that relief from onerous rates of interest and the obtaining of increased profits induce thrift ; here the reverse is probable and the dangers of facile credit are greater than elsewhere.”

“ The Burma cultivator could, if he had acquired the necessary self-reliance and knowledge, generally avoid the necessity of working on credit. Credit working is a habit and, in Burma, a habit largely bad and unjustified. Hence it is not so much perennial credit that the cultivator wants as education to prevent his using it. Co-operation will get him out and keep him out of his difficulties ; but really successful rural societies will tend, in accomplishing this end, to commit suicide, or at any rate to become dormant.”
1908.
Page 3, para 10.

“ I do not think a really successful revolution of the credit system of the country can be brought about by merely asserting that co-operation has proved beneficial elsewhere and dumping it down here. It is largely the result of slow natural evolution in Germany : here it is introduced as a revolution. We have to see that the revolution is so introduced as to lead to sound natural evolution in the later stages. We have to study the patients as well as to provide the medicine to be doctor as well as druggist.”
1910.
Page 4, para. 16 (2).

“ The task of co-operators in this Province is not only to substitute co-operative credit for the expensive individual money-lending system, but to establish it before the field is occupied by exploiting profit-seeking companies. Signs are not wanting that such joint stock concerns are casting greedy eyes on the field of agricultural credit. They are not likely in view of immediate profits to worry about the ultimate results to the shareholders or the agricultural borrowers. The partial withdrawal of the Chetty community from lending on land has left the cultivator, in Lower Burma especially, to look for other sources of credit, and these, failing the rapid spread of co-operative societies, will either be found with the growing class of Burman money holders or with joint stock exploiting concerns worked from Rangoon.”
1911.
Page 4, para 12.

Assuming an average loan in Upper Burma of Rs. 100 and in Lower Burma of Rs. 200 which are low averages the total loan capital for agriculture required is £10 millions. Again the Season and Crop Report shows some 18 million acres occupied and a little under 15 million acres cropped and allowing Rs. 10 per acre as the average capital required to work the land we again get 1,500 lakhs of rupees = £10 millions.

Of this a good deal is found by the cultivator, but probably the credit requirement is not below £6 or 7 millions ; and this is what it is to be hoped co-operation will provide. Assuming primary societies and local central banks ultimately get half of this through shares, reserves and local deposits, there is still room for the Upper Burma Central Bank to work up to some £3 millions. Even if money-lending continues as is likely at reduced rates, co-operation should, if the movement takes hold in the rest of the Province as it has in some districts, provide £4 millions and the central bank work up to a £2 millions basis. At present it is merely on a £200,000 basis, so there is room for growth to at least ten times its present size."



1929
HOUSE OF COMMONS

SELECT STANDING COMMITTEE
ON
INDUSTRIAL AND INTERNATIONAL RELATIONS

REPORT, Proceedings and Evidence of the Select Standing Committee on Industrial and International Relations upon the question of Insurance against Unemployment, Sickness and Invalidity as ordered by the House on the 14th of February, 1929.

THIRD SESSION OF THE SIXTEENTH PARLIAMENT
OF CANADA

PRINTED BY ORDER OF PARLIAMENT



OTTAWA
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1929

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MEMBERS OF COMMITTEE

McINTOSH, C.R. (*Chairman*)

Messieurs

Bell (St. John-Albert)
Bissett
Black (Halifax)
Bourassa
Chevrier
Church
Cowan
Deslauriers
Ferland
Gervais
Grimmer
Hall
Heenan
Howard
Jenkins
Johnston
(Cape Breton-North Victoria)

Messieurs

Letellier
Miss Macphail
Macdougall
McGibbon
McMillan
Malcolm
Morin (St. Hyacinthe-Rouville)
Neill
Perley (Sir George)
Plunkett
Prévost
Stinson
St. Père
Thorson
Veniot
White (Mount Royal)
Woodsworth
Young (Toronto-Northeast)—35

(Quorum 10)

Attest

WALTER HILL,
Clerk of Committee.

WEDNESDAY, MAY 1, 1929.

The Select Standing Committee on Industrial and International Relations beg leave to present the following as their Final Report:—

Your Committee has had under consideration a resolution adopted by the House on February 14th, 1929, as follows:

That the Committee on Industrial and International Relations be authorized to investigate and report on insurance against unemployment, sickness and invalidity.

The following witnesses appeared before your Committee to give evidence on the said subject matter of investigation:

A. Grant Fleming, M.D., Professor of Public Health and Preventive Medicine, Montreal; J. G. Fitzgerald, Professor of Hygiene and Preventive Medicine, University of Toronto; Gerald H. Brown, Assistant Deputy Minister of Labour, Ottawa; R. A. Rigg, Director of Employment Service of Canada, Ottawa; Andrew D. Watson, Dominion Department of Insurance, Ottawa; W. Stewart Edwards, Deputy Minister of Justice, Ottawa; Robert H. Coats, Dominion Statistician, Ottawa.

Dr. Grant Fleming and Dr. Fitzgerald gave evidence dealing specially with sickness insurance.

1. Your Committee would reaffirm the position taken in the final report adopted on June 6th of last session, namely:

That your Committee accept and endorse the principle of unemployment insurance, based on compulsory contributions derived from the State, employer and employees.

2. Your Committee recognizes that, while it is highly desirable that such legislation should be uniform in all the provinces, and while social insurance has a federal aspect, nevertheless, according to the Department of Justice, under our constitution legislative jurisdiction in relation to the establishment of a compulsory system of unemployment insurance is vested exclusively in the provincial legislatures.

3. Your Committee finds that the provinces, on being consulted by the Department of Labour with regard to their attitude towards the establishment of a general scheme, do not appear to be prepared to take immediate action.

4. Under these circumstances, your Committee submits the following recommendations:

(a) That with regard to sickness insurance, the Department of Pensions and National Health be requested to initiate a comprehensive survey of the field of public health, with special reference to a national health program. In this, it is believed that it would be possible to secure the co-operation of the provincial and municipal health departments, as well as the organized medical profession.

(b) That in the forthcoming census, provision should be made for the securing of the fullest possible data regarding the extent of unemployment and sickness, and that this should be compiled and published at as early a date as possible.

(c) That the Federal Government be requested to bring the subject matter of this reference before the next Federal-Provincial conference; and your Committee suggests, when the agenda for such a conference is being arranged that the provincial governments be invited to send representatives of the Employer and Employee to discuss the subject matter of this report.

Your Committee further recommends that 750 copies in English and 200 copies in French of this report, and the evidence upon which it is based, be printed in blue book form, and that Standing Order No. 64 be suspended in relation thereto.

All of which is respectfully submitted.

C. R. McINTOSH,
Chairman.

MINUTES OF PROCEEDINGS

WEDNESDAY, February 20th, 1929.

The Select Standing Committee on Industrial and International Relations met this day at 11 a.m.

Mr. McIntosh (Chairman), presiding.

Present: Messieurs Bourassa, Deslauriers, Bell, Heenan, Jenkins, Letellier, McIntosh, McMillan, Morin (St. Hyacinthe), Plunkett, Prevost, Rennie, St. Père and Woodsworth—14.

The Chairman read the Order of Reference and pointed out to the Committee that the subjects referred might be taken up concurrently, or in the order the Committee desired.

On motion of Mr. Letellier:

Resolved, that the Rev. Father Leon Lebel, S.J., of Montreal, be heard on the subject of Family Allowances at the next meeting of the Committee.

On motion of Mr. Woodsworth, the Committee extended to Mr. Heaps M.P., who is not a member of the Committee, the same privileges as granted to him last year.

On motion of Mr. Woodsworth:

Resolved, that a representative of the Dominion Insurance Department be requested to attend before this Committee to give such actuarial information as may be available in the Insurance Department on this subject.

On motion of Mr. Letellier:

Resolved, that the clerk obtain the services of a French reporter for this Committee.

The Chairman informed the Committee that he had a previous appointment and requested Mr. St. Père to take the chair.

Mr. St. Père then took the chair.

On motion of Mr. Neill:

Resolved, that your Committee do report and recommend that 750 copies in English and 250 copies in French of the evidence to be taken and of papers and records to be incorporated with such evidence be printed, and that Standing Order No. 64 be suspended in relation thereto.

The Committee then adjourned to the call of the Chair.

TUESDAY, February 26, 1929.

Pursuant to adjournment, and notice, the Select Standing Committee on Industrial and International Relations met this day at 11 a.m.

The Chairman (Mr. McIntosh) presiding.

Present: Messieurs Bell (St. John-Albert), Bourassa, Church, Grimmer, Hall, Heenan, Howard, Jenkins, Johnstone (Cape Breton North-Victoria), Letellier, McIntosh, McMillan, Neil, Perley (Sir George), Plunkett, Stinson, St. Père, and Woodsworth.—18.

Minutes of meeting of February 20th read and approved.

Hon. Peter Heenan, Minister of Labour, informed the committee of the measures he had taken regarding the recommendations made in paragraphs 4, 5 and 6 of their final report to the House on Friday, June 1, 1928.

He also filed, as exhibit No. 1, copy of letter sent to all the provinces of Canada regarding unemployment, sickness and invalidity insurance, and the replies which had been received in return from eight of the nine provinces communicated with.

Reverend Father Léon Lebel, S. J., Teacher of Philosophy of the Immaculate Conception (Montreal) called, sworn and heard, on the subject of family allowances.

On motion of Mr. Letellier:

Resolved, that the committee do now adjourn and that the same witness continue at 11 a.m. to-morrow, Wednesday, February 27, 1929.

Witness instructed by the committee to return at 11 a.m. to-morrow, Wednesday, February 27th, to complete his testimony and for examination in relation thereto.

The committee adjourned until 11 a.m., February 27, 1929.

All of which is respectfully submitted.

WEDNESDAY, February 27, 1929.

Pursuant to adjournment and notice, the Select Standing Committee on Industrial and International Relations met this day at 11 a.m.

The Chairman (Mr. McIntosh) presiding.

Present: Messieurs Bell (St. John-Albert), Bourassa, Church, Howard, Jenkins, Johnstone (Cape Breton North-Victoria), Letellier, McIntosh, McMillan, Neill, Sir George Perley, Plunkett, Prévost, Stinson, St. Père and Woodsworth, 17.

Minutes of February 26 read and approved.

On motion of Mr. Woodsworth,

Resolved that the Chairman, Mr. McIntosh, interview the Chief Whips of the different parties to arrange for the appointment to this committee of members who are interested in its work in place of those members who do not wish to or cannot attend its meetings.

Reverend Father Léon Lebel, S. J. Teacher of Philosophy of the Immaculate Conception (Montreal), recalled for further evidence and examination on the subject of Family Allowances.

Witness retired.

The Committee was of the opinion that the Order of Reference did not cover the right to investigate or consider several of the items contained in the Notice of Motion presented by Mr. Church, M.P.

On motion of Mr. McMillan,

Resolved that said Notice of Motion be laid on the table.

On motion of Mr. Howard.

Resolved that a hearty vote of thanks be tendered by this committee to the Reverend Father Lebel, S. J., of the Immaculate Conception (Montreal), for the very valuable evidence he had given before it.

The Chairman, Mr. McIntosh, conveyed to the Reverend Father the thanks of the committee and congratulated him upon the comprehensive study he had made of the problem, viz., Family Allowances.

On motion of Mr. Woodsworth,

Ordered that Mr. G. B. Clarke, Secretary Family Welfare Association, Montreal, be summoned to attend at the next meeting of the committee.

The Committee adjourned until 11 a.m. Tuesday, March 5th, 1929. All of which is respectfully submitted.

TUESDAY, March 5, 1929.

Pursuant to adjournment and notice, the Select Standing Committee on Industrial and International Relations met this day at 11 a.m.

Mr. McIntosh (Chairman) presiding.

Present: Messieurs Bell (St. John-Albert), Grimmer, Howard, Jenkins, Johnstone (Cape Breton), Letellier, McIntosh, McMillan, Plunkett, Stinson, St. Père, and Woodsworth—12.

Minutes of February 27 read and approved.

A letter of explanation was received from G. B. Clarke, of the Family Welfare Association, of Montreal, regretting his inability to attend, through illness.

On motion of Mr. Howard, the letter of explanation was received and filed by the Clerk of the Committee.

Mr. McIntosh, the Chairman, informed the Committee that he desired to attend a meeting of one of the other committees.

On motion of Mr. Johnstone, Mr. Jenkins assumed the Chair.

Mr. Gerald H. Brown, Assistant Deputy Minister of Labour, was called and sworn.

Witness retired.

Mr. Andrew D. Watson, representative of the Dominion Insurance Department, called and sworn.

Witness retired.

On motion of Mr. Letellier.

Resolved that Mr. Joseph Daoust, of the firm of Daoust and Lalonde, boot and shoe makers, Montreal, be summoned to attend at the next meeting of the Committee.

On motion of Mr. Woodsworth, the Committee requested Mr. Andrew D. Watson to prepare for them a brief outline of any scheme or schemes that he thought might be of value to them in their investigation.

The Committee then adjourned to the call of the Chair.

THURSDAY, March 7, 1929.

Pursuant to adjournment and notice, the Select Standing Committee on Industrial and International Relations met this day at 11 a.m.

Mr. McIntosh (Chairman) presiding.

Present: Messieurs Black (Halifax), Church, Jenkins, Letellier, McGibbon, McIntosh, McMillan, Neill, Plunkett, Stinson, St-Père and Woodsworth.—12.

Mr. Church spoke briefly regarding the notice of motion laid on the Table February 27th, 1929, and asked that an officer of the Department of Justice be requested to attend a meeting of this committee in the near future to give an opinion on the subject matters in said notice of motion, to which the committee agreed.

Mr. Joseph Daoust, of the firm of Daoust and Lalonde, shoe manufacturers, Montreal, was then called and sworn and examined on the subject of family allowances.

Witness retired.

On motion of Mr. McGibbon,

Resolved that a sub-committee be appointed to prepare a list of witnesses to be heard, the said committee to consist of three members, Messrs. McIntosh (Chairman), Woodsworth, and Bell (St. John-Albert).

The Chairman announced that the subject to be considered at the next meeting of the committee would be unemployment insurance, sickness and invalidity.

The Committee adjourned till Tuesday, March 12th, at 11 a.m.

TUESDAY, March 12th, 1929.

Pursuant to adjournment and notice, the Select Standing Committee on Industrial and International Relations met this day at 11 a.m.

The Chairman (Mr. McIntosh) presiding.

Present: Messieurs Bissett, Bourassa, Grimmer, Hall, Jenkins, Johnston (Cape Breton North-Victoria), Letellier, Miss Macphail, McGibbon, McIntosh, McMillan, Neill, Perley (Sir George), Stinson, St-Père and Wentworth.—16.

Minutes of March 7th read and approved.

Dr. A. Grant Fleming, Director of Public Health and Preventive Medicine of McGill University, and Managing Director of the Montreal Anti-Tuberculosis General Health League, who had made an exhaustive survey of the general conditions of Montreal, was called, sworn and examined on the survey and its relation to unemployment, sickness and invalidity.

The witness retired.

On motion of Mr. Bourassa:

Resolved that the thanks of the Committee be tendered to Dr. Fleming for the very comprehensive evidence he had presented to the Committee.

The Chairman (Mr. McIntosh) conveyed to Dr. Fleming the thanks of the Committee and expressed the opinion that the evidence which the doctor had given would be of great assistance to the Committee in formulating its report to the House.

The Chairman announced that the Committee would continue consideration of this subject, namely, unemployment insurance, sickness and invalidity, at the next meeting, and that the next witness would be J. G. Fitzgerald, School of Hygiene, University of Toronto.

The Committee then adjourned till Thursday, March 14th, at 11 a.m.

MARCH 14th, 1929.

Pursuant to adjournment and notice, the Select Standing Committee on Industrial and International Relations met this day at 11 a.m.

The Chairman (Mr. McIntosh) presiding.

Present: Messieurs Bourassa, Church, Grimmer, Hall, Howard, Jenkins, Letellier, Miss Macphail, McIntosh, McMillan, Plunkett, St. Père and Woodsworth.—13.

Minutes of March 12th read and approved.

Mr. Bourassa called the attention of the Committee to the fact that the printed report of the evidence of March 12 did not contain some remarks that he had made, and requested that they be printed as an addenda to No. 6 of the printed proceedings (to which the Committee agreed).

John G. Fitzgerald, M.D., LL.D., Professor of Hygiene and Preventive Medicine, Director of the School of Hygiene and the Connaught Laboratories of the University of Toronto, was called, sworn and examined.

The witness retired.

The Chairman announced that at the next meeting the Committee would take up the replies received from the various provinces on their report to the House last year, dealing with unemployment insurance, sickness and invalidity.

The Committee then adjourned till Tuesday, the 19th instant, at 11 a.m.

TUESDAY, April 16, 1929.

Pursuant to adjournment and notice, the Select Standing Committee met this day at 11 a.m.

The Chairman (Mr. McIntosh) presiding.

Minutes of March 14th and March 19th, read and approved.

Present: Messieurs Bourassa, Grimmer, Hall, Jenkins, Johnstone (Cape Breton), Letellier, McIntosh, Neill, Plunkett, Woodsworth, St-Père.—11.

Actuarial Report of Mr. A. E. Watson, Department of Insurance, filed as Exhibit No. 2.

A telegram from the Social Service Council of Canada was read by the Chairman, and on

Motion of Mr. Woodsworth,

Resolved, that their representatives, viz., Miss Whitton, Mr. Falk, and Mr. R. E. Mills, be heard on the subject of Family Allowances on Thursday, next, April 18th, at 10.30 a.m.

On motion of Mr. Woodsworth,

Resolved, that a sub-committee be appointed to draft a report to be submitted to the committee for approval, the sub-committee to consist of the following four members, Messieurs McIntosh, (Chairman), Johnstone (Cape Breton North-Victoria), Woodsworth, and St-Père.

Mr. Gerald H. Brown, (Assistant Deputy Minister of Labour), called, sworn and examined.

Witness retired.

Ordered that report of the United States Senate Committee on Education and Labour, *re* Causes of Unemployment be printed in the record.

Mr. R. A. Rigg, Director of Employment Service of Canada, Department of Labour, called, sworn and examined.

Witness retired.

The Committee adjourned until 10.30 a.m., Thursday, April 18, 1929.

TUESDAY, April 23, 1929.

Pursuant to adjournment and notice, the Select Standing Committee on Industrial and International Relations met this day at 11 a.m., the Chairman (Mr. McIntosh) presiding.

Present: Messieurs Bissett, Hall, Howard, Jenkins, Johnstone (Cape Breton North-Victoria), Letellier, McGibbon, McIntosh, McMillan, Neill, Sir George Perley, Plunkett, Stinson, St-Père, Woodsworth, and Hon. Peter Heenan.—18.

A letter and telegram from the Social Service of Canada was read by the Chairman, and on motion of Mr. Woodsworth, it was resolved

That the three representatives of the Social Service Council of Canada be heard on Tuesday, April 30th, at 10.30 a.m., on the subject of family allowances.

Mr. William Stuart Edwards (Deputy Minister of Justice), called, sworn and examined.

Witness retired.

Mr. Robert Hamilton Coats (Dominion Statistician), called, sworn and examined.

Witness retired.

The Hon. Peter Heenan (Minister of Labour) gave further information to the Committee regarding the recommendations made in the report of the Committee to the House last session, and replied to questions on the answers that had been received from the various Provinces.

Committee adjourned until 10.30 a.m., Tuesday, April 30, 1929.

TUESDAY, April 30, 1929.

Pursuant to adjournment and notice, the Select Standing Committee on Industrial and International Relations met this day at 10.30 a.m., the Chairman (Mr. McIntosh) presiding.

Present: Messieurs Bell (*St. John-Albert*), Grimmer, Jenkins, Letellier, McIntosh, McMillan, Morin (*St. Hyacinthe-Rouville*), Neill, Plunkett, St-Père, Thorson, Woodsworth, Hon. Peter Heenan and Miss Macphail.—14.

Minutes of Tuesday, April 23, read and approved. The Committee proceeded to consider the draft report presented by the sub-committee appointed on Tuesday, April 16, and on motion of Mr. Thorson it was

Resolved,—That the following be the report of the Committee on the subject of insurance against unemployment, sickness and invalidity.

Your Committee has had under consideration a resolution adopted by the House on February 14th, 1929, as follows:—

That the Committee on Industrial and International Relations be authorized to investigate and report on insurance against unemployment, sickness and invalidity.

The following witnesses appeared before your Committee to give evidence on the said subject matter of investigation:—

A. Grant Fleming, M.D., Professor of Public Health and Preventive Medicine, Montreal; J. G. Fitzgerald, Professor of Hygiene and Preventive Medicine, University of Toronto; Gerald H. Brown, Assistant Deputy Minister of Labour, Ottawa; R. A. Rigg, Director of Employment Service of Canada, Ottawa; Andrew D. Watson, Dominion Department of Insurance, Ottawa; W. Stuart Edwards, Deputy Minister of Justice, Ottawa; Robert H. Coats, Dominion Statistician, Ottawa.

Dr. Grant Fleming and Dr. Fitzgerald gave evidence dealing specially with sickness insurance.

1. Your Committee would reaffirm the position taken in the final report adopted on June 6th of last session, namely:—

That your Committee accept and endorse the principle of unemployment insurance, based on compulsory contributions derived from the State, employer and employees.

2. Your Committee recognizes that, while it is highly desirable that such legislation should be uniform in all the provinces, and while social insurance has a federal aspect, nevertheless, according to the Department of Justice, under our constitution legislative jurisdiction in relation to the establishment of a compulsory system of unemployment insurance is vested exclusively in the provincial legislatures.

3. Your Committee finds that the provinces, on being consulted by the Department of Labour with regard to their attitude towards the establishment of a general scheme, do not appear to be prepared to take immediate action.

4. Under these circumstances, your Committee submits the following recommendations:—

(a) That with regard to sickness insurance, the Department of Pensions and National Health be requested to initiate a comprehensive survey of the field of public health, with special reference to a national health program. In this, it is believed that it would be possible to secure the co-operation of the provincial and municipal health departments, as well as the organized medical profession.

(b) That in the forthcoming census, provision should be made for the securing of the fullest possible data regarding the extent of unemployment and sickness, and that this should be compiled and published at as early a date as possible.

(c) That the Federal Government be requested to bring the subject matter of this reference before the next Federal-Provincial conference; and your Committee suggests, when the agenda for such a conference is being arranged that the provincial governments be invited to send representatives of the Employer and Employee to discuss the subject matter of this report.

Your Committee further recommends that 750 copies in English and 200 copies in French of this report, and the evidence upon which it is based, be printed in blue book form, and that Standing Order No. 64 be suspended in relation thereto.

All of which is respectively submitted.

C. R. McINTOSH,
Chairman.

Miss Charlotte Whitton, Secretary, Canadian Council on Child Welfare, called, sworn and examined on the subject of Family Allowances.

Witness retired.

Mrs. Mildred Kensit, Director, Children's Bureau of Montreal, called, sworn and examined on Family Allowances.

Witness retired.

Mr. Robert E. Mills, Director, Children's Aid Society, Toronto, called, sworn and examined on Family Allowances.

Witness retired.

The Committee adjourned until Friday, May 3rd, at 11.00 a.m.

MINUTES OF EVIDENCE

ROOM 425, HOUSE OF COMMONS,

TUESDAY, March 6, 1929.

The Select Standing Committee on Industrial and International Relations met at 11 o'clock a.m., Mr. C. R. McIntosh, the Chairman, presiding.

The CHAIRMAN: The second reference to this Committee is in regard to insurance against unemployment, sickness and invalidity; and since we are unable to have Mr. Clark of Montreal with us to deal with the family allowances, we have Mr. Brown, the Assistant Deputy Minister of Labour, who in the past has given the Committee very valuable information, and who will now tell us something about the matter contained in the second reference. As I have to be present at the Railway Committee I would like some member of the Committee to take my place in the chair.

Mr. Jenkins having taken the chair.

GERALD H. BROWN, called and sworn.

The ACTING CHAIRMAN: Gentlemen, in the past sessions we have discussed family allowances. Mr. Brown informs me that if any member of the Committee cares to ask him questions he will be pleased, if possible, to answer to the best of his ability, and he is no doubt able to do so. Later on we will take up the question which the Chairman has indicated, sickness and invalidity insurance. Possibly there is some member of the Committee who would like to ask questions of Mr. Brown regarding the matter of family allowances. I understand he has prepared some statistics here which may be of benefit to us.

Mr. LETELLIER: At the last Committee meeting I indicated my intention to call Mr. Brown, and I had a question framed like this: would you have any information to give to the Committee—information that would be helpful—according to the last census made by the Department. I believe that would be important.

The WITNESS: I am sorry, gentlemen, that my Minister is unable to be present this morning, but he hopes to be able to attend more regularly from now on. With respect to the subject of family allowances, with which Father Lebel dealt so fully at the last session, I find by reference to the last census report—that is the 1921 census report which, as you all know, was not published in full until recently—that there are some tables that might be of assistance to us on this subject. For instance, there is a table in the census showing that the number of private families in Canada, classified according to the number of children, is 2,001,512. That is according to the 1921 census. The table shows the division by provinces, and also the number divided into groups—the number with children and the number without children, the percentage without children, the families having one child, two children, and so on, up to seventeen children plus.

Perhaps for purposes of ready reference the percentages might be more interesting than the figures themselves. I have here a statement of the percentage of private families classified, according to the number of children, from the census of 1921.

[Mr. Gerald H. Brown.]

PERCENTAGE OF PRIVATE FAMILIES CLASSIFIED ACCORDING TO NUMBER OF CHILDREN, CENSUS OF 1921 (x)

	Canada	P.E.I.	N.S.	N.B.	Que.	Ont.	Man.	Sask.	Alta.	B.C.
	%	%	%	%	%	%	%	%	%	%
All families.....	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Number without children.....	30.6	29.9	28.5	26.9	25.5	31.6	27.9	32.7	36.6	40.7
Number with children.....	69.4	70.1	71.5	73.1	74.5	68.4	72.1	67.3	63.4	59.3
Number with										
1 child.....	20.9	19.5	20.1	19.3	17.2	22.8	19.4	16.8	17.7	20.5
2 children.....	16.7	15.5	15.9	15.5	14.1	17.6	16.9	15.2	15.4	16.5
3 children.....	11.6	11.9	11.9	11.7	11.6	11.5	12.6	11.6	11.1	10.5
4 children.....	8.0	8.2	8.5	8.6	9.2	7.2	8.7	8.4	7.5	5.8
5 children.....	5.3	5.7	5.8	6.2	7.2	4.2	5.8	5.9	4.9	3.1
6 children (and up).....	8.7	9.5	9.4	11.6	15.2	5.1	8.7	9.3	6.9	2.9

(x) "Children" includes all those living at home (unmarried) of any age.

[Mr. Gerald H. Brown.]

SELECT STANDING COMMITTEE

WITNESS: You will see that the number without children, 30 per cent, added to the number with one child, 20·9; with two children, 16·7 per cent, and with three children, 11 per cent, would bring the figures up to something over 78 per cent of all the families without children and with children up to three, which would make presumably, a household of five.

By the Acting Chairman:

Q. Do I understand you to say that out of the total number of families in Canada 30 per cent are without children?—A. Yes. I thought that would be interesting to the Committee.

Q. That is very surprising?—A. 20·9 per cent—practically 21 per cent have one child.

By Mr. Plunkett:

Q. But you have nothing to show what the percentage is in relation to the provinces?—A. Yes, I have.

Q. Could you give us that?—A. I will read this statement and then put it in the record.

PRIVATE FAMILIES CLASSIFIED ACCORDING TO NUMBER OF CHILDREN, BY PROVINCES, CENSUS OF 1921 (*)

[Mr. Gerald H. Brown]

	Canada	P.E.I.	N.S.	N.B.	Que.	Ont.	Man.	Sask.	Alta.	B.C.
Families—										
Total number.....	2,001,512	20,288	117,725	83,766	473,868	720,436	133,954	173,913	143,650	133,912
Number with children.....	1,389,254	14,233	84,121	61,279	353,006	492,527	96,597	117,066	91,063	79,362
Number without children.....	612,258	6,055	33,604	22,487	120,862	227,909	37,357	56,847	52,587	54,550
Percentage without children.....	30.59	29.85	28.54	26.85	25.51	31.63	27.89	32.69	36.61	40.74
Children—										
Total number.....	4,156,802	43,564	255,889	197,831	1,263,114	1,280,005	289,868	369,430	265,096	192,005
Average number for all families.....	2.08	2.15	2.17	2.36	2.67	1.78	2.16	2.12	1.85	1.43
Average number for all families reporting children.....	2.99	3.06	3.04	3.23	3.58	2.60	3.00	3.16	2.91	2.42
Families Having—										
1 child.....	397,184	3,961	23,601	16,178	81,315	164,140	26,040	29,181	25,362	27,406
2 children.....	321,900	3,140	18,698	13,038	66,748	126,918	22,623	26,493	22,145	22,097
3 children.....	231,355	2,421	13,986	9,851	55,037	82,919	16,924	20,222	15,923	14,072
4 children.....	159,236	1,657	9,966	7,193	43,794	51,726	11,682	14,666	10,758	7,794
5 children.....	106,496	1,155	6,831	5,252	34,019	30,154	7,716	10,262	6,976	4,121
6 children.....	69,889	798	4,609	3,816	25,024	17,389	5,082	6,704	4,427	2,040
7 children.....	45,384	506	3,031	2,534	18,358	9,790	3,119	4,317	2,702	1,027
8 children.....	27,838	287	1,749	1,640	12,427	5,310	1,762	2,698	1,490	475
9 children.....	16,578	152	911	1,001	8,800	2,462	896	1,409	744	203
10 children.....	7,526	96	445	461	3,979	1,060	447	631	332	75
11 children.....	3,557	33	186	201	2,065	435	191	287	128	31
12 children.....	1,488	16	60	88	895	148	74	133	53	15
13 children.....	517	8	28	16	335	43	24	43	17	3
14 children.....	198	1	9	7	133	19	12	10	4	3
15 children.....	73	2	5	2	49	4	3	7	2	.....
16 children.....	26	.....	.....	1	19	.....	.....	3	.....	.....
17 children.....	9	.....	.....	.....	9	.....	.....	.....	.....	.....

(*) "Children" includes all those living at home (unmarried) of any age.

SELECT STANDING COMMITTEE

WITNESS: All the families with three children and up in Prince Edward Island constitute between 68 and 69 per cent. The balance would be those with larger families, that is with five or six children and upwards. In the case of British Columbia the percentage is 40·7 of those without children, the largest percentage of its kind in Canada.

By the Acting Chairman:

Q. How do you account for that? There must be some reason?—A. I suppose there must be. It is a little hard to explain offhand.

By Mr. Johnston:

Q. What was it for the whole of Canada for two children?—A. 30·6 per cent for the whole of Canada.

By the Acting Chairman:

Q. How would that compare with the British Isles?—A. In the case of England I have the comparison. I have not as regards other countries; but I have as regards Great Britain. Perhaps I ought to read the definition of a family from the census report of Canada I have just quoted so that the figures may be quite clear:—

The term "family", as used in the census, signifies a group of persons, whether related by blood or not, who live together as one household, usually sharing the same table. One person living alone is counted as a family. Thus, a clerk in a store who regularly sleeps there is to be returned as a family and the store as his dwelling. On the other hand, all the occupants and employees of a hotel, or lodging house, if that is their regular abode, and all the inmates of an institution, whether a hospital, poor house, insane asylum prison, school of learning, home for the aged, etc., are treated as constituting a single family. (The census family may be either a private family or an "economic family". The "economic" family is usually much larger than the private family as it may include servants, boarders and inmates. The term "private family" as used in this report comprises what may be termed the "natural family" and is exclusive of servants or inmates. For convenience the census family is referred to as "household" and the natural family as "private family".)

It was private family figures I was quoting. I find in the census a brief return for certain cities showing the average number of dependents supported by heads of families or wage earners. You will notice that this is confined to wage earners, in cities of 30,000 and over. The eastern cities are Halifax, Hamilton, London, Montreal, Ottawa, Quebec, St. John, Toronto, and Windsor. The western cities are Calgary, Edmonton, Regina, Vancouver, Victoria, and Winnipeg. The table shows the average number of dependents and the average number of children under fifteen per family. It also shows the financial responsibility of heads of the house; that is, the number of children wholly supported by the head of the house and the average number of persons supported, and the average number of children supported separately. As to the average number of persons per family in these cities, the return is not available in this form for other than cities of 30,000 and upwards.

I will put this statement in.

[Mr. Gerald H. Brown.]

SELECT STANDING COMMITTEE

AVERAGE NUMBER OF DEPENDENTS SUPPORTED BY HEADS OF FAMILIES OF WAGE EARNERS IN CITIES OF 30,000 AND OVER, 1921

Cities	Size of Family		Financial Responsibility of Head	
	Average number of persons per family	Average number of children under 15 per family	Average number of children per family supported wholly by head	Average number persons per family supported by head
Eastern Cities—				
Halifax.....	4.18	1.55	1.78	3.84
Hamilton.....	3.81	1.28	1.39	3.42
London.....	3.72	1.17	1.33	3.38
Montreal.....	4.45	1.75	1.96	4.00
Ottawa.....	4.13	1.48	1.72	3.76
Quebec.....	4.86	2.04	2.33	4.38
St. John.....	4.11	1.44	1.68	3.74
Toronto.....	3.75	1.22	1.37	3.41
Windsor.....	3.72	1.26	1.41	3.44
Western Cities—				
Calgary.....	3.84	1.43	1.58	3.62
Edmonton.....	3.94	1.53	1.71	3.74
Pegina.....	3.92	1.50	1.62	3.65
Vancouver.....	3.65	1.16	1.34	3.28
Victoria.....	3.74	1.22	1.44	3.49
Winnipeg.....	3.91	1.45	1.59	3.61

The WITNESS: Now you asked me with reference to the situation in England.

By the Acting Chairman:

Q. Might I ask you whether the same method is adopted in taking the census?—A. In Great Britain?

Q. Yes?—A. The method varies, but these figures are taken from the 1921 British census.

Q. If your census is not compiled in England the same way as it is in Canada your figures would probably hardly be relevant?—A. These figures are from the British census. Men over twenty years of age, 26.6 per cent are unmarried; 34 per cent married men or widowers with no children under sixteen years of age. These two classes, without any dependent children under sixteen, make up 60.16 per cent of the population. Married men or widowers, with four or more children under sixteen years of age, form only 6.7 per cent of the male population over twenty years of age.

Then may I refer to a point in Father Lebel's evidence where he referred to the cost of living—budgets; may I call the attention of the Committee to the fact that budgets were submitted to the Committee two years ago when a reference to a resolution of Mr. Woodsworth's was before the Committee dealing with minimum wage matters. The budgets of the Department of Labour furnished to the Committee were four in number at that time. One was designated as a "poverty level" with an income of \$900; one was designated as a "minimum subsistence level" with an income of \$1,400; one was designated as a "health and decency level" with an income of \$1,775; and the fourth was designated as a "comfort level" with an income of \$2,400. Now, these budgets were prepared on costs at that time, showing the divisions. Budgets 2 and 3 were published in the report. I do not know why, but for some reason budgets 1 and 4 were not included in the published report although they were put before the Committee by the Department. The four budgets in question were asked for as covering the same levels as were referred to in Professor Paul Douglas's book which was in evidence before us at that time two years ago.

[Mr. Gerald F. Brown.]

I think it is perhaps worth pointing out to the Committee that the different budgets that have been mentioned are based entirely on different scales of living. Mr. Clark's work in the city of Montreal, for instance, is among those who are in need of relief, and the budget which Mr. Clark has made up is around \$900. It has been mentioned here in our evidence previously, and it will be realized that that particular budget which is designated in Professor Paul Douglas's book corresponds to the one which is designated in Professor Douglas's book as a "poverty level". The other budgets are based on different scales of living. If you think it worth while I will put in this one sheet as a sample of the different budgets that were previously put before the Committee.

YEARLY BUDGETS OF EXPENDITURE FOR AVERAGE FAMILIES OF FIVE, CLASSIFIED ACCORDING TO INCOME, IN CITIES IN CANADA, 1926*

	1 Income \$900 "Poverty Level."	2 Income \$1,400 "Minimum Sub- sistence Level."	3 Income \$1,775 "Health and Decency Level."	4 Income \$2,400 "Comfort Level."
	\$	\$	\$	\$
Food—				
Meats and fish.....	94 25	126 00	156 50	170 00
Dairy products, etc.....	120 85	199 65	208 40	214 65
Bread, cereals, etc.....	45 20	53 45	53 45	66 85
Vegetables.....	39 75	35 58	42 21	47 76
Fruits.....	25 40	31 05	35 50	52 92
Sugar, etc.....	25 65	21 95	29 45	36 85
Tea, etc.....	18 25	17 70	21 20	34 65
Condiments, etc.....	4 50	4 15	4 75	5 25
All.....	373 85	489 53	551 46	628 93
Clothing—				
Man.....	66 85	80 65	90 65	124 50
Woman.....	67 42	77 50	97 25	127 45
Boy (11-13).....	44 15	52 40	60 30	75 85
Girl (7-10).....	30 84	38 19	44 39	66 41
Child (4-6).....	18 78	24 60	28 13	33 88
All.....	228 04	273 34	320 72	428 09
Fuel and light.....	94 25	119 05	147 05	159 80
Rent.....	144 00	240 00	330 00	420 00
Miscellaneous.....	59 86	275 00	370 00	720 00
Grand Total.....	900 00	1,396 92	1,719 23	2,356 82

* Budgets 2 and 3 were published in report of Select Standing Committee on Industrial and International Relations, Session 1926, pp. 27-36; the four categories being those laid down by Professor Paul Douglas, University of Chicago, in "Wages and the Family." A budget substantially equivalent to the "Comfort Level" was detailed in the report in the evidence of Miss Margaret S. Gould, which was stated to be based on the budget of the United States Bureau of Labour Statistics, pp. 83, 94-100.

By Mr. Woodsworth:

Q. Have the changes in the price levels made any substantial difference in the budgets in the last two years?—A. The changes in the price levels have been inconsiderable on the whole over a period much more than two years. They vary between summer and winter a little; but the changes I think Mr. Bolton our statistician will agree, are not considerable.

Mr. BOLTON: They would not be noticed.

WITNESS: The changes that have occurred in the cost of living over a period of several years would not be noticed. I have also from the census of 1921 the average earnings of heads of families in specified occupations. It includes bakers, bricklayers, masons, etc., for the cities I referred to. These figures are in dollars and cents, and if the Committee desires it I will put the statement in. The figures cover a wide range.

[Mr. Gerald H. Brown.]

AVERAGE EARNINGS OF HEADS OF FAMILIES IN SPECIFIED OCCUPATIONS, 1921

[Mr. Gerald H. Brown.]

Occupation	Eastern Cities									
	Halifax	Hamilton	London	Montreal	Ottawa	Quebec	St. John	Toronto	Windsor	
	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.
Bakers.....	1,011 04	1,229 25	1,168 80	1,076 11	1,320 95	1,035 13	1,065 65	1,280 00	1,263 20	
Bricklayers, masons, etc.....	1,170 88	1,136 27	1,173 76	1,062 21	1,271 82	1,028 46	972 16	1,142 86	1,379 09	
Carpenters.....	1,042 05	1,155 11	1,191 18	1,109 63	1,184 99	1,128 39	864 21	1,187 83	1,318 99	
Chauffeurs.....	1,005 00	1,028 36	1,102 81	1,167 25	1,111 87	1,056 48	863 41	1,084 50	1,263 13	
Domestic and personal.....	1,039 77	1,074 85	1,003 76	1,035 41	1,082 25	1,011 81	910 43	1,099 23	1,386 70	
Electricians.....	1,250 07	1,407 24	1,454 68	1,252 82	1,472 69	1,275 08	1,120 00	1,341 53	1,571 21	
Labourers.....	805 25	946 67	959 93	881 41	922 52	827 81	692 19	965 48	1,070 91	
Painters and decorators.....	1,019 68	1,046 43	1,178 47	1,074 24	1,198 51	1,042 10	841 01	1,106 57	1,333 54	
Plumbers and gas fitters.....	1,186 25	1,353 88	1,205 32	1,164 77	1,255 05	1,139 62	996 68	1,275 38	1,594 92	
Trainmen.....	1,449 66	1,835 03	1,955 81	1,662 88	1,982 36	1,774 34	1,563 07	1,813 60	1,881 06	
Street railway employees.....	1,405 73	1,317 27	1,291 91	1,244 98	1,426 98	1,371 63	1,234 29	1,363 10	1,576 74	
Salesmen.....	1,241 29	1,429 66	1,444 64	1,277 98	1,375 29	1,253 16	1,254 66	1,507 52	1,624 07	

Occupation	Western Cities					
	Calgary	Edmonton	Regina	Vancouver	Victoria	Winnipeg
	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.
Bakers.....	1,330 68	1,860 93	1,279 80	1,323 18	1,134 71	1,387 16
Bricklayers, masons, etc.....	964 33	1,029 08	1,259 72	1,015 19	891 88	1,217 03
Carpenters.....	1,096 18	1,131 45	1,268 16	1,116 45	928 81	1,224 56
Chauffeurs.....	1,206 66	1,175 16	1,270 91	1,154 30	1,126 66	1,145 57
Domestic and personal.....	1,171 28	1,118 53	1,184 53	1,087 64	998 82	1,132 19
Electricians.....	1,516 33	1,666 34	1,740 00	1,543 13	1,280 70	1,521 24
Labourers.....	981 46	952 62	985 74	868 65	819 25	980 37
Painters and decorators.....	1,104 57	1,131 24	1,276 72	1,097 52	874 92	1,168 95
Plumbers and gas fitters.....	1,238 93	1,287 02	1,431 52	1,089 87	1,019 93	1,369 73
Trainmen.....	1,962 60	2,039 42	2,079 53	1,830 51	1,689 91	2,034 92
Street railway employees.....	1,716 14	1,444 02	1,704 84	1,704 27	1,464 93	1,426 79
Salesmen.....	1,665 11	1,446 55	1,603 70	1,477 18	1,268 46	1,641 48

WITNESS: Those are the earnings as shown by heads of families themselves—the amounts which they have respectively earned during the preceding year; and our understanding in the Department of Labour is that the intention of the census authorities is to collect similar information as to 1930 which will be produced by those who make returns throughout the country in the ensuing year 1931.

By Mr. Woodsworth:

Q. On what year's census are the figures that you have given based?—A. 1921, the twelve months ending the 1st of June. You will realize that these figures of earnings are simply figures obtained from individuals who were asked by the census officials as they went around, "How much did you earn last year?" They are not based on returns from employers or on any definite returns of that kind, but are simply the amounts that individual heads of households stated that they had received over a period of a year. Perhaps I might take one typical city. Mr. Bolton, our statistician, reminds me, and Mr. Woodsworth referred to this, that the return given by individuals would be a little higher than the return probably that would be made by individual employers, for this reason, that in these returns given by the men themselves would be included anything that they had picked up apart from their regular employment.

Q. Just before you pass from the budgets, there would be no provision, I take it, there for any accident or death or prolonged illness in the family? I take it that a heavy expenditure of that kind might take months or years to make up? A. Just so. The budgets as given do not include other than the items for food, clothing, fuel, light, rent and miscellaneous items. The miscellaneous items, Mr. Bolton who made up the budgets tells me, include small amount for the cost of illness, but quite clearly the budgets would not be sufficient to cover any cost of prolonged illness. In that case the man simply goes to the hospital for free treatment or is otherwise taken care of by others.

By the Acting Chairman:

Q. We were merely continuing the first reference; would you come now to the second reference?—A. I do not want to weary you, but perhaps I might pick one city as a typical city and read the returns for a dozen or so occupations that are listed in this census return of earnings. Mr. Bolton suggests Toronto, perhaps, as an average city: bakers, \$1,280; bricklayers, masons, etc., \$1,142; carpenters, \$1,187; chauffeurs, \$1,084; domestic and personal, \$1,099; electricians, \$1,341; labourers, \$965; painters and decorators, \$1,106; plumbers and gas fitters, \$1,275; trainmen, \$1,813; street railway employees, \$1,363; salesmen, \$1,507. Trainmen would include conductors as well as brakemen. It would include the train crew. It would not, of course, include the engine crew.

With further reference to family allowances perhaps it might be of interest to say something more. Father Lebel appears really to have covered the ground very, very fully indeed in his survey of the situation. We try in the Labour Department to keep in touch with all these questions to some extent, Mr. Chairman, and we have in the Department reports and publications of various kinds dealing with the subject of family allowances, official reports and other reports which are at the service of the Committee and of any individual members of the Committee who may desire them. I think that the members of the Committee might be interested in a report on family allowances which has been published by the International Labour Organization of the League of Nations. I brought with me five or six copies of this report. It is the most complete survey of the subject generally that we have seen in the Department

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of Labour. It is not quite up to date as it was issued in 1924. Nevertheless, I think it will be found of service to anyone who is particularly interested. Those copies are all that we have to spare.

Perhaps, Sir, it would be of interest to make this observation: that the systems of family allowances existing throughout the world seem to fall roughly into two classes, that is to say, those schemes which are being introduced by private enterprise, and the system, on the other hand, which has been introduced in Australia of the payment of allowances based on amounts collected from individual industries, in much the same way as workmen's compensation is administered in many of the provinces of Canada, for the benefit of the families of workers employed in those respective industries.

There is a third system which ought to be mentioned, the New Zealand one, which is a little different. In that case allowances are paid to needy families from the general funds of the state; the funds are not collected by levy on the industries, but are simply taken from the General Consolidated Fund of New Zealand.

By the Acting Chairman:

Q. Would they have a board for selecting these particular people, Mr. Brown?—A. There is in New Zealand administrative machinery to ascertain if the case is one of need, and the payment is one of two shillings a week for each child in excess of two. The principal conditions are that the average weekly income of the applicant, his wife and children, including allowances, must not exceed four pounds plus two shillings for each child in excess of two. The applicant and (except in cases where the allowance is not payable to the wife) his wife must have been resident in New Zealand for at least a year and the children in respect of whom the allowance is payable must have been born in New Zealand or resident there for one year. Aliens and Asiatics do not receive allowances except by direction of the Minister.

The system in effect in New South Wales grew out of an inquiry into the cost of living, which was made throughout Australia at the instigation of Premier Hughes in 1919. The inquiry in question had resulted in a report, which went to show that the basic wage required for the maintenance of a family was one of £5-16/-, somewhere in the neighborhood of \$28 and \$29, a week. When the report was received it was referred to the Statistician of the Commonwealth for examination, and he pointed out that the entire produced wealth of the country would not meet that scale. In other words, if the profits enjoyed by those who received them were added to the wages throughout Australia, it would not bring the earnings up to that amount. The actual basic wage in Australia at that time, as fixed by arbitration boards and courts, was one of £3-17/-. The report was referred back to the Commission of Inquiry and the Commission thereupon drew up a scheme for the adoption of family allowances. They recommended that the basic wage should be raised to £4, and that allowances should be paid in excess of that in order to bring it up to a living wage.

New South Wales was the first state to adopt family allowance legislation. Their law was passed during 1927, and we understand it came into operation only a little more than a year ago. We have asked for reports of the operation of this law in New South Wales, and doubtless will have them shortly. When they come, we will be pleased to place them before the Committee, but we have no information as yet as to the operation of the New South Wales act.

The levy which was made on industry in New South Wales was on the basis of three per cent of the payroll. The amounts collected are, of course, funded, and the payments, which are at the rate of five shillings a week, for each child, are paid to the mother of the child from the state fund which is raised, as I have already indicated, by a levy on industry.

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I think it is perhaps worth while, in making it quite clear, to say that the systems existing in Europe are entirely voluntary systems which have come into effect over a long period of years, in France extending back for upwards of a century, and progressively in other European countries from France, including Belgium, Germany, Austria, Czecho Slovakia, Denmark, Finland, Greece, Jugoslavia, Italy, Lithuania, Latvia, Poland, Luxemburg, Norway, Holland, Switzerland and Sweden.

The system of family allowances in all these cases is one which is operating entirely on voluntary agreement. In many cases the systems are individual, that is existing in individual works, factories and plants. In other cases, there are by agreement what are known as equalization funds into which the amounts are paid by employers, a toll or fund of their own, so that the burden does not fall unduly on any one concern.

As far as there is law on the subject of family allowances in Europe, it relates exclusively to public employees.

The equalization funds are operating entirely within industry itself. The control is in the hands, for the most part, of the employers, although in some cases the administrative control is a joint control between the employers and the workers. In France organized labour is contending strongly for public control, governmental control. The levy is, in some cases, one which is on a group of concerns in one line of industry. In other cases it is a levy by agreement, of course, on all the industries in one locality, including the various kinds of industries that may exist there locally. It is the latter type of agreement which seems to be the prevailing one. It began with the individual concerns, but it has come now to be more a pool of all the industries in a locality rather than a group of industries of one class.

The amounts contributed towards the pool vary considerably in European countries, generally in the neighbourhood of from two to three per cent. The levy in New South Wales is three per cent.

It might be of interest to members of the Committee to know what the levy is in the case of workmen's compensation, for instance, here in this province. It ranges, I think, from a small fraction of one per cent, perhaps one-fifth of one per cent, to in the neighbourhood of five per cent in the case of industries where the risk is quite considerable. So you can perhaps form some idea from that of what the relative cost would be of a scheme similar to what they have in New South Wales.

By Mr. Plunkett:

Q. Would it be much trouble for your department to prepare a statement dealing, say, with France, Belgium, Germany, Australia, New South Wales, the United States, and the British Empire, giving an outline of what their social legislation is, what the payments are, and how the fund is levied from the people?—A. Including family allowances?

Q. Including family allowances, yes, anything that you might class as social legislation for the benefit of the people?—A. Well, we will be very glad to do so. Of course, you realize that that includes a good many different lines.

Q. You could simply say that family allowances in France are levied from such a source, and the amount is so and so.—A. We will be glad to supply whatever information we have.

By Mr. Letellier:

Q. Have you any information as to those who are being supported by the members of their own family, say a father and mother who are supported by their children?—A. The family figures that I gave include the case of fathers and mothers who are being supported by their children in a family group, in a

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household. I have gone through the census return pretty closely for what I have given you, and I found nothing that dealt with the case of old people, for instance, who are being supported by their children. We tried to get that in connection with our Old Age Pension legislation as well, and the committee found that there was comparatively little information on that subject separately.

Witness retired.

ANDREW D. WATSON called and sworn.

By the Acting Chairman:

Q. Whom do you represent, Mr. Watson?—A. The Department of Insurance. Mr. Chairman and gentlemen, I really did not understand fully why I was called here. The Superintendent merely asked me to come, and my understanding was that I was simply to answer questions. I did not prepare any general statement.

In regard to all the subjects included in the reference, however, I may say that in the course of my professional studies I have looked into them more or less. Not knowing particularly any matters that this Committee might be especially interested in I did not perhaps prepare myself as well as I might have, or as well as I should have. Nevertheless, I have brought a few memoranda that I prepared some considerable time ago, I think for Mr. Brown. There may be something in these memoranda that would be of interest to the Committee, or perhaps the Committee may have some particular question to direct to me. As I say, I did not prepare any address.

By the Acting Chairman:

Q. May I ask, Mr. Watson, what particular line you are interested in?—A. I am actuary of the Department. In the course of my work in the actuarial department I have had to study sickness insurance as practised by the friendly societies and also schemes like the National Insurance scheme in England. We have studied these things, but it is some years since. In the ordinary course of our work, except in an incidental way occasionally, one does not do much original work along those lines, although they are subjects that I have been interested in always, and I have read more or less on them from time to time.

Q. As I understand it you are more particularly interested in the sickness insurance end of it?—A. I have done some valuation work and sickness business for our friendly societies. I have had a good deal to do with those fraternal societies. The activities of those fraternal societies are in part covered in one of these memoranda. The substance of it, so far as you will be interested in it, is embodied in this report prepared by the Department of Labour. This was prepared two years ago. I went through it to see if in the meantime there was any great change in the figures as to the number of people, the amount of benefits, premiums, and so on; and there have not been in the last two or three years any changes that would affect the judgment of the Committee. The conditions are substantially what they were.

Mr. BROWN: Those are the figures we put in last year.

The ACTING CHAIRMAN: Possibly there are some questions arising out of the matter.

Mr. WOODSWORTH: When I moved the motion, if I may so, I think it was done on the suggestion of Mr. Brown. What we are trying to get at is something like the costs of a scheme of this kind as based upon the amount of sickness insurance and that kind of thing; and it was suggested that the Department of Insurance had a good deal of data which would enable us to

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arrive at this. Now, I think if the official has been insufficiently informed as to our purpose, it might be a good thing to ask him to prepare a short statement that would be of service to us in this regard. It is hardly fair to ask him to go ahead with a general statement without having had the specific information as to what we wanted. Would it not be well on some other occasion, if we are not asking too much of him to appear again, that he give us those particular points of information that might be of service in determining the costs of a scheme especially, I should say, as it affects sickness and invalidity.

The ACTING CHAIRMAN: How are you going to get at the unemployment end?

Mr. WOODSWORTH: We have already had a good deal from the Labour Department.

By the Acting Chairman:

Q. Mr. Watson, will that be satisfactory to you?—A. I should like to make it clear that the amount of work involved might be very, very great. Of course, that depends perhaps on what the immediate object in view might be.

Q. I presume you have from your observations of all the insurance companies carrying sickness and benefit insurance a good idea; you know pretty well?—A. It is pretty hard to draw any conclusion that would be useful to you at all; it is difficult. Statistics that are collected for one purpose are practically wholly useless for any other purpose. It would be very difficult. Even taking the sickness experience in England it would be difficult to develop any figures that could at all be considered as a safeguard here; the conditions are so radically different. Then, again, the calculations could only be made with reference to specific benefits. It would be necessary to define the amount of benefit; the conditions under which they would be paid. In fact, one ought to have a concrete scheme ready before one would be justified in setting to work to collect the necessary data and pass judgment on it. When sickness insurance was introduced in England as a national insurance scheme the actuarial work was done, I think everybody will concede, by the ablest actuary in England at that time, and he worked on it a very long time with very able assistance. I understand he killed himself working over it; but his work, of course, was with reference to a definite scheme that had more or less been decided upon. Whatever I could do would necessarily be done with reference to a definite benefit scheme of administration, and that sort of thing. Administration of sickness benefit amounts to almost more than anything else even in friendly societies and commercial companies. It is the efficiency of the administration that does more in regard to the scheme than anything else. That is one of the things that all fraternalists will tell you—that they are imposed upon right along, particularly where the administration is central. When the administration is really efficient they do eliminate the unfair claims, and that is one of the very important things, whether it is a national scheme, a friendly society, or a sickness insurance company.

Q. You are up against human nature there?—A. Up against human nature. If it is the wish of the Committee I could run over part of a memorandum which I prepared for Mr. Brown in answer to a questionnaire that was sent out by a labour conference of the League of Nations. I don't know that it is worth while reading it into the evidence, but perhaps I could give it more with a view to giving members of the Committee, if they wish it, my reaction in a general way to these problems. There are many things, perhaps, in this that might interest the Committee.

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Q. As I understand it, Mr. Watson, really what you would desire is that we should have some definite plan worked out as to what we really need before you can give the figures; is that the idea?—A. I certainly could not do so before the point had been arrived at, and whether I could then, of course, would depend on a good many things. As I say, the amount of work involved is enormous. Of course, if it were something rough and off-hand—if that is what you want—it would be different; but I am afraid that anything that is done in that way, rough and offhand, is a very poor guide and would actually be found insufficient in the end. Perhaps there is something along the line of the costs in England and in Australia. There is a recent report by the Royal Commission in Australia. The Commission, I think, sat over a period of two years or so and they reported on national insurance as a means of making provision for casual sickness, permanent invalidity, old age and unemployment; and the operation of the maternity allowances system with a view to the incorporation with national insurance of a system for securing effective prenatal and other assistance to mothers. In 1924 that Commission was directed to inquire into and report upon the question of amending the Invalidity and Old Age Pensions Acts, 1908 to 1923, so as to provide for the payment of destitute allowances. I prepared a review to be published in the transactions of the Actuarial Society of Great Britain with these reports, and there is certain information given there.

By Mr. Woodsworth:

Q. But in connection with friendly societies that we have in Canada—not very numerous, I presume—and the regular line insurance companies, is there no data that could be worked over that would give us some basis on which to work in this Committee?—A. Well, we could, I suppose, prepare a memorandum indicating the benefits that are granted by certain of the societies, and the rates that they are charging. In some instances these rates perhaps are producing a substantial surplus, but perhaps that would not matter. Probably they would be near enough. We could very readily furnish information like that. We have in the province of Quebec two very efficient societies operating very widely throughout the province and doing very efficient work, and they are fully seized of the difficulties that are always encountered in that line of business. I think they have devised machinery for meeting those difficulties, so that we could furnish you with the premiums they charge. However, there is just this difficulty. I suppose the Committee has in mind sickness insurance that would perhaps terminate at the time old age pensions begin, whereas these societies in Quebec, and fraternal societies generally, grant sickness insurance benefits that continue throughout life, although I think one of those societies, maybe both, put a maximum on the total amount that can be paid throughout life, so that, presumably, at some advanced age, or in some cases, some early age, no probable benefit could be paid. That is the difficulty with these figures; the applicability of them to your purpose might be rather limited. Nevertheless, they might have some utility.

The ACTING CHAIRMAN: Mr. Woodsworth, we are very anxious to assist you in any way.

Mr. WOODSWORTH: I think the situation is this: we are dealing with this matter and we are entering a realm that has not been very carefully explored.

The ACTING CHAIRMAN: That is the trouble.

Mr. WOODSWORTH: We are feeling our way, and we cannot possibly lay down a scheme until we have a little more general information than is possessed at the present time by the Committee. I might suggest or move that after this general discussion to-day, and after we have heard Mr. Brown who has dealt with one or two particular phases covering all the data available in his field,

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the Canadian sources, we should ask Mr. Watson if he could, without altogether too much trouble, prepare a brief memorandum, selecting—he is an expert—those statistics which he thinks would have some bearing upon this particular subject which we are discussing. He has a wide and intimate knowledge of the whole realm of statistics. We have not that intimate knowledge. We don't know just exactly what to ask for; but now that we have placed before him our difficulty, I would suggest that he confine himself to the departments of invalidity and sickness and prepare a memorandum for us.

The ACTING CHAIRMAN: Just all the operations of the companies operating in Canada along that particular line.

Mr. WOODSWORTH: The companies and fraternal organizations, and if he thinks it wise, he might institute some comparison with the operation of sickness insurance in other countries where it is in vogue—in France or elsewhere.

By the Acting Chairman:

Q. I suppose you can do something like that?—A. I shall do the best I can. When do you desire to meet again?

Mr. WOODSWORTH: We can get Mr. Watson at his convenience. I recognize the difficulty in giving a kind of roving commission, and I think Mr. Watson will recognize our difficulty. Until we have got a little more data than we have it is very difficult even to form the outline of a scheme.

The WITNESS: Perhaps, in that connection, I might make a suggestion. It is one thing to finance a scheme of benefits that may be desirable; it is another thing to determine what may be desirable. Take, for example, old age pensions. I am not familiar at all with the discussion that went on prior to the adoption of the Old Age Pension Act to any great extent except what I have read in the newspapers, but I suppose that some notion was formed concerning the benefit that would be necessary to meet the needs of the situation, and this is somewhat along the same line. One might from general consideration of the condition of industrialists in the country determine what would on the whole fairly well meet the needs and eliminate the causes of great hardship. I think that might probably be determined quite apart from the consideration of cost. Perhaps after that had been determined it might also be determined that half a loaf is better than no bread. One great trouble in regard to schemes and insurance matters in Canada is that our social structure does not furnish us with any of the machinery for administration that has been built up in the European countries in particular. We have none of that social structure, and it means really creating the thing. But some of those points I have dealt with in this memorandum. I do not think it would be well to read it into the minutes.

The witness retired.

The Committee adjourned.

ROOM No. 425, HOUSE OF COMMONS,

TUESDAY, March 12, 1929.

The Select Standing Committee on Industrial and International Relations met at 11 o'clock a.m., Mr. C. R. McIntosh, the Chairman, presiding.

The CHAIRMAN: The members of the Committee will remember that at the last meeting we were instructed to wire to Dr. Fleming of Montreal, to see if he could come here and give us his experience in connection with the health

survey he had made in that city, and also to see if the facts obtained in that work would fit into a scheme of national insurance. We have the Doctor with us to-day, and I believe we will have a very interesting and instructive statement.

Dr. A. GRANT FLEMING, called and sworn.

By the Chairman:

Q. What is your name in full, Doctor, and your position?—A. A. Grant Fleming, Professor of Public Health and Preventive Medicine, McGill University, Montreal; Managing Director of the Montreal Anti-Tuberculosis and General Health League, and Secretary of the Montreal Health Survey Committee.

By Mr. Woodsworth:

Q. Have you had experience outside the city of Montreal, Doctor?—A. In public health work I was occupied for a number of years in the Toronto Health Department working up to the position of Assistant Health Officer, and for a period of six months I was attached to the Dominion Health Department in connection with venereal disease work.

Mr. Chairman and members of the Committee, I have drafted as an outline what I hope is the material which the Committee desires to have presented to them.

Public health, as we understand it, is the application of the knowledge we possess concerning the prevention of disease and the promotion of health in an organized way for the benefit of the whole community.

The modern public health movement was initiated as one part of the general reform which sought to improve the unfortunate and undesirable conditions that arose out of the industrial revolution. In the beginning, it dealt with man's environment; then came isolation and quarantine as a result of Pasteur's discoveries, and, lastly, the health educational phase which has sought to bring about better health practices through the spread of health knowledge to the masses.

Public health work has been carried on for a sufficient length of time to permit of the development of standardized practices. In many phases of public health work, we can say that the proper expenditure of certain sums of money is practically certain to bring definite returns in the reduction of preventable illnesses and the prevention of deaths which result from such illnesses.

The reason that there is a variation from place to place in the occurrence of preventable disease is almost entirely due to the variation in the amount of public health work that is done by the state and voluntary health agencies.

The Montreal Health Survey was really a study of health practices in that city in order to permit a clear understanding of the success or failure of the organization of health work.

In the first place, it was clearly demonstrated that there is a larger number of deaths in proportion to population than is the case in other comparable cities. This being the case notably in regard to infant deaths and deaths from tuberculosis. It was also shown that the health activities, which one might say are standardized, had not been developed to the level of other comparable cities, and the comparable cities which were selected were twelve large cities in the United States with populations and with the geographical location which would permit of Montreal being fairly compared with them. Further, it was shown that the expenditure, through the Municipal Department of Health, amounted to 39 cents per capita, whereas it averaged 78 cents for twelve large cities in the United States.

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It was quite evident that Montreal, if it desired the same measure of health that is enjoyed by other cities, must be prepared to pay the cost. It was accordingly recommended that the budget of the Department of Health be raised to 91 cents per capita. It is evident that this money must be properly expended if it is to buy the fullest returns, and so, certain recommendations for improving the health administration and machinery were made, and also, a fairly complete outline of how the money should be apportioned to the various activities was drawn up. In some 32 chapters, the findings, discussion and recommendations were given in detail.

There is nothing in the report with which any trained health worker would disagree. There would be discussion as to whether the recommendations made were the best possible adjustment of accepted principles to local needs. That is, of course, a matter of judgment. And I might say, that according to last night's newspapers the Health Survey has been studied by the Director of the Department of Health of Montreal, Dr. Boucher, and in general, he has expressed his agreement with the findings of the Committee, and with the principal recommendations made in the survey, he himself making some suggestions which he thinks would make the suggestions of the Committee more applicable and more easily worked.

In the report there are a few points which I think would be of interest to the Committee, and the first one is that there is a large amount of money being spent by voluntary health agencies. Outside of the money they receive from the state or the government by way of subsidy these voluntary health agencies in Montreal in one year expended \$441,443.52. Altogether there was expended \$687,812.

Certain of the recommendations made are of interest, and, I think, would be applicable outside of Montreal. I mean they are recommendations which are of general value. One is that, instead of subsidizing voluntary health agencies by lump sum grants, the payment or the subsidizing of voluntary health agencies by municipalities or provincial governments should be on the basis of a service rendered.

There is another interesting suggestion in the report, which is basic I believe, and that is the use of the organized medical profession as an organized public health force. It is specifically recommended in the report that, in regard to diphtheria immunization, that immunization should be made by the family physician, and that he should be paid for so doing by the state. The basis of that is simply this: in the city of Montreal it costs over one hundred thousand dollars a year to hospitalize cases of diphtheria. There are approximately 100,000 pre-school children. If they were all immunized in one year, and the physician was paid one dollar for each immunization, that would cost the city in the first year one hundred thousand dollars. But after that first year there are approximately 20,000 births which would cost the city \$20,000. In other words, they would actually save in money \$80,000, and in addition to that, of course, they would prevent the suffering and so on from the disease.

I believe that that principle of using the family physician in health work should be extended, but it should be extended on the basis that he will be paid for his services by the state.

There is another recommendation that I would like to emphasize.

By Mr. Bourassa:

Q. You do not mean an imposed family physician?—A. I mean a family physician in the sense that he is selected by the family.

Q. Not imposed by authority?—A. No. In regard to public health nurses, there is, in general, a lack of appreciation of the need for public health nurses, and roughly speaking you will find health conditions, as they affect particu-

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larly children and tuberculosis, pretty closely parallel with the profession of public health nurses. In the city of Toronto I think their good record can be largely attributed to the fact that they have had a comparatively large staff of qualified public health nurses for a number of years, and they are not getting the accumulated effects of the work of that group. In the city of Montreal, for example, we recommend that there shall be appointed one hundred and eighty-four public health nurses, that being based, not on the population, but on the amount of work which it is believed there is to be done by such a group.

Q. Before you leave that, Doctor, do you know anything about the work done by the nurses employed by the Metropolitan Insurance Company?—

A. Yes. The Metropolitan Life Insurance Company as a business organization, and, I believe, touched by a desire to do good, have extended a nursing service to their policy holders wherever there is a large enough group to permit of it. Their idea in providing that nursing service is that its provision will result in the quicker recovery of the individual, a lessening of sickness and a reduction of mortality. In Canada, in general, they have provided that service by employing the Victorian Order of Nurses to do it. In the city of Montreal they provide that service to the English speaking population through the Victorian Order, but for the French speaking population they have their own group of nurses.

Q. Among others the Sisters of L'Espérance?—A. Yes. In one year the Metropolitan Life Insurance Company expended \$64,000 for their own nursing service in Montreal, and also paid \$27,000 to the Victorian Order for a similar service, which amounts to well over \$70,000 in one year that they have expended on nursing service.

By Mr. Letellier:

Q. Have you any details in connection with smaller places?—A. Well, I would say for example the experience in Thetford Mines, Quebec, is an outstanding example of what is done by organized public health work. One cannot say that the result of all that work was due the public health nurses, but if you were in public health work you would understand that you could not do public health work in a material sense without public health nurses.

By Mr. Johnston:

Q. Do those figures which you gave, as expended by the Metropolitan Insurance Company, apply to the city of Montreal?—A. Yes.

Q. They are expending money throughout the province of Nova Scotia in the same way?—A. Yes. Their actual expenditure in the United States and Canada runs up into the millions. And they have put out publications which show that by the expenditure of that money they have saved, I think it is, three or four million dollars.

By Mr. McGibbon:

Q. That is not for the ordinary policyholder, the holder of an endowment policy?—A. That is for their industrial group. It has been shown that inside of a few years, in rural and small town areas, that infant mortality can be cut in half by the proper use of these services. Then in regard to housing, the survey report points out the need of houses so constructed that they can be made healthy homes. We have an appreciation, of course, that any person can make a pig sty out of a castle, and that you can use a bath tub in which to store coal, but that does not counteract the fact that if a person has to have a healthy home it must be so constructed that it can be made healthy, and through education we may hope that it will be done.

In regard to industrial hygiene, the report points out that in Montreal 31 industries provided a complete or partial industrial health survey in their

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plants, and that approximately 10,000 industrial workers are safeguarded by very satisfactory industrial health services.

Amongst the recommendations there is the recommendation that occupational diseases shall be reported. We must know the occurrence of diseases if we are to know our problem.

Then, there is also the recommendation that no child under eighteen years of age be employed without having a medical examination and securing a certificate permitting his employment at certain work. We believe that no child under eighteen—and one might even raise that age limit—should be allowed to go into any occupation. The question as to whether or not his physical form will stand that type of occupation should be considered.

It is also recommended that pregnant women be excluded from work at least four weeks from the expected date of birth, and six weeks after. In making that recommendation we are quite alive to the fact that it means that some provision must be made to replace the earnings of that woman if they are a necessary part of the income of the home.

In Canada, at the present time, a relatively small number of municipalities, and a few counties, are served by well-organized health departments. In those not so served, there is much to be accomplished.

Through the Vital Statistics reports of the Dominion Bureau of Statistics, we have a fairly accurate measure of the numbers who die and the cause of death. In the survey report you will find, for example, that in 1927 in Montreal there were 219 deaths from diphtheria, a preventable disease, and, even if it is not prevented, a disease which can be cured if it is treated early. Then as to typhoid fever, if we leave out the epidemic years, we find that typhoid has been responsible for between fifty and sixty deaths right along.

By Mr. Woodsworth:

Q. For what period?—A. Each year. We find that tuberculosis in Montreal was responsible for 886 deaths in 1927.

By Mr. Bourassa:

Q. Is there tendency as shown by figures, to reduction in the number of deaths from tuberculosis in Montreal?—A. Oh, yes, very definitely.

Q. And for some years back?—A. Yes. The point is, if you compare Montreal with other cities where good health work has been done, you will find that after a period of time Montreal is in the position that they were in some years ago. The progress is satisfactory but it has lagged.

In regard to maternal deaths the situation in Montreal is comparatively satisfactory, that is, if you compare it with the rest of the country. But it is unsatisfactory if you consider it as it should be. The maternal death rate in Montreal is 3.8 per cent, whereas for the whole of Canada it is 5.7 per cent.

The serious position is represented in regard to infant mortality when we find that there were over 2,400 infant deaths in the year 1927, and of these infant deaths you will find that a large number of them are due to a condition or disease which we call diarrhea and enteritis. In Montreal in 1927 there were 870 such deaths, whereas in the city of New York, with many times the population, there were only 729 deaths.

Q. On that point, Doctor, have you followed up the work of the association in Montreal known as the Gouttes de Lait?—A. Yes.

Q. Are you in a position to appreciate the work they have accomplished?—A. Yes, I think I am. The voluntary health agencies in Montreal have carried a burden which they should not have had to carry; that is, if one believes that health is a responsibility of the state and should be provided by the state, either through their own organization, or by paying some voluntary organization to do the work for them.

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By Mr. Letellier:

Q. There seems to be a very bad epidemic of influenza occurring every year. Many people are dying from it, and I would like to ask if anything is being done towards alleviating it?—A. The only thing that is done is what you might call general. That is, there is the general advice that when you become ill you go to bed, which is good for any condition. We cannot prevent disease of which we do not know the cause, generally speaking. The reason we can prevent smallpox is that we have vaccination. The reason we can prevent diphtheria is that we have diphtheria immunization. We cannot prevent measles; we do not know how.

Canadian Vital Statistics have not been kept for a sufficient length of time to measure the results of health work. In England and Wales we find an increased expectation of life of sixteen years since 1838; in Massachusetts, 12 years since 1890.

Reduction in deaths represents a proportionate decrease in disease, but not altogether, as to some degree it is due to better methods of treatment. It also represents diminished suffering, sorrow and expense.

The amount of sickness in our country we do not know with any exactitude. We do know certain things. We know more or less the amount of incurable disease, because the incurable diseases are supposed to be reported, although we all know they are not reported to the extent of one hundred per cent by any means. We do know something in regard to the prevalence of venereal diseases. I do not think there is any more venereal disease in Montreal than in any other of our large centres. The provincial governments have done a good deal of educational work in directing the people to clinics that are provided, and they have secured perhaps a larger percentage of attendance than has been the case in other classes. But what we do find is this: that in the year 1927, in the city of Montreal, 6,464 new cases of venereal disease presented themselves at public clinics. Now, I think one would not be accused of exaggeration in saying that there were many other cases which went to private physicians, who were not treated at all, and, if so, we then get practically two per cent of the population with new cases of venereal disease in one year. If you take a generation as twenty years, you have 46 per cent of the population affected with venereal disease.

In regard to tuberculosis we know from the results of surveys and investigations that close on to one per cent of the population have tuberculosis. We figure, for example, that in the city of Montreal, with 886 deaths in one year, there are between 7,000 and 8,000 active cases, and that there are 28,000 infants who are close contacts of those cases.

Then we find in Montreal exactly what is found in every other centre, urban or rural, that when you examine the school children you find a large number of them suffering from physical defects. That means that the child's full development of his physical and mental capacity is being interfered with. The figures will vary slightly from place to place. We find in Montreal that 52 per cent of the children have defects of the teeth. We find that 22 per cent of them have some defect of the nose and throat. We find that 9 per cent have some defect of the eye, and that 12 per cent of them have some degree of defect in nutrition. As I say, those figures will vary from place to place, but in general they will be found true all over our country. In December, 1926, the sickness survey was made in one section of Montreal which showed over 2½ per cent of the people to be so sick as to be away from work. Each male in that area lost on the average 8.9 days per year, and each female lost 10.1 days on account of disability. The amount of time lost was highest in the older ages. It was found that 9.5 per cent of the disabled were confined to hospitals, 24 per cent in bed at home, and the remainder 66.5 per cent at home, or up and about.

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This survey was made from our French health centre—one of the centres of the Montreal General Health League, conducted in conjunction with the University of Montreal. The Metropolitan Life Insurance Company has made sickness surveys in many places. The figures in Montreal are a little higher than are found elsewhere, and that was likely due to the fact that the surveys were made in December when the sickness rate is higher. Taking all the sources of information into account it is probably nearly accurate to say that 2 per cent of the population are ill all the time.

Through reports of the National Insurance Act of England and Wales, we find that in 1927 there were 13,500,000 entitled to medical benefit. Among this number, a total of 30½ millions weeks' work, or 586,540 years, or the year's work of 590,000 persons, was lost on account of sickness or disablement lasting more than three days.

Now, if all sick persons are economically able to provide themselves with the medical, nursing and dental care they require, the problem presented would be one of educating them to do so. What percentage are economically unable to do so and what percentage do without necessary care, or are overwhelmed economically in securing care, when a severe illness does occur, we don't know.

In a study of tuberculosis deaths made by the Montreal Anti-Tuberculosis and General Health League in 1925, we found that 43 per cent first consulted a doctor within six months' of the time of their death. This means that this group were not receiving adequate medical care, which was a serious matter for them and also for the whole community, because tuberculosis is a communicable disease. Our impression was that they did not go to a doctor because they felt that they had to work and that there was no use in being told they were ill and should rest; they knew that.

As I have indicated, treatment of tuberculosis and other communicable diseases comes directly into public health because these diseases must be properly cared for in order to prevent their further spread.

Preventive medicine is, however, interested in the treatment of non-communicable diseases, not only those that are preventable, but as regards the early efficient treatment of all disease. For administrative purposes, the treatment of disease may not come under the health department but this does not mean that prevention and treatment can be separated; they cannot. The efficient treatment of disease, in its early stages prevents the development of the more serious conditions. Patients do not go to doctors' offices with fully developed diseases from which they die. They go in large numbers complaining of some upset of their digestive system, or some such symptom, which is often the first indication of the beginning of a serious malady. It is at this stage that proper treatment is so important, because it is the stage when treatment has the most to offer. This being so, public health workers have a real interest in seeing that proper care is available.

It is stated that, at present, the poor are cared for and the rich can afford to buy the necessary service, and that it is the in-between group who suffer. This statement may be true, but we have not the necessary facts to support it or deny it. In 1927, there was set up in the United States, the Committee on the Cost of Medical Care, which is making a thorough study of the subject. The Julius Rosenwald Fund has taken as one of its main objectives, the provision of medical care for people of moderate means. These facts are referred to as an evidence of appreciation in the United States of the need for doing something as regards the provision of medical care.

In Europe, there are several systems of sickness insurance—the purely voluntary, the state subsidized, the state supervised. The plans vary in scope and in benefit.

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In the general introduction to the study of compulsory sickness insurance made by the International Labour Office of the League of Nations, published in 1927, it is stated:—

The voluntary insurance movement has been found insufficient and it has become clear that the way to secure general and effective protection against the risk is by making insurance compulsory.

In addition to the provision of early treatment, any system which would bring the adult population under regular medical supervision and so provide the opportunity for health supervision, is worthy of consideration. Through ante-natal supervision, well-baby clinics and school health services, a great deal has been accomplished in the reduction of disease and the improvement of health.

I would just like to refer here to the point that in the last year the Victorian Order of Nurses gave obstetrical care to 13,920 mothers, and whereas the maternal mortality for the whole of Canada was 5.7, the maternal mortality among this group was 1.6. I think that that is very striking evidence of what adequate nursing care at the time of confinement, along with nursing supervision in the ante-natal period and medical care at the time of confinement, can accomplish.

This same idea of the supervision of well persons should be continued into adult life, chiefly in order to improve the quality of the health of adults.

Sir George Newman, chief officer of the Ministry of Health for England and Wales, has pointed out three respects in which the practitioner under the health insurance scheme works:—

First, he encounters disease in its beginnings: Secondly, he sees his patients in their own homes; and thirdly, his relation to them is not embarrassed by considerations of gain.

If to these three were added a health examination at least every two years, a high type of preventive and curative service would be effected.

In Canada, we know that a number of individuals insure themselves against sickness. Industry as a whole is taking an interest in the subject. I understand that at least fifty firms in Montreal make some provision, in an organized way, to provide allowances alone, or combined with medical services, for their sick employees. It would appear as if the employers saw some need and merit in sickness insurance.

I do not believe that the health workers have any partiality for health insurance. We see the problem of a large percentage of the population who are not in an economic position to prepare for, or to meet the cost of, sickness. We cannot see how a married man with a family, earning between \$15 and \$20 a week can do this. If he becomes ill himself, his family become a charge on their friends or on the community. A large number of the beds in our welfare and our relief agencies are used up in providing relief and care, due to a problem that has been the result of sickness.

For minor illnesses, he cannot attend hospital out-patient departments or dispensaries without staying away from work, as these departments usually only operate in the day-time. In any case, he should not be an object of charity. Our leaning to health insurance is prompted by the fact that it appears to be a provision against future contingencies, and as, unfortunately, in spite of all our preventive measures, illness comes to most of us, it is necessary for most of us to make provision for its occurrence. It is the substitution of a co-operative effort for individual provision.

It is apparent even to one who believes that the general principle of health insurance is sound that before suggesting its being applied to Canada, or as to the method of its application, there is the task of ascertaining the facts as regards Canada.

We should know whether an adequate medical service is available and if it reaches all persons in need. If not, what percentage are not reached, where are they located, and what is the reason for the service being lacking or inadequate?

Adequate medical care must be supported by adequate nursing care. Is there an adequate nursing service available in all parts of Canada, and is it reaching all those in need?

What about public health services from the standpoint of efficiency and completeness?

What will the committee, studying dependency in Canada, find in regard to sickness and preventable deaths as a contributing factor?

What does preventable sickness cost Canada each year? Can it be prevented?

I would suggest, if I may, that such a study must be made to provide the basis for any sound constructive action. It might well be initiated by the Department of Pensions and National Health who could bring in the Provincial Health Departments and the organized medical profession to make the study, or ask the medical profession to do it.

Just before closing I would like to read what Dr. Alfred Cox, Medical Secretary of the British Medical Association, in a review entitled, "The Medical Profession and Health Insurance in Great Britain" has to say. According to Dr. Cox, the broad results of the British system so far as the public is concerned are:

- (1) A greater sense of security in time of sickness on the part of the whole insured population.
- (2) A service which, in spite of its incompleteness, gives a large number of the population ready access to medical treatment of a kind superior to what they had in pre-insurance days, and a guarantee as to quality of service, greater than private patients possess.
- (3) A greater interest in the question of medical service on the part of the community in general.
- (4) A realization that the present service is incomplete and a desire to make it complete for all those at present insured, with an extension to their dependents in the near future.

So far as the medical profession is concerned there are:

- (1) A feeling of greater financial security among the doctors who serve the industrial population.
- (2) Certain restrictions on the liberty of the individual doctor in his dealings with his insured patients; these may or may not be inevitable in a system in which a third party, the state, intervenes between the doctor and patient, but they are certainly resented by many doctors and by many patients.
- (3) An increasing sense of the collective responsibility of the medical profession for the quality and standard of the service; and
- (4) A strong conviction that "The price of liberty is eternal vigilance."

I would like to point out that in the Gordon Bell Memorial lecture which was delivered by Dr. J. G. Fitzgerald, Professor of Hygiene, University of Toronto, at Winnipeg, on November 30, 1928, he points out the necessity for the organized medical profession in this question of the provision of adequate medical services for all people, and he closes his article with this statement:

I should like to suggest that a splendid opportunity is afforded the organized medical profession of this country to undertake a task of national interest and importance as follows: To ascertain whether

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adequate and satisfactory medical service, preventive and curative, is within the reach of all persons in need thereof; to learn whether the present volume of sickness with its attendant and economic loss may be lessened.

And so on. I merely referred to that because I think the Committee would like to know that the organized medical profession does see that there is this problem to be studied.

On the motion of Mr. Bourassa, seconded by Mr. Letellier, a vote of thanks was tendered to Dr. Fleming.

By Mr. Woodsworth:

Q. Might I ask the doctor to speak a little more clearly as to how he connects public health service with the conditions arising out of the industrial revolution?—A. Well, the industrial revolution brought people together in large numbers into cities and towns which sprang up over night and in which there were no sanitary decencies, and, therefore, by bringing these groups together and having them live under those conditions, many under conditions which were not comparable to their home conditions, sickness and disease ran riot—plus long working hours, and exploitation of child labour.

Q. You say that conditions as they exist to-day are very different from conditions as they existed in the pioneer stages of our Canadian development.—A. Oh, yes.

Q. And require some new policies.—A. I think the outstanding evils to a considerable extent have been removed, if that answers your questions.

Q. What I had in mind was this: That the policies which were suitable for our forefathers under pioneer conditions might not be adequate to meet the need of our modern industrial communities.—A. Well, in the early days they had a very limited knowledge and they sought to apply that. Our knowledge concerning the possibilities of preventable diseases and the handling of disease is a knowledge that grows from day to day, therefore public health work develops from day to day; and that it should and must be continued or we will slip back into the condition in which we were before.

By the Chairman:

Q. The need in pioneer days was not as great as now?—A. Oh, yes; just as great. I mean if you were speaking of the last one hundred years, I would say yes.

By Mr. Woodsworth:

Q. In the case of the people living out on farms, until comparatively recent years there would not be the same danger of disease as to-day.—A. Well, in general the health conditions in rural sections would be better than in urban sections if there was no health work done at all. I think, perhaps, that is true; but where health work is done in the urban sections then health conditions are much better than they are under the rural conditions where no health work is done.

Q. The President of the War Veterans suggested to me that they had tried to insure their members against sickness and that no insurance company would insure them on account of their war disabilities. How would such a matter be met in that kind of state insurance?—A. The state would provide the insurance and spread the risk, I presume. I am not an insurance man.

Q. Have you met with large numbers who to-day cannot take advantage of the present insurance arrangement?—A. Well, there are large numbers who cannot because they are not economically in a position to do so, or they are

not in the organized group and therefore they are outside of the class which can insure themselves individually or as a group. But I have no personal knowledge of groups who want insurance and have not been able to obtain it.

Q. Individuals may be poor risks?—A. Yes.

Q. Have you any opinion as to what body should best deal with such problems—a municipal body, a provincial organization, or a federal body?—A. I have not any ideas.

Q. In your work in connection with venereal disease, do you think the needs could be adequately met by local organizations, or is there need of widely correlated authority?—A. The wider the correlated effort is, the bigger the advantage as we often see. We had them under treatment when I was working in Toronto and they left and went to some other city. As long as the work is under the province, it is under the same machinery. If it passes out of the province, the same machinery does not apply.

Q. The other day in another committee, Mr. Macaulay of the Sun Life Assurance Company told us that they could not hope to carry on a successful business enterprise without having the directors beneficially interested. Do you suggest in regard to medical men that their relations would not be embarrassed by considerations of gain? That seems to be quite a different principle. Do you think it is possible to get good work from the doctors on that public health basis without their having the immediate desire for gain which might come from private practice?—A. I was connected with the Toronto Health Department for a number of years. One of the things that always impressed me was that the corporation employees—not merely physicians but nurses and inspectors—the whole group were always willing to work Sundays and overtime to give their best services when they knew perfectly well that there was not going to be any financial reward for those services; and my own experience has been that individuals will give everything they have to a public service although their remuneration may be very small, and there certainly would be greater opportunities for gain outside. Take a man like Dr. Hastings, Health Officer of Toronto—nobody would say, considering his nominal salary, that he could not gain more outside, or that he could work harder outside than he does at his present position.

Q. We are simply trying to feel our way towards meeting a problem that seems to be very acute. You have offered, as I take it, a very valuable and constructive suggestion that there should be some sort of a nation-wide survey to develop services so adequate and satisfactory as to be within the reach of all. How could such surveys be carried on? By what body?—A. Well, when you come down to the actual making of a survey I think perhaps the Canadian Medical Association—because it is a Canadian association, and because it has provincial branches and county branches—county and municipal branches—perhaps would have the best organization and would be interested I think all over the country in such a study. They would associate themselves with other groups, such as the nurses' group, the dentists', and so on.

Q. By whom would it be initiated?—A. I would think that the Department of Pensions or National Health might initiate it.

Q. And who would bear the cost?—A. I do not know that that is for me to say.

Q. You would hardly permit that to be undertaken by the Medical Health Association?—A. No, I believe it is a matter of national interest. I do not see why it should not be paid for out of the national treasury.

By Miss Macphail:

Q. Was there not a study of maternal mortality made all over Canada which seemed to work out well, and the cost of which was met by the Dominion treasury?—A. Yes, that was a study made by the Department actually.

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By Mr. Letellier:

Q. Could that be done? I thought you were satisfying just the soldier class?

Mr. WOODSWORTH: No.

By Miss Macphail:

Q. Would Dr. Fleming care to say how he thinks the report of the maternal mortality might be acted on? It should be of interest to every Canadian. How could it be made effective; by the co-operation of municipal, provincial and federal bodies, or have you anything you care to say on that?—A. It is a pretty large subject to try to answer. One would have to study in all the various localities what the facilities are to see if there were many women who didn't have ante-natal care and didn't have proper medical and nursing care at the time of confinement. Now, this has to be provided for.

Q. And if they didn't have sufficient means?—A. Sometimes it is because there is not a nurse in the district. You would have to study your various localities in the Dominion to see what needed to be done in the particular locality. I believe, for example, a tremendous extension of the Victorian Order services would be a real contribution because it would provide bed-side nursing.

Q. They could have it whether they could afford it or not.—A. Arrangements would have to be made so that they would have it.

Q. That is one of the great difficulties—the economic end.—A. Yes. As regards maternal benefits, there is no use of handing a woman money for having a baby. You must either give her services or give her money to buy services, and that means that the services must be there to buy. You can make an effort to study how that is to be provided.

Q. Just one province, Saskatchewan, has attempted it. They have attempted to provide for needy mothers; but I am not sure that they have provided services that are available.—A. Take for example the outpost hospitals of the Red Cross. Their contribution offers that. There is one centre where you have the doctor and nurses and you have the hospital for the area around it. In another centre there is no doctor, no hospital and no nurses. Under the National Health Insurance scheme, in England, they do give a special allowance to physicians in rural areas where their income is very low, to keep them in that area.

By the Chairman:

Q. In mostly all of the outpost hospitals in Saskatchewan the business men contribute to a certain extent. They have come forward and done a good work. They find themselves handicapped financially too. The municipal hospitals in Saskatchewan—the municipal and community hospitals—have been a wonderful help.—A. Yes, all these things are part of the solution.

By Mr. Woodsworth:

Q. You quoted an authority as to the possibility of compulsory insurance. What is your own opinion, Doctor, with regard to that question?—A. It seems to me that if the health measure is to be successful it must be compulsory or else the individual who is careless and indifferent will fail to insure himself, and when he becomes old the problem is there, as far as he himself and his family are concerned, and he becomes a charge on people who have to make provision for themselves. I would think it must be compulsory. I have an open mind on the subject.

Q. Before the National Health Insurance Scheme was adopted in England there already existed considerable machinery in the way of friendly societies. Do you think there would be any difficulty in our proceeding to set up machinery here, right from the ground up?—A. I always think that if a thing

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is desirable you can find a way to do it; but to suggest how one would begin, I do not think that one can make that suggestion until we know much more than we do know.

By Miss Macphail:

Q. Have you been interested in the travelling clinics of Alberta, following up the children in the schools?—A. Yes, I know about them.

Q. I think they have done very good work.—A. Yes, I think it is absolutely necessary. There is no use of rural schools finding defects that need correction unless you provide some means for having them corrected.

Q. At a sum that the parents can afford.—A. Yes, quite.

By Mr. McGibbon:

Q. This is a very important question, and one which has never got anything like the publicity it should have. I presume it is because people are not interested. We are losing about a quarter of a billion dollars a year?—A. It is a tremendous sum.

Q. I made a compilation of it last year and put it on Hansard, and I don't think that any newspaper in Canada even mentioned it. The amount of money that we are losing by preventable accidents, preventable illness and death is simply staggering. It is equal probably to two-thirds or three-quarters of the expenditure of the whole Dominion of Canada. Now, it would seem to me that the first thing we have to do is to rouse the national conscience, first as to the necessity and second as to the great national waste, because it is terrific. I think the whole thing is largely a matter of money.

The CHAIRMAN: You would have to get public opinion behind it before you could get the money required.

Mr. MCGIBBON: Getting down to the last analysis what you want is service. You cannot have service without an hospital and without nurses, and where you have these you naturally have the doctors. It would seem to me that if you could get national opinion behind you to such an extent that you could take hold of the organizations which are at present in existence, it would help. For instance, there is the Red Cross, an organization which came into existence after the war for this very purpose—to carry service to the outposts of civilization. They are being financed partly in Ontario—I am speaking of Ontario now—by the provincial government. They get a grant of sixty cents per day per patient. It is easy to see why that is desirable. I am speaking now largely of the Province of Ontario. If you could get an extension of this work, it would seem to me it would pretty well fill the bill, but it is going to require an awful lot of money; because I think it is safe to say that the services which you have outlined and which are very desirable are still withheld from three-quarters of the people even of the Province of Ontario. I think that is a pretty safe statement to make, and under modern conditions you cannot do much towards getting maximum efficiency without hospitals and nurses and medical men. If you have those three, along the lines of the Red Cross, for example where the conditions are such that they must take every patient that comes to the clinic—there is only one exception and that is if they have not got a bed—if that service could be extended, it would seem to me it would bring a maximum of efficiency that we have not got to-day. Personally, I am not in favour of this government starting up an organization of this kind from the Atlantic to the Pacific. I think it would be a failure, and would be working against the organizations at present in existence. The cities are very well provided for; no poor person in the cities need go without treatment—we all know that. They can get into the hospitals if there is a bed available. The rich,

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of course, can always provide for themselves if the service is available. There are times during epidemics when nurses cannot be had at any price. We have all had that experience, but, after all, there is the great middle class which comprises most of us and which needs some consideration. Even back where we are, a hundred and twenty miles from Toronto, before we got a hospital of our own, if we had a poor patient, all we had to do was to ship him to Toronto and they had to take him in if they had a bed. The law allows them to make a small charge against the municipality for that. In my opinion what we want is an extension of the service, and it is going to be an enormous extension if it spreads all over the Dominion of Canada, if the rest of the country is like Northern Ontario. I think if we could work out some solution of this problem it would be very helpful indeed.

Mr. WOODSWORTH: Doctor McGibbon does not suggest that all the poor people in the cities can have adequate hospital service?

Mr. MCGIBBON: Surely they can; the public wards are free.

The WITNESS: If I might interject a remark here: the vast amount of illness we are really considering concerns people who need not be in hospitals; it is an absolutely unnecessary expense to them. They can very well be cared for in their own homes. For example, I do not think our confinement cases need all be in hospitals by any means.

Mr. MCGIBBON: It is much better if they are.

The WITNESS: Well, no, I do not think that. I think a great percentage can be very well cared for in their own homes. Consider an individual who has a cold, or a slight bronchitis, or an upset stomach. He comes to his doctor for treatment; he does not need to go into a hospital—

Mr. MCGIBBON: He does not die.

The WITNESS: No, but it may be the beginning of an ulcer of the stomach or a cancer of the stomach, and if he is not properly treated for that comparatively insignificant ailment, perhaps a very serious condition would develop.

Mr. MCGIBBON: Why do you say "not properly treated"?

The WITNESS: The point is that at the present time the vast majority do not go to a physician for the reason that they have not the money to spend for it.

Miss MACPHAIL: You are quite right about that.

The WITNESS: I cannot prove that, but that is my impression based on some years of work. Consider our group of tuberculosis cases, where such a large percentage of them first went to the doctor within six months of the time they died. Those people were sick, but they did not go to the doctor. They knew they were ill and knew they should stop work, but they did not feel they could afford to do so.

Miss MACPHAIL: A great many people in my constituency of South East Grey do not have a doctor because they do not feel they can afford it.

The WITNESS: It is not a case of a doctor not being willing to give free service. It is a commendable action on the part of certain people. They already owe the doctor something, and perhaps the woman becomes pregnant and knows she needs prenatal care, but she does not call in the physician because she feels she cannot afford it and does not wish to add to her bill.

The CHAIRMAN: In rural districts there are people who may be living forty or fifty miles from a doctor. Under those conditions the bills for medical services are much heavier, and the people leave calling in the physician until the last moment.

Mr. MCGIBBON: That is my point exactly. The people should be brought into the hospital.

By Mr. Woodsworth:

Q. Aside from the actual hospitalization at the moment of acute illness, would not an insurance scheme lead, to a very great extent, to preventive medicine?—A. Absolutely. I think it is preventive medicine because it is early treatment, and in addition to that it would provide a real health service. It is generally agreed that for every death in the country there are one hundred cases of illness. That figure is based on a small but pretty thorough survey. That means, that out of one hundred, ten are acutely ill, and ninety are suffering from minor illnesses.

By Mr. Heaps:

Q. Have you paid any attention to the sickness insurance in Great Britain where the doctors work on a panel system?—A. I have read the reports every year which are put out by the Ministry of Health—

Mr. MCGIBBON: It is the biggest failure of modern times.

The WITNESS: —I personally have a great deal of respect for Sir George Newman, Chief Officer of the Ministry of Health, and I am much impressed by what he says. His opinion is that from the standpoint of preventive medicine the national insurance scheme is a success; at the same time he points out certain weaknesses and certain ways in which it can be improved.

By Mr. Heaps:

Q. I am really asking from the standpoint of preventable sicknesses.—A. Perhaps there is one way to answer that, and that is that nobody would say conditions in England are particularly satisfactory. They have a large mass of unemployment, low rates of wages, and so on, but at the same time it is safer to be born in England—from the standpoint of the baby—than to be born in Canada. Fewer babies die in England than in Canada at the present time. You have an infant mortality rate in England and Wales of seventy; in the city of Montreal it is one hundred and thirteen, so there is just that difference.

By Mr. McGibbon:

Q. What is the death rate in Canada?—A. I think the last figure was one hundred and one.

Q. How does that figure compare with Great Britain?—A. Their rate is seventy. One hundred and one, point nine was the rate for Canada in 1926, and the rate for England and Wales in that year was seventy.

Q. Under what age?—A. The number of children under one year of age per one thousand born alive. The meaning of that is that in England, out of every one thousand babies born alive, seventy die the first year; in Canada, out of every thousand born alive, one hundred die the first year.

By Mr. Heaps:

Q. Under the British scheme they have maternity benefits?—A. Yes; they even have dental benefits in certain areas.

Q. In your opinion do you believe that a scheme along that line would be a good thing for the Dominion of Canada?—A. My opinion is this; there is a great need, and public health workers have a general feeling that health insurance does offer a possible solution of that need. If somebody else has any other scheme which meets that need, we have no bias; so long as the need is met, that fulfils our interest. At present I know of nothing which seems to offer as much as health insurance in some form.

By Mr. McGibbon:

Q. Would you have that compulsory?—A. Now you are getting into economics. In general, I believe in contributions. I think these things should be contributory. I was told last year by a Scotch economist that the system

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in England would soon require no contributions from the government; it would be entirely borne by the individual employers. I do not see how you could work it unless it was compulsory, because, as I said before, the indifferent individual would not insure himself, and when he became ill he would be a burden on the community without having contributed. There is another thing; it would relieve our hospitals of a big burden. The out-patient departments of our hospitals carry a tremendous burden in providing care for those who are not absolutely indigent, but still can not afford to pay for medical treatment.

Q. What would you do with those cases?—A. You mean the casual labourer?

Q. The casual labourer, the agricultural class, business men and professional men.—A. That is something you would have to work out. Personally, I have no solutions for it. It is a big problem; you appreciate that as much as I do. We must make our diagnosis first.

By Mr. Woodsworth:

Q. A great many people are appalled at the cost of the scheme. Would you not say at the present time that with the extremely poor the cost of their illness runs into large figures?—A. Undoubtedly that is so, but because it is not paid out in a lump sum, we do not see it. The cost of sickness to the country is tremendous, but it is spread out and is intangible to a large extent. It is estimated by economists that a baby at birth is worth \$10,000 but when that baby dies nobody takes \$10,000 out of the government's pocket. But that really is what happens because we lose that amount in our natural resources.

Q. You gave figures with regard to the estimated loss in England through deaths. Have you any figures for Canada—any estimate based on the conditions here?—A. No, I have not. There have been some estimates made. You can take the average of 2 per cent of the population being ill at one time, and consider the number of deaths from preventable causes, and you get up into such figures that you are staggered.

By Mr. Johnstone:

Q. Has not the situation improved in the last twenty years since hospitals have been established?—A. We never were as healthy as we are now.

Q. Would it not be a good idea for industrial companies and large firms to have their own hospitals, such as the coal mines in Nova Scotia have? Every coal company in Nova Scotia has its own hospital to which the men subscribe so much a week. Up to ten or fifteen years ago we did not have that and we had to depend upon the community nursing, but to-day in the coal regions they have their own hospitals towards which the men pay, and into which they go when they are ill and receive free attendance for the twenty cents a week, or whatever it is they pay. It seems like a good scheme to me, not only for the coal mines, but for other large industries as well.—A. What really happens in some centres is that industries do contribute very largely to the maintenance of hospitals, first, through their taxes, and secondly, through contributions to make up the deficits. The organizations you have may be the ones which apparently meet your needs, but you will appreciate that conditions vary tremendously in different places, and that is why one has to be careful in making a general statement as to what should be done. General statements may be made, but the needs of each individual community or area must be considered.

By the Chairman:

Q. Is this industrial medical service and nursing very general in Canada?—A. Well, no. I think perhaps it is as extensive in Montreal as any place where there are approximately ten thousand industrial workers who are covered, but that is a very small percentage of the whole.

[Mr. Grant A. Fleming, M.D.]

Mr. BOURASSA: I think we are all extremely thankful to the doctor for his illuminating testimony, and I move that we express our thankfulness in the most decided manner.

May I point out that there are three or four outstanding features of this very important matter which should be kept in mind and studied from actual conditions existing in this country, while making use of the experiences of other countries.

In the city of Montreal in which I was born and in which I have lived most of my life, the most acute problem there is perhaps that of habitation,—the housing problem. I consider that most of the dwellings housing our population in Montreal are built in a most absurd and nonsensical fashion; and the municipal authorities, unfortunately, have not taken up the problem. It seems to me that the slum problem, as it is called in England, is with us in Montreal,—I speak for Montreal alone—in such a manner that it should be taken up at once. A very large proportion, not only of the labouring class, but of what—shall I call it the middle class to which the doctor has referred? who are not either very poor and therefore do not attract the attention of charitable institutions,—live in houses where it is absolutely impossible to raise a family under proper healthy conditions. Lack of sun, lack of ventilation, lack of space, especially for large families: I think that is closely connected with the problem studied at the previous sitting, together with the attention to be given to the raising of children.

The second point is the care to be taken of women in pregnancy. I had once a very interesting conversation with one of the most experienced men that we have in Montreal, Dr. de Cotret, who I think has brought into this world the largest number of children in the city of Montreal for the last forty years. He told me that in his private practice he had come to this, that he exacted from any woman who intended making use of his services, the promise to consult him in the three first months of her pregnancy in order that he may look after her case long before the time of the birth of the child, so that the child would come into this world in proper condition, and the mother well taken care of in proper time.

The third point is the nutrition of the child. In one of the questions I put to Dr. Fleming, I referred to the admirable and excellent work done by the voluntary society called Gouttes de Lait. I might give my personal experience of the parish in which I lived for fifteen years, Mile End. There, may I say, we had a parish priest who is one of the most effective social workers as well as educationists in Montreal, Father Perrier. One of the first things he did was to organize the Gouttes de Lait. Then he followed up the statistics of that one group, similar to those in existence in many of the parishes, and the results have been wonderful, both with regard to the health of the mothers, the health of the children and the reduction in the death rate of the babies.

The fourth thing, of course, is tuberculosis. I think if we could tackle these aspects of the health problem: habitation, the care of women in pregnancy, the proper nutrition of children, the adoption of preventive means in regard to tuberculosis, we would obtain tremendous results, in the city of Montreal, especially, and in all large centres. In these matters we have to take into account the climate of the country, the fact that the winter is so long and the people are so much confined in houses heated but not properly ventilated. There is the contrast between the summer and the winter, and, therefore, attention should be given both to the proper ventilation of the houses in winter and to their proper heating, and also to the introduction of sunlight. I believe in the action of the sun more than in the science of all the physicians put together. Then there is the care of the milk, in summer especially. I think some progress has been accomplished in Montreal in this respect, and what remains to be accomplished, as the doctor says, is a tremendous amount of education of municipal authorities, of health authorities, of mothers, of fathers, of all the people—even the physicians.

In St. Jerome, for example, I happen to know of the splendid work that is being performed by the nurses employed by the Metropolitan Insurance Company. They have had wide experience, and statistics show that they have effected a reduction in infant mortality, and helped the recovery of women after childbirth.

WITNESS: Yes.

Witness retired.

The Committee adjourned.

ROOM No. 425, HOUSE OF COMMONS,
WEDNESDAY, March 14, 1929.

The Select Standing Committee on Industrial and International Relations met at 11 o'clock, a.m., the Chairman, Mr. C. R. McIntosh, presiding.

The CHAIRMAN: We have Dr. Fitzgerald with us this morning. The Doctor is connected with the School of Hygiene, Toronto University, and he is continuing the development of the reference which we had before us the other day on sickness insurance.

JOHN GERALD FITZGERALD called and sworn.

By the Chairman:

Q. What is your name in full, Doctor?—A. John Gerald Fitzgerald.

Q. And your position?—A. Professor of Hygiene and Preventive Medicine, Director of the School of Hygiene and the Connaught Laboratories, University of Toronto.

Q. I think, Doctor, you are acquainted with the reference before the Committee dealing with the subject of sickness insurance, and if you would just present what you have to the Committee, then we will question you perhaps later, or as you go along.—A. Mr. Chairman and members of the Select Standing Committee on Industrial and International Relations, I have not prepared a formal statement dealing with the questions of invalidity and sickness insurance, and have not had an opportunity until this morning of seeing the evidence presented by my friend, Dr. Fleming, on Tuesday morning. However, I gathered from the letter, which I received yesterday afternoon from the Clerk of the Committee, that you desired from me opinions which I might have formed from investigation in the general course of studies in preventive medicine, views on the question of sickness and invalidity insurance, perhaps in relation to some national scheme which might subsequently be developed. If it is pertinent, Mr. Chairman, and does not overlap the evidence of Dr. Fleming, perhaps I might take five minutes to very briefly review the situation elsewhere in respect to insurance against sickness. I may say that I am, of course, at this time expressing my own personal views and opinions and not those of the Institution of which I am a member, or of any of the various medical organizations with which I happen to be associated.

Compulsory insurance against sickness, of course, is no new thing. Since 1884 a comprehensive plan of invalidity and sickness insurance has been in effect in Germany, and an equally comprehensive plan of voluntary insurance against invalidity and sickness has been in effect in Denmark. And since 1912 a similar compulsory insurance against sickness provided in the National Insurance Act in 1911, has been in effect in all parts of the British Isles.

There are certain general principles underlying social legislation of this sort, and in respect of sickness insurance I will just run over a few of these.

1. It is intended that medical benefits should be provided in kind by insurance societies for a certain proportion of the population of the country in which such social insurance is introduced.

2. That agreements have been made—and it is probably desirable that they should be made—relating to the nature and character of the medical service to be provided, and that such agreements should be entered into between the groups of insurance societies and the organized medical profession in the country.

3. That provision should be made for free choice of Doctor by the insured person.

4. That the remuneration of doctors should be provided for by a capitation fee.

5. That the control of the medical service provided should be exercised largely, and perhaps chiefly through the organized medical profession, of course, within such limitations as would be provided by legislation and regulations thereunder.

6. That, if possible, provision for institutional treatment of insured persons should be provided.

7. That arrangements should be made for systematic education of the insured population in the elementary principles of preventive medicine.

It would seem that wherever such provision has been made it has been attended with a certain danger of malingering on the part of the insured population, or a danger of valetudinarianism, which means, as members of this Committee are doubtless aware, that a certain proportion of the insured population may imagine themselves to be suffering from some ailment when actually they are not, or to conceive of their disability as being more significant than it really is. In general, however, those dangers have in the main been thought to be more significant than subsequent experience has actually shown to be the case.

It is not my desire, Mr. Chairman,—and I am sure it is not the wish of members of this Committee—that any detailed explanation or statement relating to the experience either in Germany or Denmark, the pioneer country in compulsory insurance, on the one hand and voluntary health insurance, or sickness insurance on the other should be dealt with by me this time. If it is the desire of the Committee I will be glad to give a reference to a monograph dealing in a comprehensive and adequate fashion with the experience in those two countries down to 1912. This will be found in a book “Medical Benefit”, a study of the experience of Germany and Denmark—

By the Chairman:

Q. Germany is the example of the voluntary, and Denmark of the compulsory?—A. Yes, Mr. Chairman. The book is entitled “Medical Benefit”, a study of the experience of Germany and Denmark, by J. G. Gibbon, published in 1912, in London, by P. S. King and Son.

Compulsory insurance against sickness in the British Isles, as you are aware, was made effective under the National Health Insurance Act of 1911, which came into operation in 1912. Five years ago, a very interesting summary of the experience of the first twelve years of the operation of the Act was provided in a symposium held at the Ninety-Second Annual Meeting of the British Medical Association in the section of Medical Socialology, the proceedings of which appear in the British Medical Journal for August 2nd, 1924, pages 167 to 180. I believe this is a valuable and significant statement, for this reason: that in this discussion representatives of the insurance committee, the bodies charged with the administration of the Act, were represented, that is, the benefit societies through which the benefits are paid, the insured persons both male and female, the medical profession by consultants, general practitioners, representatives of the voluntary hospitals both on the medical side and on the side of the administration, while the views of whole time medical officers of health were also expressed upon that occasion. Of necessity, these statements are concise, but they cover a very great deal of ground.

[Mr. J. G. Fitzgerald.]

Dealing with the proceedings of that meeting, the section of medical sociology of the British Medical Association, an editorial entitled "The Insurance System Debate" appears on pages 203 and 204. May I with your permission, Mr. Chairman, take a moment to quote the last paragraph from it.

It is possible, if not probable, that the question will be raised, how far it is the opinion of the section of the people consulted represents the general opinion of panel practitioners and of approved societies throughout the country.

The speakers of course were directly elected representatives for the purpose of this debate, but from all information obtainable it may be assumed that neither the panel practitioners nor the approved societies in general would entertain for one moment the idea of replacing the Insurance Act by any other system yet devised, however much they may complain about the shortcomings of the service, or the worrying administrative details with which officialdom has surrounded it.

I should like also to make reference to the report for 1927 of the chief medical officer of the Ministry of Health of England and Wales, where on page 253 this statement appears—

The value of health insurance practice is likewise beyond question. It is an intelligent method of organizing private medical practice for the bulk of the population. Its success depends upon reasonable co-operation between the doctor and his patient. It pays them both for the patient to be kept well, and it is meant that it should also be an educational system in which the practitioner is the true doctor and teacher of his client.

Much sickness may be and is dealt with in insurance practice, and where it cannot be dealt with, the system should act as a clearing house by which the patient is otherwise treated. This method rightly used should be an effective instrument of preventive medicine.

It is impossible to suppose that seven million persons are receiving medical advice every year without educational effect, but it is certain that it is insufficiently appreciated. It will perhaps be unnecessary, in view of Dr. Fleming's evidence, to say more at this time with respect to the proportion of the population in England and Wales provided for under national insurance, except that it is about fourteen millions of the population, that this service is provided by something over fourteen thousand doctors, and that for the year 1927 the total cost of medical benefits in England and Wales was £8,794,900, of which approximately £6,628,800 was expended in the remuneration of doctors, and £2,168,100 in the provision of medical appliances.

What is the situation in Canada, Mr. Chairman and members of the Committee; what is the volume of sickness and invalidity in this country, either attended or unattended? We have no exact or definite knowledge or information with which to answer this question. It is true that certain estimates have been made, based upon the experience in England and Wales, and in the United States, as to the volume of sickness and invalidity, and its cost. But I should like to reiterate that we have no precise and definite information, because no provision is made for the collection of morbidity figures. The volume and kind of sickness occurring in the community at all times in large part goes unreported.

Secondly, what provision have we in this country for dealing with sickness and invalidity? It is impossible to completely answer that. Some of our resources are of course well known at the present time, but on the side of curative medicine there are between 575 and 600 hospitals, general and special, in Canada, with between 55,000 and 65,000 beds. There are believed to be about 8,000 physicians actively engaged in the general practice of medicine, and there are

perhaps one thousand in addition in other fields, such as research, teaching, public health, hospital administration and in charge of the direction of medical or lay organizations.

The third question is what is the cost of medical care, including hospitalization, dental treatment, nursing, and so on? Here again we can only resort to speculation, to arrive at any idea at all as to its amount.

Then again, the fourth question; what provision for insurance against sickness and invalidity is now available in Canada on a voluntary basis? It is practically impossible to give any satisfactory answer to that question.

So that my own view, in a word, Mr. Chairman, is that a study of the Canadian situation in respect of the need for sickness and invalidity insurance is highly desirable. In my judgment one aspect of this study could be undertaken perhaps by the Canadian Medical Association, and one of the voluntary health promoting agencies, the Canadian Social Hygiene Council, if such a request came from the Department of Pensions and National Health of this country.

Perhaps from this point on, Mr. Chairman, any service I can render to the Committee can best be done by endeavouring to answer any questions the Committee may wish to ask.

The CHAIRMAN: The meeting is open for questions and discussion.

By Mr. Woodsworth:

Q. You referred to certain estimates which have been made with regard to the needs in Canada, based upon the experience of England and Wales on one hand, and of the United States on the other. Have you such an estimate available?—A. In answer to Mr. Woodsworth, Mr. Chairman, an estimate has recently been prepared by Dr. J. W. S. McCullough, Chief Officer of Health of the Department of Health of Ontario, based upon data contained in Mr. Homer Folk's book, including an estimate of the expenditure for physicians, dispensaries, hospitals, nursing care in patients' homes, medicines, medical supplies, et cetera, dental care, loss of wages during sickness, and expenditure for the prevention of illness by the Dominion, the provinces, the municipalities and voluntary societies. This is shown as distributed and not distributed estimates, distributed estimates totalling \$34,098,066, and not distributed \$276,962,382.

Q. What do those words "distributed" and "not distributed" mean?—A. Where the individual makes provision entirely on his own, it is spoken of as a "not distributed" estimate.

Q. I still do not quite understand what is meant. Under a general scheme, would not every one who participates come under it and be included in the "distributed"?—A. These estimates prepared by Dr. McCullough cover expenditures of course in public health as well, and a large part of these are distributed, that is, they are provided by the Government of Canada, by the various provincial governments, and the municipalities, and that is distributed. It is money raised for public health purposes, that is distributed; whereas the provision for medical care, hospital care, nursing care, medicines, medical supplies, and so on is not distributed, it is provided at the individual expense.

Q. That is, up to the present time?—A. Yes. It is very much more comprehensive than what is included in the plan for either voluntary or compulsory health insurance. This is an attempt to arrive at expenditures on account of illness either through the organized public health authorities or by individuals.

In the foregoing Dr. McCullough goes on to say,

In the foregoing estimate of the loss arising from sickness no account is taken of various other expenditures which might properly have been included such as funerals, services of untrained women, the men and women of the sick house, of dental hygienists and dental assistants, of oculists and the cost of glasses, nor of the capital costs and interest

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thereon of hospital construction, the latter of which is upwards of two hundred millions of dollars.

No account is taken of the losses due to accidental deaths. In Ontario alone there are 439 deaths from industrial accidents annually among 500,000 workers. This means 858 deaths per million, as compared with 500 in the State of New York, and 45 in England. The costs of compensation are not included. Because of accidents alone this item costs the province of Ontario six millions a year.

If the various sums mentioned are recapitulated we shall find that sickness costs the individual over 276 millions a year or 8 per cent of the total, that 11 per cent of the losses or 34 millions are distributed to the community and that the total bill for sickness in Canada reaches the enormous figures of over 311 millions annually. If to this is added the stupendous loss of future earning power from premature death we reach a grand total of \$1,311,060,448, of annual loss due to sickness.

That, of course, I must repeat is an estimate, arrived at in the same way as Mr. Homer Folk arrived at his estimate dealing with the situation in the State of New York.

We have of course a much more exact idea, although in part an estimate of the total federal, provincial, municipal, and public health expenditures in the Dominion of Canada. The estimated aggregate expenditures of the provinces and municipalities annually is \$3,563,068.50. If to this is added the expenditure of the Department of Pensions and National Health of Canada, the total is \$5,454,529.32 for public health work.

The municipalities' expenditures are for the most part estimated only. The expenditures of the federal government and the provincial governments were those supplied by the health authorities of those departments.

MR. WOODSWORTH: Mr. Chairman, I presume that under a thoroughly organized national system of state insurance, there would be a great many economies; there would be a great deal of preventive work which would probably lessen the bill, and yet on the other hand there would be a much more extensive service than is now provided. Has the witness any idea as to whether a systematic arrangement would be more expensive or less expensive than under the existing system?

WITNESS: To answer that question would of course necessitate having figures from the various countries where health insurance is now in operation, and where it will be seen I think that the total expenditures now greatly exceed those that were made prior to the introduction of plans for sickness and invalidity insurance. For example, in England and Wales the total expenditures in public health service prior to 1911 are easily obtainable and also those since 1912, following the introduction of the National Health Insurance Act, and the introduction of compulsory health insurance, and it will be found that with the State subsidy there has been a very great increase in the total expenditure by the State.

By Mr. Woodsworth:

Q. I did not want it limited to the State. I want the entire bill. Would the entire bill for medical services in Canada, which you have given us under the existing conditions, be increased or lessened if we had a national system of insurance?—A. I am afraid I cannot answer that because one would of necessity have to speculate.

Q. I simply take some of the statements you have made. You suggested I think that there would be many economies under a national system, that preventive work would cut down the cost, not to the State but to the community, with a lessening of the number of funerals, loss during illness, and that kind of thing; and on the other hand, there would be much more extensive service to

offer to a great many people who now cannot afford to pay for it. I was just wondering how our national ledger would stand?—A. In general, the view held in countries where there are systems of national health insurance is that the State and the individuals in those countries are better off financially, which probably means that they spend less on preventable sickness than they did before.

Q. Under any sort of national system, have you considered whether this should be under the jurisdiction—I am not thinking of the merely constitutional question, but from the effective standpoint of the working out of it,—should it be under the jurisdiction of the federal authorities, or, on the other hand, could it be worked out by a series of provincial arrangements?—A. The Workmen's Compensation of course is so administered, and I see no reason why it would not be possible in respect of sickness and invalidity insurance.

Q. Do you consider that it ought to be a compulsory system?—A. The views of these men who have had the most experience with the question and who have given the greatest amount of thought and consideration is that the compulsory system is superior to the voluntary system.

Q. I think Dr. Fleming told us the other day in a private conversation that you had had some opportunities of seeing the working out of this system in Great Britain. Would you care to give us your opinion with regard to the working out of the system over there?—A. It is the almost unanimous opinion among those engaged in work in public health and preventive medicine that this is the most valuable auxiliary in the promotion of public health, the provision of national health insurance.

By the Chairman:

Q. What is the popular conception throughout the British Isles regarding it?—A. Perhaps your question, Mr. Chairman, may be answered by a reference to the opinions expressed by representatives of the insured persons upon the occasion of the discussion of the workings of the Act, twelve years after its introduction, when Mr. Tom Harland, of Bradford, spoke on behalf of the male insured persons and Miss Florence Godfrey, of Birstall, spoke on behalf of the female insured persons. Their statements, very brief, very concise, and very satisfactory, appear upon pages 171 and 172 of "The British Medical Journal" of August 2nd, 1924. Perhaps they are somewhat too long to read into the evidence, Mr. Chairman, but they answer very satisfactorily your question, and as far as I am aware they express the majority opinion, which is this, that the insured persons, would be very sorry indeed to go back to the condition of affairs that existed prior to 1912.

By Mr. Woodsworth:

Q. You know the conditions both in Canada and Great Britain. Do you think the British system could be adapted to meet the needs of this country?—A. There are very few things that we have felt we needed from Great Britain that we have not been able to adopt, and I do not believe that there is any real reason why that could not be done.

Q. We are told that with our very scattered population,—part of that population living in pioneer conditions, a considerable proportion of the population of Canada engaged in agriculture, and so on,—it will be much more difficult to administer than in a compact industrialized country such as Great Britain.—A. That of course is true to a certain extent, and in some countries where compulsory health insurance measures are in effect, agricultural workers are not included in the group of insured persons. That originally, was true in Germany, but subsequently agricultural workers were included, and are now provided for under the German plan. In Denmark, which is almost entirely an

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agricultural country, it is true that the population is not as scattered as it is in the provinces of this Dominion, but it is scattered, and many of the people live in isolated communities, on islands. Denmark is a group of islands, and a very satisfactory system of health insurance is in force in Denmark.

Q. If an industry itself were supposed to contribute to this scheme, who would contribute to it in the case of the farmer?—A. The employer, of course, whether an employer of agricultural labour or of industrial labour, presumably would have to contribute.

Q. But in the case of the working farmer, who is almost on the verge of necessity?—A. That is dealt with in this way, in some countries, that all persons in receipt of an income below a certain level are provided for; that is, all persons at a certain economic level. That is the method in Denmark, and it is varied according to the cost of living. It is a shifting level there.

By the Chairman:

Q. You said we had no definite or precise information on the question in Canada; how do you think we could get that; that would be the foundation for any action, would it not?—A. Yes sir. I think a study, a survey of Canadian conditions should be undertaken, and I have on more than one occasion advocated that such action be taken. I have strongly recommended it, in public addresses and elsewhere. I believe that at this time an effort should be made, and that this is a task of national interest and importance, to ascertain whether adequate and satisfactory medical service, preventive and curative, is within the reach of all persons in need thereof; to endeavour to ascertain whether the present volume of sickness, with its attendant economic loss might be lessened, to study the methods introduced elsewhere for the relief of analogous conditions, and to bring forward recommendations to the governing bodies so that appropriate action might be taken.

Q. You are inclined to believe that that information should be got in a national way, not by the provinces?—A. The provinces certainly should be asked to co-operate.

Q. But the national authorities would be disposed to take the lead?—A. Yes, they should.

The CHAIRMAN: Any other questions?

By Mr. Woodsworth:

Q. What information would you hope to secure by a further enquiry? Could you outline a little more in detail for us the data you think we ought to have?—A. First of all, the volume of sickness, attended and unattended, as far as it can be obtained. That is the first. That is fundamental. That might be done in part through the provincial health authorities, in part through the provincial hospital organizations, in part through the assistance of the provincial medical associations, with the co-operation of the doctors in the various provinces.

These are just some of the ways in which part of that data might be obtained. I would not like off-hand to give a complete answer to that question. I would require to give it further thought and study, of course.

By the Chairman:

Q. Dr. Fleming, in giving his evidence on Tuesday, made the statement that ten thousand employees in the City of Montreal receive medical and nursing aid from the employers. How does that statement compare with is being done in the same direction in Toronto?—A. I really do not know.

Q. You have no information on that?—A. No sir.

By Miss Macphail:

Q. Would you care to say whether in your opinion there is as much need in the rural areas, particularly the sparsely settled rural areas, for health

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insurance as there is in the more crowded industrial sections of the cities? Many of the schemes you refer to would only take in the industrial worker and the agricultural worker, the labourer in agriculture, in Canada; most of the farmers do their own work. The farmers themselves are a much larger percentage of the population than their hired people. It could hardly be called a national scheme which would not take in the agriculturists, the owners of the land?—A. That is provided for in Denmark, there all persons whose income does not exceed a certain amount can become members of the sickness societies in given localities. They are regional, most societies, based upon or composed of persons working in the same industries. I think most certainly it would not be national in scope unless it did include those.

Q. It seems to me that the most neglected parts are the northern parts of the western provinces, the least thickly populated, but even in any rural area there are people who are very much neglected in regard to health, whereas if they were close to a clinic, as they are in the cities, they might be able to look after themselves?—A. The Highlands and Islands Medical Service, under the Scottish Department of Health, for the provision of medical services to those living in remote communities, recently an effort has been made along the same lines in the State of Kentucky by a group of persons, to meet a very great need there.

By the Chairman:

Q. Is it a voluntary movement?—A. It is governmental in Scotland, the Highlands and Islands Medical Service; not in Kentucky.

By Mr. Woodsworth:

Q. With regard to the proposed survey, you have suggested that it would give us an accurate idea as to the amount of sickness; is that all?—A. I think it would give us a better idea than we have now. I am not sure that we should be able to get information so complete that we could say that it was absolutely accurate.

Q. Would there be any other benefit in such a survey?—A. Some estimates might be arrived at as to the cost of sickness, and the proportion of it now regarded as preventable, and what in the present state of knowledge is non-preventable.

Q. Would it give us any estimate as to how sickness is taken care of among people of the middle classes?—A. Yes. Two years ago in the United States there was a Committee on the cost of medical care, under voluntary auspices, constituted under the chairmanship of Ray Lyman Wilbur, until recently President of Stamford University.

Q. Does that show the cost of the family budget?—A. I believe an effort is being made down there, to obtain that. This committee was only set up two years ago.

Q. Would your survey give us any idea as to the cost to the wage earners?—A. An effort should certainly be made if possible to ascertain that.

Q. And how they now provide for illness in their families?—A. That also should be a part of what is undertaken.

Q. What I am getting at is this; your suggested survey is to be very generally a medical survey, or is it to take account of the larger economic questions involved?—A. Of course it should. Actuarial advice would have to be obtained, and a study of the social conditions made at the same time. Those engaged in the survey would have to be competent in those fields.

The CHAIRMAN: Any other questions? If not, we thank the Doctor very much for responding to our invitation and giving us his views this morning.

The Committee is adjourned until Tuesday next.

ROOM 425, HOUSE OF COMMONS,

TUESDAY, April 16, 1929.

The Select Standing Committee on Industrial and International Relations met at 11 o'clock a.m., Mr. C. R. McIntosh, the Chairman, presiding.

GERALD BROWN, called and sworn.

The WITNESS: Mr. Chairman and gentlemen: With reference to the subject of sickness insurance and invalidity insurance, perhaps one word by way of information would be in order to the effect that since the matter was before our committee last year, it has also been before the British Columbia legislature, and they adopted, on February 1, a resolution referring the subject of sickness, maternity benefits, and health insurance to a committee of the legislature for examination and report, to collect facts, to inquire as to the laws relating to the subject of maternity benefits and health insurance in force in other provinces, and other countries, to collect facts as to the actual operation of such laws and as to how far they have been found satisfactory; to inquire as to whether and to what extent the public interest requires the introduction of similar laws into the Province of British Columbia; to estimate what would be the total annual cost to the people of the province in regard to each of these subjects, and what portion of the annual cost would fall upon, (a) employers of labour; (b) prospective beneficiaries, and (c) the general taxpayers; to suggest methods by which the annual cost might be collected from the employers, prospective beneficiaries, and general taxpayers respectively; and generally to inquire into any or all matters affecting the said subjects respectively; and to report its findings and recommendations to this legislature at its next session.

I might mention on the subject of sickness and invalidity insurance that the memorandum of information on this matter which was compiled last year has been brought up to date in our department and will be distributed to members of the committee. In one case it is a memorandum showing the system of sickness and invalidity insurance existing in different parts of the world, and in the other case it is a statement of what is being done in Canada with regard to these subjects, invalidity insurance being pretty much the same as sickness insurance—chronic sickness—through voluntary agencies and by law to the extent that the matter is met by workmen's compensation as to industrial diseases.

While on the subject of unemployment insurance, we have a comprehensive memorandum as to the system of unemployment insurance in effect in certain countries. This also has been brought up to date. It is a mimeographed memorandum, and we will see that it is distributed to the members of the committee within the next day or two for any service it may be, by way of information.

On the subject of unemployment, I thought it might be well to call your attention to a fact which has not been mentioned before this committee, but which was mentioned in the House, that the census report, volume three, of the 1921 census—which was not issued at once but only comparatively recently—contains a table dealing with the average number of weeks employed in the census year by workers, with ages, in specified industrial groups for cities of thirty thousand population and over. That particular table I have had copied from the census report, and if you so desire I will hand it in. It is quite brief, and it may be included in the record.

(See table in appendix)

It is, as I have said, confined to returns for cities of thirty thousand or over, although as we understand it, the information was obtained for the whole country. Apparently, therefore, the information for the whole country was not compiled as to the 1921 census. The information which it contains relates to conditions in the following cities, Calgary, Edmonton, Halifax, Hamilton, London, Montreal, Ottawa, Quebec, Regina, St. John, Toronto, Vancouver, Victoria, Windsor, and Winnipeg, and it covers the conditions in these different industries, manufactures, construction, transportation, trade, finance, domestic and personal service, clerks and all labourers. The grouping, as you see, is a very broad grouping; it is not in considerable detail, but it indicates the average number of weeks worked by workers in these different branches of employment, and the information is based on returns received from individual workers who were called upon by the census officials in their survey from door to door throughout the country. I will not go into the figures as they speak for themselves, and probably the record in the minutes will be sufficient.

By Mr. Woodsworth:

Q. May I ask whether you can give us any information as to whether it would be possible to compile these statistics which are apparently lying in the Census Bureau?—A. That is a very suggestive question, and my own thought with reference to it is that perhaps the committee might be more interested in the course which should be followed as to the next census, rather than as to the past census, since the information will be taken in the comparatively early future. I am prompted to make that answer to some extent by a report which we have received recently from Washington indicating that the subject of unemployment in its various aspects has been receiving attention at the hands of a special committee of the Senate during the past year, which was based on a reference moved in May, 1928. The report which has quite recently come to hand is from the Committee on Education and Labour of the American Senate, and it deals first with the occurrence of unemployment and the extent of it, and passes on from there to other phases of the subject. The resolution is quite brief, but for the information of the committee I will file this and it may be printed as a part of the record.

(See appendix)

Now before we obtained this report I had put my hand on the information we had in our last report from the 1921 census, and, as I have already indicated, it is very brief and very simple in its survey of the situation. Probably the committee might desire to take the subject up with the census authorities. The census authority is the Bureau of Statistics, which is under the charge of the Minister of Trade and Commerce.

Q. In your opinion the need for accurate information of that character applies to Canada equally as to the United States?—A. I would think so.

By the Chairman:

Q. They have their census returns every ten years?—A. Yes, they will take theirs in 1930; our census will be taken in 1931.

Q. So the information we would require will probably not be available until 1932?—A. Possibly returns would be based on the year beginning June 1, 1930, and extending to June 1, 1931. Every witness would be asked how much employment he had during that period. I have not made any suggestion, but am simply giving the information that is here on the subject of unemployment statistics which was before your committee, as you will recall, last year. Mr. Rigg in his evidence said he was not able to furnish more definite statistics than were already available, and the committee in its report to Parliament at

[Mr. Gerald H. Brown.]

the end of the session went into the subject of unemployment statistics, and that is why I am speaking of it here. It is before you for reconsideration on a very important subject as to the cost of unemployment insurance. It says:

On the very important subject of the cost of unemployment insurance your committee has experienced great difficulty in arriving at any definite conclusion owing to the lack of data as to the amount of unemployment, either constant or occasional in character. There appears to be no definite method of ascertaining the unemployment at any given point for any length of time. We, therefore, recommend that the Government immediately devise some means whereby the amount of the unemployment, over a period of a year, could reasonably be calculated.

That is the point to which I am addressing myself now. The committee's recommendation of last session asked the government to devise some method of ascertaining the amount of unemployment over a period of years, and so far as we can see in the Department of Labour, it is not obtainable otherwise than through perhaps the census inquiry.

Q. They have not in the States or Great Britain the information we want in Canada?—A. No, but curiously the committee at Washington which has had the subject before it seems to have its mind running along the same line as ours.

By Mr. Neill:

Q. Is it your suggestion that the Department of Labour is unable to compile any statistics regarding unemployment in Canada?—A. Mr. Rigg, who spoke to this point last session, is here and will answer any question you may care to ask on that point?

Mr. NEILL: I would like to know what was done.

Mr. RIGG called.

Mr. RIGG: Well, there was a great deal of thought given to it; it was the subject of many discussions in the department and quite frankly without the outlay of a considerable amount of money and the building up of an enormous machine, it is practically impossible to get precise information with regard to the number which may be unemployed at any given time. Further, in order to maintain that information throughout the year, over a period of years, for the purpose of covering sufficient ground to enable you to obtain reliable data upon which you could build and depend with accuracy, it would be necessary to begin an enormous undertaking which would involve building up a big organization and the expenditure of a great deal of money, which we have not at our command.

The CHAIRMAN: What is the idea of the information we could get through the Census Bureau? Could we get what we want?

Mr. RIGG: No; I am quite sure you would not get what you want. You can get something which may have some value, but it is not going to prove satisfactory for your purpose. What you will obtain through the Census Bureau is a record of how many months the workers of Canada were unemployed during one year. Supposing you take two years, say 1921 as compared with the present year: What great difference is there going to be so far as the actual volume of unemployment existing in the country is concerned? That problem is a variable problem, it varies from month to month; it is not this month what it will be next month, and because of the continuous variations in the problem it does not matter whether you find out to-day how many unemployed there are in the Dominion of Canada, because next month some one will say there are some other figures, and they will probably be right in saying they are not the figures you have obtained to-day. That, as it appears to me, is one of the big

[Mr. Rigg.]

difficulties. If you consider it to be important you should have precise information regarding a long period of time, before you determine what you should do with regard to the question of unemployment insurance.

Mr. NEILL: I do not think we used the word "precise".

Mr. RIGG: You are trying to get as accurate information as possible. There was a great deal of discussion in the United States last year with regard to how many people were unemployed there. A body of experts had been set to work for the purpose of ascertaining what the conditions were. They had very incomplete data with which to work, and in the process of their examination they came to the conclusion that as compared with the year 1925, or rather, three years previously, there had been a shrinkage in the volume of employment afforded in the United States to the amount of one million eight hundred and seventy thousand. Now this material was used in Congress. There was a tremendous discussion, a very bitter and acrimonious discussion with regard to this subject of unemployment in the United States. There were those who said there were one million eight hundred and seventy thousand unemployed in the United States, although those who had compiled the figures stated definitely that was not their conclusion, that what they had obtained showed there was a shrinkage as between 1925 and 1928 of one million eight hundred and seventy thousand workers in the United States. How many there had been unemployed in 1925 no one knew. That had to be guessed at, and, therefore, during the course of this discussion there were those who said there were one million eight hundred and seventy thousand, and there were those who said there were four million, and they ranged in between. But they all possessed an authority, quoting certain statistical data in support of their conclusions. My point, Mr. Chairman and gentlemen, is this, that perhaps it is not of supreme importance that accurate information should be available. Did it matter in the United States, for instance, whether the problem was only the meeting of the needs of one million eight hundred and seventy thousand or four million? Was the problem not big enough when they knew they had at least one million eight hundred and seventy thousand unemployed with which to deal?

Mr. BOURASSA: Mr. Rigg, have you covered the point already raised in this committee, that is the ascertaining as nearly as you can the volume of seasonal unemployment in this country as between Canada and the United States? You have mentioned the difficulty of arriving at conclusive figures. Is it not a fact that the volume of seasonal unemployment in proportion to general unemployment is still larger in Canada than in the United States?

Mr. RIGG: I have no exact data upon which to proceed in replying to the question. I think in all probability that we labour under a greater disadvantage than the United States as a whole, although there is a very considerable volume of seasonal unemployment in the United States.

Mr. HEAPS: Would it not be fair to take area as against area? For instance, it would be unfair to take Manitoba and Saskatchewan and compare them with the state of New York. Quebec and New York might be a better comparison.

Mr. RIGG: So far as those two areas are concerned, even they vary very widely. There is a great deal of difference in the degree of industrial development which has taken place in the state of New York from that in the province of Quebec. The industries are radically different.

Mr. BOURASSA: Consider the question of building. In the province of Quebec it is about the same problem as harvesting in the west, only reversed. We have a large amount of unemployment in the winter because of climatic conditions as far as building is concerned. In Montreal we have perhaps fifty thousand people employed in the summer season in building various works, and an unemployment in the winter which would not be the case in the state of New York.

[Mr. Rigg.]

Mr. Rigg: The same, if I may so so, with regard to railroad construction and maintenance. During the winter season there is an enormous army of workers laid off from the railroads, and they seek refuge very largely in the bush, and in the spring they come out of the bush again. One of our great problems is the necessity for maintaining in Canada, under our present industrial conditions, an enormous mobile army of workers which must be ready to shift around from pillar to post, from one area to another, quickly and freely in order to meet the demand of industry.

Mr. HEAPS: Without asking you to commit yourself, to maintain that mobile army, some provision should be made by the state to look after the mobile army when there is nothing for it to do?

Mr. RIGGS: That is for you gentlemen to decide. I will not attempt to answer that question at all. I had the privilege of reading two days ago a copy of letter addressed to President Hoover by a very important body of experts in the United States who are anxious to do precisely what you gentlemen are anxious to do, so far as obtaining figures relative to the amount of unemployment is concerned in that country. In spite of the great resources which they have at their command they have not succeeded in getting as far as we have. Our figures with regard to employment and unemployment are more comprehensive, and I think I may say more reliable than theirs. We tap fields which they do not. We gather statistics from trade unions in Canada with regard to the volume of unemployment in their ranks, which is not done in the United States. As a matter of fact, quite recently the American Federation of Labour has been driven to undertake in the United States what the Government of Canada does in Canada.

The CHAIRMAN: Our information is much more comprehensive than the United States'?

Mr. Rigg: Yes, absolutely, and if I may say again it is more encouraging. Let us consider the returns collected and published by the Bureau of Statistics in the Labour Department in Washington with regard to employees in manufacturing industries, and take similar figures which are gathered by our Bureau of Statistics in manufacturing industries in Canada, and compare the trend of those figures. You gentlemen will be surprised at the comparison, because it is so extremely favourable to conditions prevailing in Canada as compared with conditions in the same field in the United States. Our improvement since 1920 has been enormously greater than that of the United States in spite of all that has been said with regard to the United States being an Eldorado, and so on. Those are the facts which are definite and sure and undeniable.

Mr. NEILL: Mr. Rigg seems to have a very high opinion of the Canadian methods in connection with the Labour Department in comparison with the United States. How does that jibe with his first statement of the enormous expense required to provide machinery which does not now exist to get even an approximate estimation of the unemployment from time to time? Surely, if the Labour Department has any function it is to reduce unemployment, and to reduce it one of the first essentials is to know whether it exists, and if so, to what extent. Now he tells us how far ahead we are over the States, although he said at the beginning it was impossible to furnish us with any data whatsoever with regard to unemployment. Mr. Rigg, are you at the head of the Department's Employment Bureau?

Mr. RIGG: Yes.

Mr. NEILL: How many offices have you?

Mr. RIGG: We have offices in sixty-four cities.

[Mr. Rigg.]

Mr. NEILL: Could a report not be obtained from them weekly or monthly to compare with the previous week or month, even if it was only their opinion. They must have some knowledge of whether employment was better than at the same time the previous week or the previous month.

Mr. RIGG: That is available now.

Mr. NEILL: You said the whole thing was hopeless.

Mr. RIGG: No, only in so far as obtaining accurate and comprehensive data.

Mr. NEILL: We do not want it to a decimal point, but some approximation which the Bureau could send in from the people on their lists.

Mr. RIGG: We publish these regularly, but that does not give us the number of unemployed; that gives us the number who register for employment in our offices and who fail to find work. But the number of unemployed is a radically different figure from the figure of those registering in our office.

Mr. NEILL: It should be an index in some ways.

Mr. RIGG: I think I said when I was before the committee last year that so far as obtaining information with respect to trends in employment was concerned, we already have that information. It is published regularly in the *Labour Gazette* and is information which will guide anyone who intelligently studies it to understand whether—

Mr. NEILL: We ask you to formulate that for us in a comparatively summarized form.

Mr. RIGG: I think it is there. For instance, we have the returns from, let us say, first of all, the offices of the Employment Services of Canada which show the number of vacancies which have been listed in the offices throughout the whole country, and the number who have registered for employment—

The CHAIRMAN: But that is no indication of the unemployment throughout the nation?

Mr. RIGG: No. It also shows the number of placements made by the offices, the number of transfers which have been made from one office zone into another, the members from one province to another. That information is all of given employment. Then again, we have the Trade Union returns monthly which we obtain from a majority of the Trade Unions in this country—the local unions—a statement which gives us the total number of their membership, and the number of their members unemployed, and a chart is printed in the *Labour Gazette*. A period of several years shows how the fluctuations of unemployment in the ranks of trade unionism has registered itself. That is a valuable guide.

Mr. NEILL: What proportion of the Trade Unions report?

Mr. RIGG: About seventy-five per cent of them.

Mr. BOURASSA: That would cover about what proportion of the labour?

Mr. RIGG: A comparatively small proportion, less than three hundred thousand.

Mr. WOODSWORTH: And those more largely of skilled workers whose position is rather more steady than the unskilled?

Mr. RIGG: Much more favourable than that of the unskilled who are ordinarily working for a small wage, which keeps them busy making both ends meet.

Mr. NEILL: You got statistics regarding the seventy-five per cent of about three hundred thousand workers?

Mr. RIGG: Yes, or less than that; about two hundred thousand.

Mr. NEILL: That is not very satisfactory.

[Mr. Rigg.]

Mr. Rigg: The Dominion Bureau of Statistics in addition secure some returns from six or seven thousand employers in Canada every month. These employers report the number of workers on their payrolls as at a given date. Now, these returns are all plotted out in charts, and the fluctuations shown by these charts over a period of years is very interesting. Strangely enough, as it might seem to the uninitiated, they are mutually supporting, and you will find in a general way the same general tendencies registering themselves through all these three sources of information. I say that is valuable information to possess, and you have sufficient evidence there to warrant you in arriving at certain conclusions, as you have regularly registered the peaks of employment, while the valley below is that of unemployment. Those things show themselves there. If anyone should say to me on a given date, "How many people are there employed in Canada?", I must confess my ignorance, but should anyone ask me the tendency in Canada, I would have no hesitation in answering, whether upward or downward. Those things are obtained at the present time, and I think constitute valuable data. Now, if Mr. Neill instead of asking me to compare Canada with the United States had asked me to compare Canada with Great Britain, I would have had to say that as far as the British figures relative to unemployment are concerned, we are a long, long way behind. I submit that the only reason why the British figures are better than ours is because they have in existence over there a scheme which permits, which encourages—which makes it almost compulsory—for one to register when out of work. It does make it compulsory to obtain certain things, and therefore their figures are much more reliable and comprehensive than ours can possibly be under our present system, but it costs a lot of money to gather these statistics and keep them up to date.

Mr. WOODSWORTH: The best way to get statistics is to put a scheme into operation.

Mr. NEILL: Based on statistics you have not got.

Mr. WOODSWORTH: In another field, with which I think you are familiar, in connection with the Workmen's Compensation of Manitoba, was it not true that in initiating this scheme they had to go on very inadequate statistics and then later on the scheme itself enabled them to secure very definite information?

Mr. Rigg: Yes, as a matter of fact when the Workmen's Compensation Act of the various provinces was being agitated twenty years ago there was much less reliable data upon which to proceed with regard to the number of industrial accidents which actually took place than there would be to-day if any authority thought to introduce unemployment insurance, for instance.

The WITNESS: The figures which were available as to accidents, using the Canadian Department of Labour's report—

Mr. NEILL: And the insurance companies'.

The WITNESS: Yes, and the insurance companies', indicated the existence of a problem. The figures which were printed at that time as regards accidents were used by those who came before the government and stated the existence of the problem, and we have far more accurate statistics of accidents in the Canadian Labour Gazette from month to month than we had before the Workmen's Compensation was inaugurated—far more accurate than in the United States.

Mr. WOODSWORTH: But as far as Canada is concerned, we have sufficient with regard to unemployment—

Mr. BROWN: That is a by-product.

Mr. WOODSWORTH: But there is sufficient to say there is a problem which ought to be met.

[Mr. Rigg.]

Mr. NEILL: You cannot base a rate on a vague statement like that, and we want the rate of what it will cost. This is a contributory thing, and we must find out what it will cost.

Mr. RIGG: The bigness of this problem in obtaining these figures is well known. If I may be permitted I would like to conclude the statement I started to make some time ago with regard to a copy of letter addressed to President Hoover which I had the pleasure of reading the other day, from a very influential body of experts interested in this problem of finding out how many people there are unemployed at a given time in the United States.

The CHAIRMAN: Whom did they represent?

Mr. RIGG: The Russell Sage Foundation, the Rockefeller Foundation, a great number of social agencies, economists and so on, the leading men and women in economic and social service work in the United States. They, curiously enough, are begging for the privilege of having inserted a couple of questions in the next year's census questionnaire which will only give them, when they obtain it, the precise information as to how many people there were unemployed on that day, that is, the day when the enumerators call around. It will be utterly useless material when they get it, but they are begging for that little moiety, in a letter which has been addressed to President Hoover. I only mention this in order to indicate to you gentlemen, who, I know, are sincerely interested in this great problem—as we all are—how extremely difficult it is to do all we would like to do, that is, to be able to say exactly what the extent and volume of our problem really is. That the problem exists, of course, no one can deny. What the volume of it is, none of us can say.

Mr. Rigg retired.

By the Chairman:

Q. Mr. Brown, you were speaking when Mr. Rigg was called upon to answer a question. Perhaps you had not quite finished?—A. I had really finished what I had to say. The Chairman has referred to the report of the British organization on the subject of unemployment. It is not, however, an official publication, and I have some hesitancy in putting it forward. I have referred to the report of the committee of the United States Senate, which has been working along the same lines as we have had here for a year past, and I thought it was a very proper thing to put before you because it contains their report. But the report in question as to unemployment in Great Britain is simply one of a conference on industrial reorganization and relation, which was organized by Lord Melchett and other leading industrialists in co-operation with the British Trades Union Conference.

Mr. WOODSWORTH: That is the one from which you quoted?

The WITNESS: No. I was quoting from the American report, not the British.

Mr. WOODSWORTH: It seems to me that we have as much information available now, from what Mr. Brown has given us, as we are likely to get. I would like to move that we have a Sub-Committee to be named by the Chairman, to prepare and present a draft report to this Committee next Tuesday, to serve as a basis for our discussion.

The CHAIRMAN: This Sub-Committee will proceed to draw up a report for presentation to this Committee next Tuesday, and then the whole Committee will work on the report and get it into proper form for presentation to the House. That will require some work on the part of this Committee.

After reading the answers from the different provinces, I am inclined to think you will never get a definite answer from any province until you have

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something definite to lay before them; and I think the only way to get definite instructions would be to get into conference with an official representative of each of the different provinces, and get down to brass tacks by personal contact.

Mr. Woodsworth's motion is acceptable to the Committee.

Motion agreed to.

The CHAIRMAN: You now ask me to appoint a Sub-Committee of three. Is it the wish of the Committee that the Chairman should be on this Sub-Committee.

Mr. NEILL: Yes, certainly.

The CHAIRMAN: I think the Committee, as a whole, should name the members of this Sub-Committee. I do not see any reason why you should throw it back on the Chairman.

Mr. JENKINS: I nominate Dr. Johnston.

Mr. PLUNKETT: I would nominate Mr. Woodsworth, representing Labour, and Mr. St. Pere; and the Chairman ex officio.

The above nominated Committee was declared elected.

The Committee then adjourned till Tuesday, April 23rd, 1929, at 11 a.m.

ROOM No. 425, HOUSE OF COMMONS,

TUESDAY, April 23, 1929.

The Select Standing Committee on Industrial and International Relations met at 11 a.m., the Chairman, Mr. C. R. McIntosh, presiding.

The CHAIRMAN: Mr. Edwards is here, and we will now hear him on the question of jurisdiction with respect to unemployment insurance.

WILLIAM STUART EDWARDS, called and sworn.

By the Chairman:

Q. What is your name in full, Mr. Edwards?—A. William Stuart Edwards.

Q. And you are the Deputy Minister of Justice?—A. Yes.

Q. I think, Mr. Edwards, you are acquainted with that clause in our report last year which concerns the question of jurisdiction in respect to unemployment insurance, and we would like you to throw all the light you possibly can on the question, because many members of the Committee are, I think, unaware of the jurisdiction of the Dominion in the matter.—A. Mr. Chairman, as I said when I was called last year, it is not the kind of subject that you can deliver a speech about. I thought now, as I thought then, that the purpose of my attendance would be to enable any member of the Committee to ask any question as to which I could be of any assistance. I went over the ground very fully last year, and my views were taken down then and put into the record, and I do not know that I can add any general statement to what I said then.

Mr. WOODSWORTH: Mr. Chairman, my understanding was that we wanted rather to secure Mr. Edwards' evidence on the cognate question of family allowances. I wonder if we could have that; it will only take a few minutes?

The CHAIRMAN: That will depend on Mr. Edwards.

The WITNESS: I had no indication of the purpose of my attending here this morning. I simply had a verbal request from the Clerk of the Committee to be here. I had no definite information as to what was really required.

[Mr. W. Stuart Edwards.]

By the Chairman:

Q. We thought it would be important to have you here to-day, Mr. Edwards, on this first reference on which we want to get to work to get our report in shape for the House.

Mr. HEAPS: That reference, Mr. Chairman, was given last year. I do not suppose that Mr. Edwards has changed his mind from last year. After you heard his evidence last year you submitted the report to the House.

The CHAIRMAN: But there has been discussion here from meeting to meeting as to the validity of that evidence, in every sense of the word.

Mr. HEAPS: Whose evidence?

The CHAIRMAN: Well, not validity, but as to the wider interpretation of it.

Mr. HEAPS: But Mr. Edwards has evidently very little to add, so far as jurisdiction is concerned.

The CHAIRMAN: Well, he is here now, and if you have any further questions to ask, now is the time to ask them and not be bickering about it from meeting to meeting.

The WITNESS: I have nothing to add, Mr. Chairman. I think last year I said that there was a possibility that some light might be thrown upon the question by the then pending water powers reference, but that has turned out not to be so. If we had secured an expression or opinion from the Supreme Court Judges upon the question we submitted in that reference, it would have been of assistance to this Committee, I think. But, so far as I know, the judicial decisions stand to-day in precisely the same plight that they stood a year ago.

By Mr. Neill:

Q. There is one question, not exactly in line with this subject, but so closely allied that I think I may be excused for asking it that is, with regard to the question of health insurance. Is the position the same with regard to that as to unemployment insurance?—A. Yes. I group all those subjects, such as Old Age Pensions, Unemployment Insurance, Invalidity Insurance together. Family Allowances I am not familiar with. I do not know what is meant by that phrase, but I presume it falls into that general category of providing a scheme of assistance regarding a matter which is solely provincial under the British North America Act,—

Q. Just a moment there. A gentleman came into my room the other day—I forget his name. He is the representative of some health council, or something of that kind, and I put the view you have just expressed, that this was a matter for the province, and he violently contradicted it. He said there could not be found in the British North America Act, or anywhere else, anything else, anything to indicate that health matters were exclusively for the province. I looked up the Act and could not find it. I could find nothing at all in any of the sections dealing with health matters.—A. Well, I went over that last year very carefully. We took the several subjects mentioned in Section 91, and I pointed out that in so far as you can bring health, in any of its aspects, within one of the enumerated subjects we have jurisdiction over it. In so far as it falls within the provincial enumerated subjects we have not jurisdiction over it. And I gave the illustration of sick seamen. We have jurisdiction to legislate with regard to the health of seamen, because under Navigation and Shipping that particular subject is given to us. But the general question of health is not given exclusively to either one or other government; we cannot control it generally because to the extent that we have not got it under one of our particular enumerations; it belongs to the general designation of property and civil rights in the province.

Q. Only those that are specified belong to us?—A. Yes.

[Mr. W. Stuart Edwards.]

By Mr. Woodsworth:

Q. I think you said that whilst in your judgment unemployment, sickness insurance and invalidity, and other matters of that kind are primarily provincial, at the same time you thought it was within the power of this Parliament to proceed along the lines of the Old Age Pensions and make grants to the provinces under a general scheme.—A. Yes. I have always thought that a purely voluntary scheme of that kind was within the parliamentary jurisdiction. But that is my own opinion. I pointed out at the time that that is not generally recognized, and I thought that it might be cleared up in the water-powers reference. It has not been cleared up, and it is still a matter of doubt as to whether the Old Age Pensions Act standing alone is good legislation. The question does not affect that particular Act and its operations, because the provinces have passed enabling legislation, and the Dominion legislation and the provincial legislation standing together, of course, cover the whole field. If you pass a purely voluntary Act whereby you make a contribution out of the parliamentary funds of Canada to a matter which really belongs to the provincial field, there is always the question as to whether Parliament may do that legally, and there is also the question as to whether it is constitutionally the wise thing to do.

Q. May I ask a question in that connection? I understand that during the session of 1921, Parliament had placed before it Privy Council Order No. 2722, dealing with the report from the Minister of Justice in reference to a number of draft conventions and recommendations adopted by the International Labour Conference (League of Nations) at its first annual meeting, held at Washington, D.C., October-November, 1919. Amongst these were two of particular inquiry to the present inquiry, concerning which the Order in Council says:—

Recommendation dealing with Unemployment Insurance: The Minister observes that the experience of other countries had demonstrated that a system of unemployment insurance, in order to be effective and successful, must be merely ancillary or complementary to a system of labour exchanges, the whole being adapted to the principal function of finding work for unemployed insured workmen. In this view, unemployment insurance has a pronounced federal aspect, and on the whole, the Minister thinks the establishment of a system of unemployment insurance is competent to the Dominion in the exercise of its residuary legislative power with relation to the peace, order and good government of Canada.

The CHAIRMAN: Who was the Minister of Labour then?

Mr. WOODSWORTH: That is the Minister of Justice. That was the opinion of the Minister of Justice in 1921.

By Mr. Woodsworth:

Q. Has the opinion of the department altered since that time, or how can you explain that opinion?—A. That opinion was given mainly in connection with the international aspect of the subject. As I explained to the Committee last year, in so far as we are under any obligation by way of treaty, the legislative power rests with the Parliament of Canada. I understand that the particular convention to which reference was made in that opinion was not a treaty within the meaning of the Act, but it was a draft convention which was submitted to the several governments constituting the League of Nations, with a view to the proposals contained in that convention being placed before the proper controlling body for consideration, and, in dealing with that, the Minister pointed out that where the scheme called for by the convention was inter-

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national in its character he would be prepared to submit that to Parliament. It would follow that if such a scheme were submitted to Parliament, Parliament would have power to carry out the provisions of that treaty. But a moment ago I was speaking about the matter purely from a domestic point of view.

Q. Ah, yes, but we are under certain obligations, and the Minister made the statement at that time that a scheme of unemployment insurance is competent to the Dominion in the exercise of its residuary legislative power with relation to the peace, order and good government of Canada. That seems very clear.—

A. I think, Mr. Woodsworth, if you refer to the evidence that I gave last year, you will find that we went over that ground, and I explained the situation as I understood it then. I do not think I would want to add to anything that I said on that aspect of it last year. I think it is completely set out in the notes.

By Hon. Mr. Heenan:

Q. There is no doubt in your mind that the Parliament of Canada have not got the right to impose any obligation such as Old Age Pensions, Unemployment Insurance, Sickness and Invalidity, or any of these things, on any province or any citizen of any province, by asking them to contribute in any way?—A. No, subject to the qualification I mentioned, as to bringing it within any of the particular Dominion enumerated powers—

By Mr. Woodsworth:

Q. Not under the residuary legislative powers?—A. No.

Q. Then, you differ with the Minister in 1921?—A. Well, I think I explained the effect of that opinion last year, and without refreshing my memory, I would not want to go into it now. I did not know that I would be expected to go over the same ground we had covered last year, and, as a matter of fact, I have not refreshed my memory on what I said last year.

By Mr. McGibbon:

Q. Is it not a matter of fact and law that this Dominion can only impose obligations on creatures of their own creation?—A. Well, you are speaking now of the company aspect of the matter. Perhaps I ought to explain that to the Committee. I am speaking entirely from the standpoint of the Dominion of Canada, as such, entering into these schemes, as government schemes. Of course, the question of insurance carried on by companies is another branch of the subject altogether, and we decidedly have power to incorporate companies.

Q. But under conditions like, for instance, legislation doing away with level crossings, you cannot make that obligatory on the provinces, can you?—A. That is, Dominion Railways?

Q. We cannot make it obligatory on the provinces?

The CHAIRMAN: You mean we can carry it out federally, but not provincially?

By Mr. McGibbon:

Q. Yes, or by agreement. But you cannot make it obligatory?—A. I think it has been held that where we are legislating within our powers we may impose obligations upon the provincial governments.

Q. In what way have we ever done it?—A. In connection with the courts. Under the British North America Act the province has power to constitute courts of superior jurisdiction, and they have power to appoint officers and give them the power.

Q. That is by agreement under the British North America Act?—A. Well, it is by statute. That is, we have passed legislation here whereby we have conferred power upon provincial judges and upon provincial servants, and we have imposed obligations upon them, and that has been upheld as being within

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the powers of Parliament. With regard to railways, we have the Nipissing Central case which reaffirms a long line of decisions to the effect that where the Dominion, for the purpose of a Dominion railway, authorizes the expropriation of provincial Crown lands, the statute is valid provided compensation is provided for.

Q. But that is just the reverse. We are not imposing obligations on the province there.—A. I thought you were asking me about grade crossings.

Q. My point is, whether we can impose an obligation on the provinces as part of the expense?—A. No.

The witness retired.

Dr. ROBERT HAMILTON COATS, called and sworn.

By the Chairman:

Q. I think, Dr. Coats, you understand the question on which we want some light, which is how are we going to get accurate information about unemployment throughout Canada. That is the subject which we have been discussing and debating in this Committee for the past two years. I think you might tell us how that could be obtained for the work which this Committee has been called upon to investigate. What is your name?—A. Robert Hamilton Coats.

Q. And what is your position with the department?—A. Dominion Statistician. Perhaps I might explain just what we already have, and what our methods are at the present moment. I understand that the question is limited to unemployment and not employment. There is a section in the census that aims to get a comprehensive return at least once every ten years on this point, in co-ordination with the thirty-five other questions that appear on the schedule to enable a thorough going analysis to be made of the whole situation as it obtains in that year. In the schedule on population, in the census, there is a section which is made up of seven questions. The general heading of that section is "Professions, Occupations and Employment." The section begins by asking first, What is the chief occupation, profession or trade of the person? and secondly whether he is an employer or an employee or a worker on his own account; thirdly, in the case of an employee,—because that makes up the great bulk of the answers—where he works. That is to say, in the first instance, we may bring out the fact that the man is a blacksmith, and then in the third we would obtain the industry in which he is plying his trade, such as agricultural implements. Then in the fourth, we ask the total earnings within the last twelve months; which enables a vast amount of information to be brought out in connection with the occupation. Then follow the three questions on unemployment. We first ask the straight question, "Are you out of work to-day?" that being June 1st of the Census Year. Secondly, "how many weeks have you been out of work during the past twelve months?" And thirdly, how many of those weeks that you were out of work were due to illness? The object of putting in that third question is to differentiate between unemployment that may be industrial in origin and unemployment that may be due to the physical condition of the person; because the distinction is very necessary.

There is always a criticism with regard to a census question that involves any strain on the memory. The question of the number of weeks of unemployment during the past year has that defect, but I do not think it is very serious. You must always remember in dealing with answers to questions of that kind that the human memory is very fallible indeed. For instance, you would think that the birth of a child within the family within the year would be an event that would be fresh in the memory and that we would get an accurate record of it; but we do not. In the census, the world over, the children under one year of age have to be increased by ten percent in order to obtain accuracy, because

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there is one in ten who forgets. Then another instance is that you would think that a death in a family would be an event which would indelibly place itself upon the memory; but it does not; you have to get a mortuary return. Then, as another instance, in connection with the ladies' ages, we have to correct that by a mathematical formula. It is peculiar how the ages of females are humped or knotted at every five by the ladies always selecting the years ending in five or the nought as the point to which they refer. But that is all more or less by the way.

The data that we have, I think, is very valuable for the purposes of this Committee, or it should be very valuable for the purposes of this Committee, although I have not been able to give a very close study, recently at least, to what the Committee has in mind. But I should think that we would be able, for the census year, to bring out a considerable amount of data that would bear on the problems which you are discussing.

Unfortunately, 1923 and 1924, as you know, were years of financial stress in Canada and the government was under obligation to curtail expenses in every possible way; and the curtailment process in staff caught us at the very moment when we were on this particular compilation in connection with the census. Therefore, of necessity we had to let a considerable number of our specially hired census employees go at the time. We have had to put this compilation out in a more or less abbreviated form. We have tried to get these compilations out with our regular staff, and that has delayed the work considerably. The date is now so late that in connection with unemployment we had thought of putting the 1921 figures in the report which will appear in connection with the 1931 census, which is only two years off. In that way we will have side by side a study of the whole unemployment situation as it affects Canada in two typical years.

By the Chairman:

Q. You would have the same information, would you not, for the western provinces every five years?—A. No, our census for the western provinces is not nearly so complete; it is some ten or a dozen questions short.

By Mr. McGibbon:

Q. You get this information only once every ten years, and it would not be of much use when it is ten years old.—A. Yes, it is ten years old, but it ought to reveal the more or less permanent conditions which reflect on employment in Canada. It would bring a lot of very useful information, I think, into the light. I do not know whether the Committee has seen the data proposed on family allowances. It occurs to me that some data that we have already brought out on the earnings of the family, in that report of the 1921 census, might be useful. There is a table in Volume 3 of the census report, table 41, which is a pretty good map of the family situation in Canada. It would have been improved, I think, had we put in the unemployment data with it, but that could be added. For every occupation, the number of families was given, the children at certain ages, the earnings of the head of the family, and the earnings of the children, the number of persons supported, and a number of facts of that kind, so that under the heading of the various occupations you can get a pretty good idea of the economic condition of the average family in Canada. I am afraid it would begin to weary you if I told you some of the analyses of which these data are capable.

It just occurs to me to add that we have not yet decided on the form of our 1931 census; we have practically until the end of the present year to decide on that, and I had in mind early in the autumn to get into touch with the Labour Department and others on these very points, so that we should have a full discussion of exactly what we should do in the 1931 census. In that we

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will have the benefit of the previous discussion which has occurred at Washington, the United States census occurring a year in advance of ours, so that we have always the benefit of looking over their shoulders in the matter of method. They go into this very fully, and they have a committee of the American Statistical Association who advise with the Washington Department. Also there is an advisory committee nominated by the different scientific associations in the United States, such as the American Economic Association and the American Political Science Association, who each appoint a delegate to sit in with the census office when they are drafting the census questions.

From a letter which I had the other day, I see that the committee of the American Statistical Association is asking the census people to put in practically the questions that we have, and the census is inclined to refuse, I think.

By Mr. Woodsworth:

Q. How long does it take to complete the census?—A. That depends upon what you call completing it. As a matter of fact you could work forever on a census. We are supposed to be able to finish the census within three years, but no census office ever does get through in three years. With careful planning and sufficient staff three years should suffice to make the more important compilations.

Q. Could we not get this matter in which you are interested pushed through before five years from now?—A. Oh, yes.

Q. I understood you to say that you have matter in the office which has not been compiled. It is two years more until the next census, and then three years after that, which would be a long time?—A. We have a great deal of it compiled; we could give you a good deal of it to-day. If you would tell me exactly what facts would be useful to you, and what sort of a tabulation, I would be very glad indeed to make a special one for you. The materials are practically in finished form. I think, as a matter of fact, if it were necessary, we could bring out the thing in a matter of a few weeks' labour additional; and that applies to quite an extensive scheme of tabulation.

Q. It is quite desirable that we should have some idea of the unemployment in the various sections in Canada, and the unemployment in the different trades in Canada. Further than that, there is a matter which I have sometimes taken up with the Department of Labour and which they say they have no means of getting at. Occasionally they make an estimate of the amount of money lost through strikes, the number of days the men have been out on strike, and the loss to the country entailed. I would be glad to see an estimate made of the wages lost to the country during the time the men are unemployed.—A. There is no reason at all why we should not give you that for the census year. For example, there is a tabulation here which shows down the side each locality and province; then across the top are the number of persons unemployed through illness on the census date; similarly the number of persons reported unemployed during the previous year for from one up to twenty-seven weeks. That is a picture of unemployment in that year. Of course that is only for the year 1921.

By the Chairman:

Q. How long have you been getting that in the way of a census return?—A. 1921 is the first year we have covered unemployment.

By Mr. Woodsworth:

Q. Do I understand, Mr. Coats, that without undue effort in the course of a few weeks you could give us a summary along the lines which you have been indicating?—A. Oh yes.

Mr. WOODSWORTH: I think that would be very desirable.

The CHAIRMAN: It looks as if some of this was the information we have been looking for.

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By Mr. Neill:

Q. That is applicable to nine years ago. What we want is something up to date.

Mr. MCGIBBON: But that was a good year in which to get the figures.

By Mr. Heaps:

Q. Some years you have unemployment greater at one period of the year? —A. This covers the whole of the year. We asked each person how long he was out of employment during the year. This is a study for that particular year.

You get strong light on this through the correlation of your figures; for instance, you know that as a matter of fact certain classes are seasonal, and therefore you can compare occupation and unemployment. If you take the building trades in Canada, you have an indication of that.

I might add to what I have already said on unemployment that we, of course, cover the employment situation monthly with a report from everyone, so far as we can get it, who employs more than fifteen hands throughout Canada. That is the reverse side, of course.

By Mr. Neill:

Q. Do you get those statistics?—A. Yes, we get those once a month; and then in our industrial census which covers every industry in Canada outside of the agricultural—and of course we get it as to agriculture also, we have all forms of productive activity. From every employer there is a categorical statement of his payroll on the 15th of every month; so that in those details we can trace employment.

Q. You get that annually?—A. Yes, that is employment, and not unemployment. I can tell you, for example, exactly how many people were employed per month, from month to month, in Ottawa, in the various industries.

The CHAIRMAN: And that covers something over six thousand industries.

By Mr. McGibbon:

Q. Could you not cover also a question as to what was the normal number of employees?—A. Yes, sir. The trouble with the census material is that we get the raw material, which we too often leave in the unfinished state. We get tons of raw material through the census, but we do not know the meaning of it very often, through inability to analyse the material and present it in a form in which it is applicable to the problems of the country.

Q. Do you think these industries return to you their normal employment? —A. They return the number employed.

Q. Then you would have to deduct those figures from the normal capacity for employment, and you would get the average employment?—A. I do not know that you could get at the exact figures of unemployment in that way.

Q. But it would be relatively correct?—A. Oh yes, you could get a very good idea. I do not know how you are to cover the problem of unemployment, except by a census that practically takes a cross-section at a particular time. Of course the argument against the census—being only once in every ten years—would be met by taking it once every five years. The great objection to several of its features is that the census represents a particular year, and that conditions change from year to year.

The CHAIRMAN: That information would be better than none, anyway. Mr. Heaps, you were saying the other day that we could really go on without any figures as to statistics.

Mr. HEAPS: I pointed out some days ago that in Great Britain they have all the statistics they want since they have adopted their present system.

They have had abnormal unemployment owing to conditions which set in immediately after the war. Whilst it might be interesting and useful to have the information I do not think it is going to be of any very great assistance to the Committee in arriving at a conclusion on this question.

By Mr. McGibbon:

Q. Do you get a return, in the province of Ontario, from every person employing men?—A. Not everyone. On this monthly employment index the whole object is to keep tab from month to month on the state of employment.

Q. That is only in organized industries?—A. No, that is in all forms of industry. We get that from railways, from the building trades, from factories, from stores and shops. We try to maintain everyone on that list.

Q. Are garages on that?—A. Yes. If they employ over fifteen men.

Q. There are tens of thousands employing under fifteen men, from whom you would not get any report at all?—A. Our returns are not absolutely comprehensive, but by proper methods they are a gauge so that we know whether employment is sagging or rising, probably as accurately as if you had everybody on the list. You do not get the exact total in every case.

Q. But you probably have enough key industries to get an idea?—A. Oh, I think so.

The CHAIRMAN: If there are no other questions, then that will do, Mr. Coats. We thank you for coming and giving us this information. Now we are ready for you, Mr. Heenan.

The witness retired.

Hon. PETER HEENAN, Minister of Labour, called.

The WITNESS: Do you want me to give evidence?

The CHAIRMAN: That is up to the Committee. We want to ask some questions as to the attitude of the department to this unemployment question.

Hon. Mr. HEENAN: I did not come here to give evidence but to see if there was any assistance I could give to the Committee. I think I said everything I had to say on the last time I was before the Committee. I do not know if you are all the same members of the Committee who were here before.

You will have observed, as you have been going on with your work, that the Justice Department is very definite on the point that this is a provincial matter; and the provinces themselves do not take another attitude. In fact when we were at the Dominion and Provincial Conference, when the question of unemployment relief was up, it was discussed there as a provincial matter. I recall very well, to my surprise that there was only one province which wanted to have any unemployment relief given from the Dominion Government, and that was the province of Manitoba. The others acquiesced, to the effect that as the unemployment question came within the rights of the province they did not at all welcome the Dominion Government giving relief or keeping on with these schemes, making provision that this or that would take effect, if a province did so and so. That is the attitude that they took, so that I think it is a well established fact up to the present time that this is a provincial matter. Therefore those who are really interested in the establishment of unemployment insurance must give consideration to how far they desire to press the provinces before they are ready for it.

As I said the last time I was before the Committee, after communicating with the provinces and before getting their reply, I met many of the representatives of the provinces and they were alarmed at the fact that they might

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be pressed to such an extent that it would hurt or hinder one scheme of social insurance that they had under consideration in their provinces at that time. I have no doubt, that as you have gone through the Committee work, you have discovered that unemployment insurance in a country like Canada is not, you might say, as simple a scheme to effect, as it would be in an industrial country like England; because there they have unemployment and everybody sees it. When a man is out of a job as a machinist or a brick-layer, he is out of work and that is all there is to it. There is very little use in his going to look for work in any other quarter because other industries are closed up also. In Canada at the present time if a man is employed in some business which has been referred to by some members of the Committee as a seasonal trade, he may get out and look for work in other parts of the country, or in other places, such as on the lakes, or in the bush. In other words, in this country we are jacks of all trades probably more than in any other country I know of. Therefore, to put a system of unemployment insurance into effect in this country is not just as easy as it might look. But, as I said, the provinces are not very anxious at the present moment to start in with the problem of unemployment insurance until they have the old age pensions fairly well under way.

I do not know whether my opinion is of any good to the Committee or not, but since I came into the office of Minister of Labour I have been getting another view point on some of these things.

Mr. WOODSWORTH: Hear, hear.

Hon. Mr. HEENAN: And it is not altogether just the view point that my hon. friend has in his mind now. My view point is that the industries which cause unemployment should bear the cost of it, rather than the state. We have industrial men in Canada starting up industries in competition with one another. Let us take the paper pulp industry as an example. They have gone on building one plant after another, starting communities, and bringing people in to man these industries, without any thought of whether it was going to mean over-production or not. And then at a moment's notice, finding that the market is over-stocked they have acted in such a way that some of these towns have closed up; the communities are practically knocked out, and the men and women have to shift for themselves. I think that if more responsibility were put on the industries themselves there would probably be more uniform development, and that they would have to take into consideration the human beings that are employed in that industry.

By Mr. Letellier:

Q. How could it be done?—A. Through provincial legislation.

By Mr. Heaps:

Q. But the provinces are not responsible for those industries?—A. Why not?

Q. Has the Dominion Government not got responsibility in connection with those industries?—A. That is a fair question to ask. Who leases the water-powers and timber areas?

Q. Take the case of the Manitoba Pulp and Paper Company. Who leased that?—The Dominion Government. A. That is one.

By Mr. Woodsworth:

Q. Oh, no, take the Flin Flon mines which are being given over to American manufacturers without any royalties being paid?—A. That is a question for the province. You know that these things are being administered with the consent, or at the request of the province. But just on that very point, we have at this very moment a resolution before the Manitoba Legislature in connection

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with the development of White Mud Falls—for a British concern to develop the White Mud Falls for the purpose of generating electricity for mines and pulp and paper industries, at the very moment when the Prime Ministers of the provinces of Quebec and Ontario have been working their heads off for almost a year, I believe, in an effort to spread the work amongst the industries that we have in Canada at the present time, and yet they talk about starting another industry in that connection. If the Dominion government is responsible then they should not be exempt any more than anyone else. I do not think encouragement should be given to these people to bring men into the country on the promise of employment.

Q. Is not the Dominion government very definitely responsible for the bringing in of men?—A. I came here and the Dominion government was not responsible for my coming.

Mr. HEAPS: They let you in.

The WITNESS: They let me in because they knew they could not keep the Irish out. The Dominion government is not entirely responsible for the bringing in of people. We have the provinces bringing them in too.

By Mr. Howard:

Q. Is it not, as a matter of fact, the promoter?—A. The thought that is in my mind—subject always, of course, to what the Committee may think—is that in whatever we do in connection with the formulating of schemes, we should not make it appear to the provincial governments that we are leaving the scheme at their doors, as it were, and pushing them into it. I agree with what we did in connection with the Old Age Pensions, because that was a humanitarian piece of legislation. Everyone realized something had to be done; some drastic action had to be taken in order to get someone else to realize the responsibility. But do not let us overdo it.

By the Chairman:

Q. You think we should wait until the provinces take the initiative?—A. Yes, because it is primarily a responsibility of the provinces, and we ought to give them every encouragement, gather all the data for them that we can, and wait till they take the initiative, and then give it consideration after that.

By Mr. Plunkett:

Q. How many of the provinces, or territories, have officially through their governments for unemployment relief?—A. None of them have asked Ontario is the only one that has given any kind of a concrete suggestion, as it were. Nova Scotia says that while they express sympathy with it the finances of the province will not stand it. New Brunswick the same. Manitoba just leaves it to hear from us again, unless it were to be the subject of further discussion here this session. British Columbia said that they had no views on the matter whatever; they had not given it any consideration and had no views to offer. I do not know what they mean by that. Saskatchewan and Alberta merely acknowledged our letter, which shows they are not very enthusiastic over the matter. Ontario said they felt that before anything tangible could be accomplished in the matter of unemployment insurance it would be necessary for the representatives of the provincial governments to meet in conference and give this question their most serious consideration.

Q. The same answer then would apply to health insurance and family allowances too?—A. This has nothing to do with family allowances.

Q. That subject has not been taken up with them?—A. No. This is the first year you have touched on the matter of family allowances.

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By Mr. Woodsworth:

Q. But a similar attitude was also taken with regard to the question of Old Age Pensions?—A. Yes.

By Mr. Plunkett:

Q. Practically speaking then, the Dominion government is bringing up this question in advance of the provinces and asking them for an opinion on it?—A. That is right.

Q. It has not come primarily from the provinces?—A. No.

By Mr. Neill:

Q. I would like to point out to the Minister a remark that I made at the last sitting. I do not think the Labour Department has done as much in this matter as they might have done. We sat here for two sessions discussing this matter. We made a report in which we pointed out that we needed the co-operation of the provinces, and asked the Labour Department to secure their opinion. That was adopted by the House. The Labour Department appear to be satisfied to carry out that instruction, or request, by writing a letter, dated last August, to each of the nine provinces. One of the replies received merely said, "I beg to acknowledge receipt of your letter . . ." and that was all. None of the others were definite, in the slightest degree. I think one said it was not favourable. I submit, knowing that this Committee had to meet again in February or March, and knowing that this Committee would desire to get some definite information as to the attitude of the provinces, the Department of Labour should not have been satisfied with a formal acknowledgment, or a vague expression of academic sympathy, but should have written again to say that this Committee would be meeting soon and we would like to hear your definite policy in this regard, as we are now asked to make a report on this subject. I really do submit that your department should have followed the matter up and said, "Well, now, come along, you have had some months now to think about it, we want an expression of your policy and we have not got it."—A. There may be something in that, Mr. Neill. I am not going to say that I am infallible. We might have done something more, but I looked upon it as a provincial matter. We had written to them just as instructed by the Committee, and I think it took two communications. We finally sent them the report, which was another reminder, as it were, and in view of the fact that it was their business and not the Dominion government's business, I was just a little afraid to outwear my welcome by writing to them too much. I would rather have an open answer than a direct "No," because if we get "No," from the provinces—

Q. I would rather have a definite "No" than a vague something so that we do not know what we are doing.—A. Because once you get "No" it is a little harder. If we had pressed them I am sure we would have got "No," because in addition to writing letters I was over the country pretty well, and I talked with a good many of the representatives of the various governments.

By Mr. Heaps:

Q. I take it from what you have said here, Mr. Minister, that the attitude of the government is that they are not anxious, or not willing, to follow the example they set in connection with Old Age Pensions with regard to Unemployment Sickness and Invalidity Insurance?—A. I did not say that the government was opposed to anything. I am not saying that I am expressing the opinion of the government. I am giving you the Minister of Labour's opinion now as to how far we ought to go. The government, no doubt, will be governed by the House of Parliament.

Q. You are not prepared to go quite as far as you went last year?—A. How is that?

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Q. Because the report of last year goes a good deal further than your statement does this morning.—A. I do not know how far I went last year.

Q. The report last year recommended to the House favourable consideration of the principle involved, and the House adopted the principle of Unemployment, Sickness and Invalidity Insurance.—A. Well, that is adopted.

Q. But now you say it is purely a provincial matter. If that is the case you are not going as far as you went last year.

Mr. PLUNKETT: At the time that resolution was passed in the House was the matter of jurisdiction brought up?

The WITNESS: The question here is settled, as far as I know, as to whose jurisdiction it is under the B.N.A. Act. No one is trying to say what Parliament will or will not do, because we do not know what Parliament will do. The question is now, the provinces having put themselves on record, having expressed themselves as not being enthusiastic over it, should we go to work and formulate some plan and put it at their doors and say, take it or leave it, or would it not be better to wait until the provinces approach us first because it is primarily their obligation. So far as the Department of Labour is concerned, we have no desire to shelve anything. What I am anxious about is that the Committee should report something that Parliament will pass, something that will be useful. I do not think that we should bring forward a direct proposal that a system of unemployment insurance should be formulated at this time, on top of the Old Age Pensions and everything else, and say to the provinces, "here, this is what we propose, and if you want to accept it, why we will go with you." I am afraid that the one will react against the other.

By Mr. Heaps:

Q. Will you state, Mr. Heenan, what, in your opinion, should be the report that this Committee should recommend to the House?

Mr. PLUNKETT: I do not think we should discuss that.

Mr. HEAPS: The Minister is here representing the government; at least I presume he is, and he ought to have some idea of what the government's attitude is on this particular question.

Mr. WOODSWORTH: I do not think that we should ask the Minister to state that.

By Mr. Neill:

Q. I would like to ask the Minister if anything has been done with regard to Section 6 of the Report; that is, with regard to getting some definite technical advice from the old country, expert advice.—A. You were not here the last time I was present.

Q. No.—A. Well, I may say I went over to Geneva and stopped off in London, both going and coming, and I discussed this matter with members of the British Government, and some of the Labour men. I refrained from mentioning names the last time I was here, because those men are in politics over there, and anything I may say, as to what they said to me, is liable to be misconstrued either for or against them. I practically had one man obligated to come to Canada, a man who was familiar with this subject, but after further discussing it with him he pointed out that unless there was an estimate of what the cost of unemployment insurance would be, and without knowing what the scheme would be, it would be time and money wasted for him to come here, he thought, and I agreed with him.

Q. Could he not help us to formulate the scheme, from his experience?—A. He might have done that, of course.

Q. That was the recommendation.—A. I would prefer to formulate our own scheme. But he thought, and I agreed with him, that it would be much

(Hon. Peter Heenan.)

better if we were going into a scheme of that kind to have a Canadian go over there and study the question, a man who would be with us continually afterwards rather than have someone come here from the other side and give us his opinion and then go back.

Mr. PLUNKETT: It would be much better to have a representative from Canada go over there and get their view, because anyone coming from there would not know the conditions of a new country at all.

The CHAIRMAN: I think the Minister's viewpoint there is correct.

Mr. HEAPS: But there is a very good precedent in the case of Australia where they have had unemployment insurance in existence for quite a number of years. The conditions there in regard to distance, and in many other respects, must be somewhat akin to our own here, and I rather thought that Australia would be the much better place to study this viewpoint than Great Britain.

The WITNESS: I agree with you there, but I had an opportunity when I was over there to discuss this thing, and I am familiar with the British system.

The witness retired.

The Committee adjourned until Tuesday, April 30, 1929, at 10.30 a.m.

APPENDIX

AVERAGE NUMBER OF WEEKS EMPLOYED IN CENSUS YEAR BY WORKERS, ALL AGES, IN SPECIFIED INDUSTRIAL GROUPS FOR CITIES OF 30,000 POPULATION AND OVER, 1921

Cities	Manu- factures	Con- struction	Trans- portation	Trade	Finance	Domestic and personal service	Clerks*	Lab- ourers (all)
	Weeks	Weeks	Weeks	Weeks	Weeks	Weeks	Weeks	Weeks
Calgary.....	45-21	38-95	47-39	49-38	51-29	44-80	49-57	40-8
Edmonton.....	47-76	42-58	48-27	49-82	51-85	48-90	49-76	44-2
Halifax.....	47-20	43-67	46-68	49-17	51-89	48-62	49-88	43-0
Hamilton.....	45-45	42-26	47-08	48-27	51-65	47-82	48-55	42-4
London.....	47-07	44-42	48-39	49-77	51-77	48-40	49-51	45-0
Montreal.....	44-79	42-69	46-48	48-82	51-17	48-88	49-47	42-2
Ottawa.....	48-61	43-09	49-02	49-84	51-43	49-45	50-17	43-3
Quebec.....	45-76	45-97	48-43	50-24	51-51	49-66	50-54	44-4
Regina.....	49-38	43-42	49-45	50-40	51-97	49-69	50-84	44-5
St. John.....	46-19	41-81	44-85	49-41	51-54	48-18	49-06	39-8
Toronto.....	45-18	41-34	47-42	48-69	51-40	47-13	49-14	41-7
Vancouver.....	43-70	38-50	43-59	47-61	50-65	47-04	47-23	43-6
Victoria.....	44-42	37-39	46-48	48-32	50-39	48-91	48-82	43-2
Windsor.....	44-49	39-43	46-46	47-92	50-43	46-83	47-61	38-9
Winnipeg.....	46-39	40-67	47-65	48-66	51-25	46-94	49-13	42-0

*Not including public administration.

SENATE

70th Congress, 2nd Session

Report No. 207.

CAUSES OF UNEMPLOYMENT

FEBRUARY 25 (calendar day, MARCH 1), 1929.—Ordered to be printed

Mr. COUZENS, from the Committee on Education and Labor, submitted the following

REPORT

[Pursuant to S. Res. 219]

Under date of May 3, 1928, the Senate adopted Senate Resolution 219 of the Seventieth Congress, first session. The resolution was as follows:

Whereas many investigations of unemployment have been made during recent years by public and private agencies; and

Whereas many systems for the prevention and relief of unemployment have been established in foreign countries, and a few in this country; and

Whereas information regarding the results of these systems of unemployment, prevention, and relief is now available; and

Whereas it is desirable that these investigations and systems be analyzed and appraised and made available to the Congress: Therefore be it

SELECT STANDING COMMITTEE

Resolved, That the Committee on Education and Labor of the Senate, or a duly authorized subcommittee thereof, is authorized and directed to make an investigation concerning the causes of unemployment and the relation to its relief of (a) the continuous collection and interpretation of adequate statistics of employment and unemployment; (b) the organization and extension of systems of public employment agencies, Federal and State; (c) the establishment of systems of unemployment insurance or other unemployment reserve funds, Federal and State, or private; (d) curtailed production, consolidation, and economic reconstruction; (e) the planning of public works with regard to stabilization of employment; and (f) the feasibility of cooperation between Federal, State, and private agencies with reference to (a), (b), (c), and (e). For the purposes of this resolution such committee or subcommittee is authorized to hold hearings and to sit and act at such times and places; to employ such experts and clerical, stenographic, and other assistants; to require, by subpoena or otherwise, the attendance of such witnesses and the production of such books, papers, and documents; to administer such oaths and to take such testimony and make such expenditures as it deems advisable. The cost of stenographic services to report such hearings shall not be in excess of 25 cents per hundred words. The expenses of such committee, which shall not be in excess of \$15,000, shall be paid from the contingent fund of the Senate upon vouchers approved by the chairman. The committee or subcommittee shall make a final report to the Senate as to its findings, together with such recommendations for legislation as it deems advisable, on or before February 15, 1920.

Shortly after the Senate had adopted the resolution your committee met to consider plans for making the survey. The assistance of the Institute of Economics of the Brookings Institution of Washington, a nonpartisan, private organization, was sought, and the institute assigned Dr. Isador Lubin, of its staff of economists, to assist in directing the work. The work of the institute has been voluntary, and, as a result, the expense of the survey to the Government has been slight.

The committee and the Senate owe the Institute of Economics a debt of gratitude, and the committee herewith expresses it and also compliments the institute upon the work it has done.

The report of Doctor Lubin, which summarizes the evidence submitted to the committee and comments upon it, is printed at the conclusion of the printed hearings. Anyone who has followed this work or is interested in this subject should read this report.

The committee is likewise indebted to the Industrial Relations Counsellors of New York, another endowed organization which has been interested in the subject of unemployment. This organization contributed to the committee three volumes of a report it has made on the subject of unemployment-insurance plans. Although this report touches on some subjects which had also been reviewed by your committee, we feel that the whole is of such value that it should be printed as a part of the evidence of your committee and this has been done.

Likewise, the committee is indebted to any number of business men who gave, unstintingly and willingly, of their time and services.

Your committee was interested, primarily, in the worker who desires to work, who is seeking an opportunity for gainful employment, and who is unable to find it. There are others who might be listed as "among the unemployed" but those who are not employed because they do not choose to be employed, hardly constitute a problem for this committee.

The evidence taken shows the causes or the types of unemployment might be divided into three classes, cyclical, seasonal, and technological.

Little necessity exists for describing these three classifications. Cyclical unemployment has been like the plague; it has come and gone at regular intervals until it has been accepted as a necessary evil by some who should know otherwise. We do not believe, any more, that it is necessary for the baby to have the diphtheria and rickets and other "diseases of childhood." We have found and are finding methods of preventing these diseases. We should recognize also that there is an obligation on all society to attack, unceasingly, the problem of unemployment.

Cyclical unemployment can be best attacked through the control of credit, according to the experts who testified before your committee. It was the expressed view of these students that the Federal reserve system has done and is doing a great deal toward this end.

We all know the story of progression and retrogression in industry as told in the history of all cyclical unemployment. Although there may be different causes and although no student seems to be able to lay down a dogma as to causes which is universally accepted, the results are much the same. We have the first evidence of increased business, development of "better times" psychology, increased orders and increased production, plant extensions, increased stocks on shelves, extensions of credit and then the swing downward, a swing which is merely accelerated.

And for labor, we have the inculcation of the practices of inefficiency which are definite marks of every period of overdevelopment and overexpansion and then—unemployment.

As Dr. John R. Commons put it in his testimony before your committee, "We first demoralize labor and then we pauperize it."

We desire to call the reader's attention to the statement of Doctor Lubin in the report of the Institute of Economics, which reviews the incidents of cyclical unemployment at greater length and with more pointed facts.

Seasonal unemployment is of more immediate interest because here we have a daily problem, year in and year out, which confronts the industrial leader and society in general. If the business men of the country will solve this problem to the extent it is possible of solution, will eliminate this waste, the saving to industry will be two billions of dollars a year, according to the testimony of Mr. Sam O. Lewisohn, a leader in many industries, who appeared before your committee. Seasonal unemployment can be attacked in many ways. It is being successfully attacked in many industries as the evidence will show. Discussion of these methods of attack will be found in other sections of this report.

Technological unemployment covers that vast field where, through one device or another, and chiefly through a machine supplanting a human, skilled workers have found that their trades no longer exist and that their skill is no longer needed. What becomes of these men? What can be done about these thousands of individual tragedies? What do these individual tragedies mean to society as a whole?

It is an imponderable thing. Some of the experienced witnesses who appeared before your committee stated that new industries absorb the labor turned adrift by machine development. The automobile, the airplane, the radio, and related industries were suggested as examples. Undoubtedly there is much truth in these statements, but nevertheless we are not relieved of the individual problem. It offers little to the skilled musician to say that he, who has devoted his life to his art, may find a job in a factory where radio equipment is manufactured. Then there is the delay, that inevitable period of idleness when readjustments are being effected, the suffering, the loss, the enforced

change in environment. True, this may all be "the price of progress" but society has an obligation to try, at least, to see that all this "price" does not become the burden of the worker.

This subject also will be discussed more fully under other chapters of this report.

There is one other field of unemployment, the field wherein we find the crippled, the superannuated, the infirm. This field constitutes a problem for industry and for society. It is a growing field, we believe. The man of mature years is not so successful when competing with a machine as is a younger man. The problem of these men will also be touched upon in other chapters of this report.

Your committee is required by Senate Resolution 219 to make a report on the causes of unemployment. So many inquiries have been made on this subject, so many conferences have been held, so many reports made, so many volumes written; that it would seem impossible to contribute anything additional of great value.

However, your committee feels that it has accomplished something. We have striven to obtain an understanding of some of the conditions which cause unemployment, of the machinery now had to detect when and where unemployment exists, and of the existing facilities for the treatment and the relief of the condition, once it is known to exist.

It is probable the survey could have been more comprehensive and that the report of your committee might be more dogmatic, but we emphasize that this is a so-called short session of Congress, and that it is most difficult to accomplish a great work like this at a short session. Senators are beset with two or more conflicting committee meetings, and they must choose between them. Because of this condition, it was impossible to obtain the constant attendance of all members of the committee at all meetings.

Notwithstanding, your committee feels that it has contributed toward an aroused interest in the subject, that another effort has been made to interest leaders in industry in the problem of stabilizing employment, that the evidence collected and printed in the hearings will provide an opportunity for a better understanding of the whole situation, and that as a result of this survey another advance has been made in the effort to solve the difficult problem of unemployment.

Regardless of what may be said in derogation of conferences and investigations, this survey shows conclusively that the unemployment conference, which was convened in 1921 under the leadership of Herbert Hoover, did accomplish something. That conference aroused the interest of some employers in the subject of stabilization. They returned to their plants and began an effort to stabilize employment in their industries. They attained some success and then more, and as they succeeded and realized what they had gained, they became missionaries in the field. Now, they have appeared before your committee and their testimony speaks for itself.

Before proceeding with a detailed discussion of the evidence, your committee wishes to voice the opinion that the unemployment problem can only be solved through constant struggle on the part of all members of society. When your committee uses the word "solved," it merely means that an opportunity will have been given to everyone who really desires work. No one will question that every man is entitled to the opportunity to provide for himself and his family. That is a fundamental right and society can not consider itself successfully organized until every man is assured of the opportunity to preserve himself and his family from suffering and want.

If we consider the question from the viewpoint of duty alone, every member of society has an obligation to assist in solving it. The employer, un-

doubtedly, has the greatest duty and the greatest responsibility. He is using labor to make a profit for himself and if he is going to take the advantages of this system of society, he must assume the obligations likewise. The laborer, or worker, or employee has a duty to assist also because there is nothing more certain than that, as every step forward is made in the solution of this problem, the individual laborer or worker will gain tremendously.

It is an interesting thing in this connection that the man who must labor inevitably thinks most of steady employment, as the evidence presented by the Industrial Relations Counsellors shows. The fear of being "out of a job" is one of the most demoralizing factors in all the relations of man to his job and employee to his employer.

And it may as well be remembered that society is going to solve this problem, is going to provide an opportunity for man to sustain himself, or is going to sustain man. Society is going to provide an opportunity for man to pay his own way or is going to pay for him. Society may as well make every effort to do the job constructively, because no society can be strong in which its members are encouraged or forced to adopt the position and the place of those seeking charity, and secondly, because when society pays the bill through charity or through the cost of crime, the payments offer little possibility of any advance for mankind.

Mr. Daniel Willard, president of the Baltimore & Ohio Railroad Co., put the whole story rather pithily. In the first place, he described the old days of intensive individualism where goods were produced, largely, in individual shops and by hand labor. Now we have the tremendous factories, the mass production, and the wealth pouring from machines and moving on for the benefit of society. If society is going to take this benefit, then society must also accept the burdens, Mr. Willard suggested. A man out of work, discontented, and suffering, constituted a danger for society, he added. As he put it, a man is going to steal before he starves, and the word "steal" may cover a multitude of other crimes—crimes perhaps of the man who steals but crimes of far greater magnitude for that society which permits a condition which induces or invites men to steal.

Your committee will now proceed with the detailed demands of the resolution and will discuss the subjects in the order in which they are presented in the resolution.

(A) THE RELATION HAD BY THE CONTINUOUS COLLECTION AND INTERPRETATION OF ADEQUATE STATISTICS OF EMPLOYMENT AND UNEMPLOYMENT TO THE RELIEF OF UNEMPLOYMENT

The testimony of Commissioner Ethelbert Stewart, of the Bureau of Labor Statistics of the Department of Labor; the testimony of Dr. John R. Commons; of Mr. Bryce M. Stewart; of Mr. Morris E. Leeds, and of a number of other witnesses, shows the necessity of having adequate statistics of employment and unemployment. To know there is a problem, that there is unemployment, and how severe it is, is necessary before a successful attack on it can be made. That seems so obvious it is hardly worth stating.

We have absolutely no figures as to the number of persons unemployed at any definite time. Commissioner Stewart explains that situation in his testimony. He has made estimates on the "shrinkage" of employment. The unemployment conference of 1921, after deploring the fact that there were absolutely no data obtainable on the subject made its "best guess." Just last year, one dispute after another arose in Congress over the number of men out of work. True, the discussion was open to the charge of being largely political, but political or otherwise, it should have served to have driven home the poin'

that here was a government without any machinery for knowing whether it was afflicted with a disease to which might be added the cancer that destroys government.

If we do not have accurate information on this subject, we may rest assured we are going to have plenty of inaccurate information. The subject is one which is very articulate in itself. Our experience should be convincing that all this is so. And in this connection it might be well to reflect on the truth that facts will permit sound thinking and that an absence of facts produces a condition of fear and panic which may be far more costly to the country than would be the cost of maintaining a system of obtaining these statistics.

As to the method of gathering information, and as to what should be gathered, there is cause for question and study. Statistics, to be of any immediate value, must be gathered quickly, must give a true picture and must permit of proper and correct appraisal. Inaccurate statistics are of no value, and statistics which are months and years old are of about the same value as is the result of a post mortem to a physician and no more so. They may have value in dealing with the problem as a whole, but have no use in relieving immediate necessity.

Commissioner Stewart proposes to develop statistics as to unemployment by measuring the shrinkage and the increase of employment and unemployment in a considerable number of industries and by applying to the norm the factors thus obtained. This should permit a fairly accurate measurement of conditions to be obtained with sufficient rapidity to meet any demand. But the norm must be first established and Commissioner Stewart proposes to have it established by an accurate census.

The Bureau of the Census should obtain the information that Commissioner Stewart desires and should obtain it at the next census in 1930. The Bureau of the Census may say its other duties would be delayed in this effort, but this work of building an efficient system of measuring unemployment is far more important, in the opinion of your committee, than a great deal of other information obtained through the census.

As to supplementary statistics, these might and perhaps should be obtained in any number of ways. However, it is the testimony of witnesses before your committee that until we get a system of unemployment exchanges established in the various cities and States, it is doubtful that we shall get a report more valuable than that proposed to be obtained by Commissioner Stewart.

(B) THE ORGANIZATION AND EXTENSION OF SYSTEMS OF PUBLIC EMPLOYMENT AGENCIES, FEDERAL AND STATE

The Government now appropriates \$200,000 for the work of the United States Employment Service. The director of that service, Mr. Francis I. Jones, appeared before your committee, and his testimony will be found in the hearings.

Your committee also directs attention to the testimony of Mr. Bruce M. Stewart, to that of Dr. John R. Commons, and to the report of Doctor Lubin, of the Institute of Economics.

As is shown by Doctor Lubin, the Employment Service is a result of war experiences. When the country was mobilized for war purposes and the necessity existed to find a man for every place more than a place for every man, a war unemployment machine was developed. And, being regarded as an instrument of war, the machinery was scrapped in time of peace. Funds were not appropriated, offices were abandoned, personnel dismissed, and of even more importance, the employers in private life who had maintained an active interest in the unemployment exchanges permitted that interest to wane.

The result is we have an unemployment service which functions as a Federal organization only in the matter of placing farm labor and which en-

deavors to function through grants of money, out of the Federal appropriation, to assist in the maintenance of State or city employment exchanges. The situation is one not conducive to building interest in the organization as it now exists.

As is shown by Doctor Lubin in his report, recommendations for the establishment of public employment exchanges have been made for two decades whenever a program for relieving conditions of unemployment was given consideration. As far back as 1916 recommendations were made that the country must first organize a national system of labor exchanges in order to deal with the unemployment problem, as Doctor Lubin shows. In 1921 the President's conference on unemployment recommended the formation of a national system of employment exchanges and later this recommendation was indorsed by the committee which prepared for Mr. Hoover a special report on business cycles and unemployment. The conclusion of the committee was that "the greatest promise seems to be in the development and raising to a high standard of efficiency of a national system of employment bureaus."

The "pinch" of unemployment is rarely appreciated until it becomes personal. Epidemics of disease may afflict one section of the country and arouse tremendous interest and even concern in the other sections, but until unemployment becomes local and personal it seems to arouse little fear. The man at work appears to have little realization of how he is affected by the fact that his fellow man is out of a job. The organization to handle the disease in this form should be local also, it seems to your committee. It should be one which would be responsible to local conditions and one which is responsible also to local officials, to local employers, and to local employees.

Doctor Commons advised your committee that the States and cities should establish and operate the unemployment exchanges and that the Federal Government should merely establish an organization of experts to coordinate the work of the local exchanges and "to bring up the standard" of those offices. Your committee is in accord with the idea that the Federal Government should remain as far away from the operation of those local offices as is possible. The employment exchanges should be local, we repeat.

To be successful, in fact to be of any great value, public employment agencies or exchanges must have the confidence of those for whom the exchanges are established, in other words for the employer and the employee immediately interested. This confidence can only be established through efficient operation of such offices. The personnel must have the ability to invite and induce and then to assemble information as to the needs of the employer, and having done this, must perform the next function of making the contact between the employer and the man who wants a job. If the office is efficiently operated and deserving of the confidence needed for success, the endeavor will not be to find a job for the man and a man for the job, but will be to find the right man for the right job, to effect a placement where both the employer and the employee will be pleased and likely to remain so.

As Doctor Commons said in his testimony, "the best employment agencies in the United States are not the public employment agencies but they are the employers themselves." He added that he "did not believe that we can have public employment offices in this country until the employers are willing to support those offices."

In other words, the employers who have the most intimate touch with the opportunities for labor, must have sufficient confidence and interest in the employment exchanges to make use of them. The labor or unemployment exchange must become to the employer for labor purposes just what his bank is for purposes of obtaining capital.

Discussing the organization of employment exchanges, Doctor Commons offers the example of the Milwaukee office, which is conducted and maintained by the local governments, State and city. There, he testified, we had for years the experience connected with an employment exchange which existed for itself and for jobs for the personnel. Then the personnel was placed under civil service rules, candidates for positions were graded in accordance with educational qualifications and experience and then an advisory committee, representing organized employers and organized labor, selected the best candidate for director of the office. This man was appointed. To the criticism that the unorganized worker is not represented in this plan, Doctor Commons replies that the organized employer always takes care of the unorganized worker and adds that "the plan has worked."

Aside from the Wisconsin offices, there are efficient exchanges in some other States, although the number is so small that it does not even offer the skeleton of a national system. Thirteen States, as Doctor Lubin shows, have no employment offices whatsoever. In 11 States there is only one office and in other States the number of offices vary up to the point where 17 offices are found in the State of Illinois. The amounts appropriated by the States also vary tremendously. In Wyoming, for example, \$900 is granted for the work, and from that point the State expenditures for this purpose increase to the point where \$231,360 is spent in Illinois. The total appropriations of all the State governments aggregate only \$1,203,906.

Aside from these general services on the part of the Government of the United States and upon the part of State governments, the United States Employment Service conducts a farm-labor division which has temporary offices at important points in the agricultural States. Critics who have studied the work of the service concede that this is an important task and that it is well done.

In view of this very limited service throughout the country, in view of the few offices conducted and the apparent lack of interest, is there any cause for amazement in the fact that private employment exchanges thrive in many cities, and thrive despite the manner in which some of the private exchanges are conducted—to not always cast credit on the business?

The burden of assisting the unemployed to find work should be borne by organized society through the maintenance of efficient public employment exchanges. Efficient public employment exchanges should replace private exchanges. Private employment exchanges which merely attempt to make contact between a worker and a job, which are operated for profit and solely for profit, present a situation where there are conditions conducive to petty graft. Such practice at the expense of the unemployed is a crime which should not be tolerated.

Your committee might summarize its views on this subject in this manner:

1. The existing United States Employment Service should be reorganized.
2. The director and every employee of the service should be selected and appointed after a rigid civil service examination.
3. The administrative features of the civil service examination should permit the co-operation of organized industry and organized labour in weeding out the candidates for these places, at least the place of the executives.
4. The service should become an organization of experts whose duties would be to co-ordinate the work of the States.
5. Aside from compiling statistics and endeavouring to arrange a plan which would permit the Government to be advised promptly and accurately of conditions throughout the various State exchanges, the Federal service should not be active. In other words, the Government should remain as completely detached from the operation of exchanges throughout the States as it is possible for it to be.

There has been some question of the plan now in vogue whereby the Government contributes financial assistance to the State offices. Witnesses before your committee insisted unemployment anywhere in the country was of national concern and therefore should be treated to some extent with the aid of the Government. But it is certain that some definite system or plan should be devised under which the Government should grant this money to the States if the Government assistance is to continue. The Government expert should make certain that the Government was not contributing to inefficiency in the service.

(C) THE ESTABLISHMENT OF SYSTEMS OF UNEMPLOYMENT INSURANCE OR OTHER UNEMPLOYMENT RESERVE FUNDS, FEDERAL, STATE, OR PRIVATE

In connection with this subject your committee recommends the reading of the testimony of Dr. John R. Commons, of the Institute of Economics, and the Industrial Relations Counsellors, as well as the testimony of the business men who discussed conditions in their own industries.

We think it is generally agreed by the witnesses that at the present time the following conclusions would be drawn from the evidence:

1. Government interference in the establishment and direction of unemployment insurance is not necessary and not advisable at this time.

2. Neither the time nor the condition has arrived in this country where the systems of unemployment insurance now in vogue under foreign governments should be adopted by this Government.

3. Private employers should adopt a system of unemployment insurance and should be permitted and encouraged to adopt the system which is best suited to the particular industry.

Until an opportunity or some cause such as this survey is had to focus attention on the industrial developments in this country, little consideration is given to the accomplishments such as we find in the field of stabilizing employment.

Undoubtedly there are not sufficient industrial leaders who are interested as yet, but there is cause to believe they will be, and simply because of economic pressure. It seems reasonable to assert, from the testimony taken during this survey, that the employer who does not stabilize his employment and thus retain his experienced workmen is the employer who is going to fail.

Just as the efficient business man is stabilizing the return for capital invested, by building up reserves for dividends, so shall he establish a reserve for return to labour in the hours of adversity, according to the well-founded arguments advanced by business men. And why? The testimony from witness after witness stresses the point that there is no suggestion of charity in this effort, no idea of being philanthropic, no desire to have industry to become paternalistic. True, in most cases the plans were started because an industrial leader became conscious of some of his obligations to society. But there is general accord on the proposition that the plan is "good business," that it has increased profits.

One witness asked, "Shall the business man who expands his business without consideration for future requirements escape his responsibility?"

Mr. Morris E. Leeds, of Leeds & Northrup, described his theory as follows:

I was convinced a good many years ago of the element of unfairness and social wrong that modern industry had gotten into by freely hiring people and with equal freedom, firing them.

Mr. Daniel Willard said:—

It seems to me that those who manage our large industries, whatever the character of their output may be, whether it be shoes, steel, or transportation, should recognize the importance and even the necessity of

planning their work so as to furnish as steady employment as possible to those in their service. Not only should that course, in my opinion, be followed because it is an obligation connected with our economic system, but I fully believe that such a course is justifiable from the standpoint of the employer because it would tend to develop a satisfied and contented body of workmen which of itself would improve efficiency and reduce costs.

The testimony speaks for itself and everyone interested should read it. At this time there is nothing that can be recommended on this score in the way of legislation. However, your committee can express the hope that organizations of capital and of labour and that officials of the Federal and State Governments shall never lose an opportunity to inspire thought and discussion on this question of the necessity and the advisability of stabilizing employment within the industries themselves.

Stabilization has been sought and obtained in various ways. One employer has placed practically all his workers on a salary basis, has assured them of a continuous wage throughout the year, and has placed upon them the responsibility of making the industry succeed. Others have established reserve funds and have so arranged them that executives and workers strive to prevent them from being drained. Others have so ordered their production that it is spread throughout the year. Others have begun the production of articles which are related to the general business plan but which can be produced in periods which formerly were marked by idleness.

The testimony is fairly convincing that stabilization can be accomplished in industries which were once regarded as being seasonal in their every aspect.

Fifteen bills dealing with unemployment insurance have been introduced in six State legislative bodies since 1915, and none of them has been successful. Probably the so-called Huber bill, introduced in the Wisconsin Legislature, came nearest to adoption, and its author, Doctor Commons, advised your committee that it "was as dead as anything could be."

In many industries, as the evidence will show, a reserve fund for unemployment which offers protection in the form of insurance has been adopted. The testimony of Doctor Commons as to the practice in the Chicago clothing industries is important as well as the reports of the Industrial Relations Counselors.

Whatever legislation is considered on this subject, your committee is convinced, should be considered by the States. The States can deal with this subject much better than can the Federal Government. But in any discussion of legislation, your committee thinks consideration should be given to the arguments of Doctor Commons—that the plan of reserve funds or insurance confined to one company or plant rather than to all industries, should be adopted.

Doctor Commons stresses the fact that the insurance idea as practiced in the Chicago clothing market follows the experiences gained from the adoption of disability compensation plans in various States. Employers were moved to adopt every precaution against accidents when they realized that accidents were costly under the plans for disability compensation. In the same way, employers and employees will be more likely to fight the causes of unemployment within their industries when they have seen tangible evidence of the cost of unemployment, according to the arguments advanced in this evidence. On the other hand, Doctor Commons insists that, "The paternalistic and socialistic" schemes adopted in foreign countries, penalize success in that the employer who stabilizes his employment does not escape the burden of paying for unemployment in other industries.

Your committee cannot leave this subject without suggesting that consideration be given to the benefits of stabilized production—the finer morale of the workers, the better workmanship, the increased production, the lowered costs of production, and the elimination of the cost of training the unskilled

recruits. The testimony proves conclusively that the workers who co-operate with their employers and who are given a chance and encouraged, contribute tremendously to the success of the enterprise.

(D) CURTAILED PRODUCTION, CONSOLIDATION, AND ECONOMIC RECONSTRUCTION

This subject covers so vast a field that it also immediately becomes imponderable. To exhaust it seems impossible. A committee of Congress could proceed with a study on this one phase of the unemployment problem and could continue indefinitely.

The general opinion given your committee on this score is that undoubtedly just at this time we are experiencing a program and a problem which are no different to those occurring since the advent of machines in industry. The difference is, however, that undoubtedly at this time the developments are far more extensive and far more intensive than they have ever been in our history.

Of course there is going to be individual suffering, for example, the suffering of the musician who discovers that a machine is forcing him to forego his life work and to seek employment in new fields. How to answer the many questions which arise with every minute of consideration for this topic, is what makes the subject imponderable. The printed evidence contains suggestions of the shortened working day and the reduced working week, has contentions that new industries are arising constantly out of the graves of departed trades and the workers are thus absorbed. Your committee is convinced, however, that it is the duty of society to provide for these workers during the period of readjustment, as many employers are now doing.

Conflicting opinions are offered as to the effect of the vast consolidations of wealth. One side contends that the day of the small business man is passing, that the individual merchant can no longer compete with the national chain, while another will contend that no nationally organized chain can overcome the personal effort put into a business by the individual business man.

However, in the time your committee had for this subject no opportunity presented itself for the consideration of legislation on this subject, and your committee has nothing to suggest at this time.

(E) THE PLANNING OF PUBLIC WORKS WITH REGARD TO STABILIZATION

Another committee of Congress, the Committee on Commerce, has considered this subject and has reported legislation which is now before the Senate. The legislation is commonly referred to as the "Jones prosperity reserve bill." Your committee would suggest that the evidence submitted with reference to that bill should be read in connection with this study.

There is some testimony of interest on this subject in these hearings, but your committee did not devote a great deal of time to this topic, because no one disagreed with the suggestion that the Government and all other public agencies should so order their public works that they would offer a buffer in time of unemployment.

The evidence is very clear that the Federal Government may set a valuable example to the States in the adoption of a practical scheme for the planning of public works. Of course, the States and the other divisions of Government will have the greatest opportunity to provide this buffer because the expenditures by the Federal Government for public works are not large as compared with the expenditures by the States and other civil divisions. There should be no delay upon the part of the various Governments, Federal, State, city, and other minor divisions in the adoption of such plans.

There are minor objections to this scheme but your committee is convinced they can be overcome without difficulty.

SELECT STANDING COMMITTEE

(F) THE FEASIBILITY OF CO-OPERATION OF FEDERAL, STATE, AND PRIVATE AGENCIES WITH RESPECT TO ALL THESE SUBJECTS RELATED TO THE UNEMPLOYMENT PROBLEM.

Your committee has discussed this phase of the survey as it has proceeded with this report and there is little to add. In general, it is the opinion of your committee that the responsibility should be kept as "close to home" as is possible. Private agencies should make the first effort and should do everything they can for themselves. The States should contribute only that service that private agencies would find impossible and the Government should merely co-ordinate the work of the States and supply any effort which is entirely and purely of national character.

Your committee will now endeavour to sum up the suggestions and recommendations:

1. Private industry should recognize the responsibility it has to stabilize employment within the industry. The Government should encourage this effort in every way, through sponsoring national conferences, through publishing information concerning the experience had by industries in this work, and through watching every opportunity to keep the thought of stability uppermost in the minds of employers.

2. Insurance plans against unemployment should be confined to the industry itself as much as possible. There is no necessity and no place for Federal interference in such efforts at this time. If any public insurance scheme is considered, it should be left to the State legislatures to study that problem.

3. The States and municipalities should be responsible for building efficient unemployment exchanges. The Government should be responsible for coordinating the work of the States so as to give a national understanding of any condition which may rise and so as to be able to assist in any national functioning of the unemployment exchanges.

4. The existing United States Employment Service should be reorganized, and every employee should be placed under civil service.

5. Efforts should be made to provide an efficient system for obtaining statistics of unemployment. The first step should be taken by the Bureau of the Census in 1930, when the bureau should ascertain how many were unemployed as of a certain date and how many were not seeking employment and yet were unemployed as of that date.

6. The Government should adopt legislation without delay which would provide a system of planning public works so that they would form a reserve against unemployment in times of depression. States and municipalities and other public agencies should do likewise.

7. Further consideration might well be given to two questions, the effect had on unemployment by industrial developments such as consolidation of capital, and the necessity and advisability of providing either through private industry, through the States, or through the Federal Government, a system of old-age pensions.

MEMORANDUM RE SICKNESS INSURANCE

Prepared for the Select Standing Committee on Industrial and International Relations by A. D. Watson, Actuary, Department of Insurance.

The incidence of sickness depends on (1) age, (2) sex, (3) occupation, (4) habitat, (5) season of the year, (6) racial strains, (7) intelligence of people etc., etc., ad infinitum. Obviously it is necessary to distinguish between sickness as such and periods for which claim may be made under an insurance scheme. If insurance is available, unemployment may have a very marked effect on the rate of sickness claim unless unemployment insurance is also provided. Consequently in a climate where many occupations are largely seasonal, unemployment might be a very troublesome factor affecting rate of sick claim. The effectiveness of the supervision of claims is of prime importance as affecting the rate of claim.

In any inquiry the greatest caution must, of course, be exercised in drawing conclusions from data having reference to circumstances differing widely from the particular circumstances concerning which conclusions are desired. Nevertheless it is hardly ever possible to obtain statistics which specifically apply to any question under consideration, and therefore it is necessary to approach the solution of the problem in the best way available.

To give some notion of the manner in which sickness depends on (1) age and (2) occupation, some figures may be taken from the experience of the Independent Order of Oddfellows, Manchester Unity Friendly Society (England), covering the period 1893-1897, generally briefly referred to as "The M.U. Experience." This is perhaps the most thorough-going investigation ever made into sickness experience. Although it is now thirty years removed from present day conditions, and consequently relates to social conditions, to standards of medical science and to a composite of occupations differing widely from what now obtains in Canada, nevertheless so extensive and thorough-going was the investigation and the tables based thereon that actuaries very generally use adaptations of these tables in the solution of a wide variety of problems for which no better data appears to be available.

It should be noted that in the "M.U." experience, incapacity arising from accident of all kinds is included as "sickness," also certain periods of sickness would not be recorded due to a provision in the rules to the effect that a member had to be "off the fund" for a certain period, on the average perhaps about twelve months, before again being eligible to claim as for a new illness.

For the investigation members were divided according to occupation into broad divisions designated by letters as follows:

Group.....	Description of Occupation.
A.H.J.....	Agriculture and Non-hazardous.
B.C.D.....	Building Trades, etc., Railway Service and Seafaring.
Group.....	Description of Occupation.
E.F.....	Quarry Workers and Iron and Steel.
G.....	Mining.

TABLE I.—THE NUMBER OF MEMBERS SICK IN A YEAR AMONGST 100 MEMBERS EXPOSED TO RISK

Ages	A.H.J.	B.C.D.	E.F.	G.	Whole society
16-19.....	26	31	38	41	29
25-29.....	21	26	32	39	23
35-39.....	22	28	33	40	24
45-49.....	25	31	37	45	27
55-59.....	32	38	43	51	34
65-69.....	47	53	60	68	49
75-79.....	72	77	84	87	73
85 and up.....	93	96	100	86	94

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TABLE II.—AVERAGE NUMBER OF WEEKS' SICKNESS CLAIM TO EVERY MEMBER SICK DURING THE YEAR

Ages	A.H.J.	B.C.D.	E.F.	G.	Whole Society
16-19.....	3.1	3.0	3.5	4.6	3.2
25-29.....	4.1	3.8	4.1	4.3	4.1
35-39.....	5.2	5.3	5.0	5.7	5.2
45-49.....	7.3	7.5	7.0	7.7	7.3
55-59.....	11.9	11.9	11.5	12.5	11.9
65-69.....	21.1	22.3	22.9	25.0	21.5
75-79.....	34.0	35.5	36.4	38.8	34.4
85 and up.....	38.6	39.1	45.0	43.2	38.9

The number of weeks' sickness per member per annum according to age and occupation is also a matter of interest, and as it is usual under sickness insurance schemes, whether voluntary or compulsory, to reduce the benefit in cases of prolonged illness, it may be some advantage to show the number of weeks' sickness at a few ages divided into period of attack dating from the beginning of the illness. The ages chosen are the central ages for the age groups in Tables I and II.

TABLE III.—NUMBER OF WEEKS' SICKNESS PER MEMBER PER ANNUM IN ACCORDANCE WITH THE PERIOD OF ATTACK DATING FROM THE COMMENCEMENT OF ILLNESS

OCCUPATION GROUP A.H.J.

Age	1st 3 months	2nd 3 months	2nd 6 months	2nd 12 months	After 2 years	All periods
17.....	0.80	0.05	0.02	0.00	0.00	0.87
27.....	0.64	0.08	0.06	0.04	0.05	0.87
37.....	0.71	0.12	0.09	0.07	0.15	1.14
47.....	0.90	0.20	0.16	0.14	0.40	1.80
57.....	1.26	0.40	0.41	0.40	1.29	3.76
67.....	1.84	0.88	1.10	1.41	4.92	10.15
77.....	1.87	1.26	1.96	3.12	16.86	25.06
87.....	1.18	0.93	1.56	2.60	29.85	36.12

TABLE IV—OCCUPATION GROUP B.C.D.

17.....	0.91	0.05	0.02	0.00	0.00	0.98
27.....	0.76	0.10	0.06	0.04	0.04	1.00
37.....	0.90	0.16	0.12	0.09	0.18	1.45
47.....	1.11	0.28	0.22	0.17	0.52	2.30
57.....	1.53	0.52	0.50	0.46	1.58	4.59
67.....	1.92	0.97	1.27	1.74	6.14	12.04
77.....	1.73	1.24	1.88	3.30	19.86	28.01
87.....	1.22	0.77	1.61	3.00	30.79	37.39

TABLE V—OCCUPATION GROUP E.F.

17.....	1.18	0.10	0.06	0.00	0.00	1.35
27.....	0.93	0.12	0.08	0.06	0.10	1.29
37.....	1.08	0.19	0.14	0.11	0.17	1.69
47.....	1.27	0.29	0.24	0.23	0.47	2.51
57.....	1.70	0.53	0.53	0.51	1.67	4.95
67.....	2.18	1.15	1.54	2.06	7.36	14.30
77.....	1.71	1.18	1.85	3.12	23.36	31.22
87.....	1.70	0.96	1.83	2.80	37.62	44.92

TABLE VI—WHOLE SOCIETY

Age	1st 3 months	2nd 3 months	2nd 6 months	2nd 12 months	After 2 years	All periods
17.....	0-90	0-06	0-02	0-00	0-00	0-98
27.....	0-70	0-10	0-06	0-04	0-05	0-95
37.....	0-79	0-14	0-10	0-08	0-16	1-26
47.....	0-99	0-22	0-19	0-15	0-43	1-88
57.....	1-35	0-44	0-44	0-42	1-37	4-02
67.....	1-88	0-91	1-15	1-51	5-30	10-75
77.....	1-84	1-25	1-92	3-17	17-53	25-71
87.....	1-15	0-92	1-51	2-61	30-23	36-41

CANADIAN FRATERNAL SOCIETIES

Generally speaking the sickness experience of these societies is not available in such form that useful information can be presented based thereon. Even the claim ratio per member cannot be put forward as all of these societies grant single and double benefits and their returns do not show the proportions of each class.

In respect of one society, however, some data for the year 1928 are available which may be of some use. The benefit is \$5 per week for a period of not more than 15 weeks in any year.

TABLE VII

Age	Average number of members in 1928	Claims paid	Claims per member
		\$	\$
Under age 30.....	7,514	28,491	3 79
30-39.....	9,994	34,872	3 49
40-49.....	9,547	33,668	3 53
50-59.....	6,579	33,895	5 15
60-69.....	4,059	40,188	9 90
All ages.....	37,893	171,114	4 54

AUSTRALIAN ROYAL COMMISSION REPORT

In the period from March 3, 1925, to March 11, 1927, a Royal Commission made four reports on various phases of National Insurance. In a Report made in 1925, rates of weekly contributions are given for a benefit of 30s. per week during the 1st six months of sickness and 20s. thereafter, the benefit terminating at age 65 for males and age 60 for females. For convenience the equivalent contributions in cents are shown below for a benefit of \$7.50 per week during the first six months and \$5 thereafter.

WEEKLY RATE OF CONTRIBUTION

Age at Entry	Males (to age 65)			Females (to age 60)		
	Sickness 1st 6 months \$7.50 per week	Invalidity after 6 months \$5.00 per week	Total	Sickness 1st 6 months \$7.50 per week	Invalidity after 6 months \$5.00 per week	Total
16.....	0-13	0-04	0-17	0-12	0-03	0-15
20.....	0-13	0-05	0-18	0-12	0-04	0-16
25.....	0-13	0-06	0-19	0-12	0-04	0-16
30.....	0-14	0-08	0-22	0-13	0-05	0-18
35.....	0-15	0-09	0-24	0-14	0-07	0-21
40.....	0-16	0-12	0-28	0-15	0-08	0-23
45.....	0-18	0-16	0-34	0-16	0-11	0-27

SELECT STANDING COMMITTEE

These rates of contribution purport to represent the contribution which would be necessary having regard to all occupation groups and classes to be covered by the insurance. The rates are computed to be sufficient to build up the necessary reserves for the increasing sickness and invalidity rates at the advancing ages. The rate of interest assumed is not stated.

After such a scheme is once established, workmen will normally become contributors thereunder at some age under 20. The Commission did not recommend a scale of contributions varying with age as in the above table.

ENGLISH SCHEME

The weekly benefits and contributions, excluding costs of administration, according to estimates made in 1911 were as follows for age 16.

	Men		Women	
	£	s. d.	£	s. d.
Benefit per week—				
First 13 weeks beginning with 4th day.....	0	10 0	0	7 6
Disablement after 13 weeks.....	0	5 0	0	5 0
Contributions per week—				
Sickness.....	0	2 2	0	1 0
Disability.....	0	0 8	0	0 8
	0	2 10	0	2 2

If we take benefits of \$10 and \$5 in the case of men and \$7.50 and \$5 in the case of women, the equivalent contributions would be

	Men		Women	
	c.		c.	
Sickness.....		-18		-13
Disablement.....		-07		-07
		-25		-20

Generally speaking the rates adopted in England have proved more than sufficient to provide the benefits under the scheme for persons entering into insurance at age 16.

COMMERCIAL NON-CANCELLABLE HEALTH INSURANCE

This class of business is transacted to a small and decreasing extent by a few companies. Only the better class of risks are considered. It may nevertheless be of some interest to show the annual premiums charged by one company, insurance terminating at age 60.

ANNUAL PREMIUM RATES FOR \$100 OF MONTHLY INDEMNITY ON ACCOUNT OF
DISABILITY FROM ACCIDENT OR SICKNESS

Age	From beginning of disability	First week excluded	First 2 weeks excluded	First month excluded	First 2 months excluded	First 3 months excluded
CLASSES SELECT AND PREFERRED						
20.....	\$60 00	\$45 00	\$36 00	\$30 00	\$25 00	\$20 00
35.....	69 50	56 00	54 00	45 00	33 00	27 00
50.....	104 00	89 00	81 00	66 00	53 00	43 50
CLASSES EXTRA PREFERRED AND ORDINARY						
20.....	\$75 00	\$60 00	\$45 00	\$37 50	\$31 00	\$25 00
35.....	87 00	70 50	63 50	55 00	41 00	33 00
50.....	130 00	112 00	101 50	83 00	67 50	55 00
CLASS MEDIUM						
20.....	\$90 00	\$70 00	\$55 00	\$45 00	\$35 00	\$30 00
35.....	104 50	85 00	75 50	67 50	49 50	40 00
50.....	156 00	133 50	121 50	99 00	81 00	65 50

The above table shows the great importance of the early periods of sickness as affecting cost. As a matter of interest it may be noted that the annual premium at age 35 for "Class Medium" is \$104.50 or, say, at the rate of \$2 per week for a weekly benefit of \$25, or 40 cents per week for a weekly benefit of \$5. If the weekly benefit were \$10 during the first three months, \$5 thereafter, the premium corresponding would be at the weekly rate of, say, 65 cents. Of course a large proportion of this premium is required for expenses which must necessarily be high in respect of business of this type.

SCHEME OF FINANCE AS AFFECTING COST

As matters now stand, broadly speaking each individual bears the whole burden of sickness, and as tables given in this memorandum show, the burden increases with age. Where a burden is now mainly borne by the unfortunate individual, there can be no doubt of the financial capacity of all the individuals of the class to share the burden divided arithmetically among them each year. Where the system of administration is mainly through approved societies with individual financial responsibility for making good the benefits, and particularly where members may at any age transfer from one society to another, it is necessary that appropriate reserves should be built up in respect of each member capable of being transferred with the member. Under a compulsory scheme of administration in larger units, for example by provinces, especially if the type of benefits be such that the increasing cost with advancing age is not too pronounced, the necessity of accumulating reserves is not so apparent. If it be determined that reserves should be accumulated, then provision must be made for the liquidation of the liability incurred by taking under the scheme all those over the minimum entry age at the date the scheme becomes effective, or at least for the payment of interest thereon in perpetuity. Any provision of that sort must of course to that extent reduce the benefits which could be made available for the present generation, the succeeding generations being placed in a

more advantageous position. Perhaps the most expedient course to follow depends a good deal on the benefits included in the scheme of national insurance for sickness insurance is usually only one of several benefits. As this memorandum deals only with sickness insurance, there is shown below the computation of the average number of weeks' sickness per member of a group of workers showing a reasonable distribution from ages 16 to 65, for the help it may possibly be in forming an opinion concerning this phase of the finance of such a scheme. Bearing in mind that anything put forward apart from a concrete scheme must necessarily be tentative and subject to revision, and that the figures in the table should be given a relative rather than an absolute significance, the table may be of some value.

M. U. WHOLE SOCIETY

NUMBER OF WEEKS' SICKNESS PER ANNUM PER WORKER

(1) Year of Age	(2) First 6 months	(3) After 6 months	(2) + 1/3rd (3) (4)	Number of workers (5)	(4) X (5) (6)
17.....	0-956	0-024	0-972	1-461	1,420
22.....	0-794	0-096	0-858	1-701	1,459
27.....	0-793	0-161	0-900	1-578	1,420
32.....	0-842	0-221	0-989	1-476	1,480
37.....	0-923	0-339	1-149	1-336	1,535
42.....	1-054	0-528	1-406	1-174	1,651
47.....	1-207	0-772	1-722	1-004	1,729
52.....	1-446	1-299	2-312	0-819	1,894
57.....	1-786	2-233	3-275	0-634	2,076
62.....	2-251	4-109	4-990	0-463	2,310
			Average 1-456	Totals 11-646	16,954

Column (4) is constructed on the assumption that the benefit after six months of sickness would be two-thirds that during the first six months. The average at the foot of column (4), namely 1-456, is obtained by dividing the total of column (6) by the total of column (5), and represents on the assumptions made the average number of weeks' sickness per worker per annum, periods of sickness of longer duration than six months being taken at two-thirds. If for example the benefit during the first six months of sickness were \$7.50 per week and \$5 thereafter, the average annual cost per member on the assumptions made would be $1.456 \times 7.50 = \$10.98$, or, say, 22 cents per week.

CONCLUSION

It is hoped this memorandum may in a tentative and preliminary way furnish useful information concerning the nature of the elements involved in national sickness insurance. It may help to narrow the field of further inquiry to some extent. Before finally adopting as a settled policy a scheme of national insurance it would seem to be desirable, even necessary, to collect as much data as possible, ad hoc, but before this can be done with economy of effort and precision of application of data to the solution of the problems involved, something in the way of tentative proposals should if possible be formulated. Respectfully submitted,

A. D. WATSON,
Actuary.

OTTAWA, March 28, 1929.

VOTES AND PROCEEDINGS OF THE LEGISLATIVE ASSEMBLY
OF BRITISH COLUMBIA, FEB. 1, 1929.

The House resumed the adjourned debate on the motion moved by Mr. Wrinch on January 29th, as follows:—

Whereas by Resolution under date of March 14th, 1928, it was resolved by the then Legislative Assembly, "That a Committee of the Legislative Assembly, consisting of five members, be appointed, whose duties shall be: (1) To inquire into the workings of any systems of health insurance and of maternity benefits wherever such systems can be found in effective operation; (2) to report its findings to the Legislature";

Therefore be it Resolved, That this Legislative Assembly reaffirms the terms of the Resolution hereinbefore recited.

And be it further Resolved, That a Committee of this Legislative Assembly be appointed, whose duties shall be: (1) To inquire into the workings of any systems of health insurance and of maternity benefits wherever such systems can be found in effective operation: (2) to report its findings to the Legislature.

Mr. Ruthledge moved in amendment, seconded by Mr. Cornett—

That all the words after the first word "Whereas" be deleted, and the following be inserted in lieu thereof:—

It is advisable, in the interests of the people of this Province, that this Legislature should be in possession of authentic, full, and up-to-date information regarding the subjects of maternity benefits and health insurance;

"Therefore be it Resolved, That a humble petition be presented to His Honour the Lieutenant-Governor, praying that a Commission composed of members of the Legislature, who shall serve without salary, be appointed under the 'Public Inquiries Act' to inquire as to what laws relating to the subjects of maternity benefits and health insurance are in force in other Provinces of Canada or any other countries; to collect facts as to the actual operation of such laws, and as to how far they have been found satisfactory; to inquire as to whether and to what extent the public interest requires the introduction of similar laws into the Province of British Columbia; to estimate what would be the total annual cost to the people of the Province in regard to each of these subjects, and what portion of the annual cost would fall upon (a) employers of labour, (b) prospective beneficiaries, and (c) the general taxpayers to suggest methods by which the annual cost might be collected from the employers, prospective beneficiaries, and general taxpayers respectively; and generally to inquire into any or all matters affecting the said subjects respectively; and to report its findings and recommendations to this Legislature at its next Session.

Amendment agreed to.

Main motion as amended agreed to.

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Economic Policy of the
Indian National Congress

AN ADDRESS TO EUROPEANS

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THE ECONOMIC POLICY OF THE CONGRESS

At a meeting of the Madras Branch of the European Association held at Hotel Bosotto on 15th August with Mr. G. W. Chambers in the chair, Mr. A. Rangaswami Iyengar, M.L.A., and Editor of "The Hindu", delivered the following address on the "Economic Policy of the Indian National Congress":—

Let me in the first place thank you for your courtesy in inviting me to address you to-day. The object of meetings like this is, I understand, to bring together Congress leaders and the members of your association so that they may understand more precisely the policy of the Congress and have an opportunity of meeting its leaders. To the extent to which I can help you to know the policy of the Congress more precisely I deemed it my duty to respond and I can only hope that what I have to say to you to-day will be of some use in this direction. You have asked me, Sir, to speak to your members to-day on questions in which both Europeans and Indians in this country are vitally interested, on the proper solution of the problems connected therewith depends in no small degree the future well-being of both the communities. You have desired me to tell you as briefly as I can, something on the economic policy of the Indian National Congress—a most comprehensive subject in all conscience and one by no means capable of compact or easy treatment. I, however, realise the importance which you attach to a discussion of this aspect of Congress

policy and I shall therefore endeavour to present, in as brief a manner as I can, a general view of the economic policy which the Congress in the past as well as in the present has set before itself.

CONGRESS ECONOMIC POLICY NATIONAL

If I may sum up in two words this policy it is sufficient to say that the economic policy of the Congress was and is a policy of National Economics. Whatever might have been the vicissitudes of policy and method in regard to the political claims and rights of Indians, on the economic aspects of the national problems the policy of the Congress has throughout been the same, namely, that of demanding a national economic policy for the country. Students of economics are aware of the difference between the Physiocratic school and the Historic school and specially of the national systems of economics which date from the days of Frederick List. Although at the present day these theoretical distinctions have given way before the hard necessity of finding practical solutions of economic problems in every country, the domination of the economic principles and theory of the British type over the affairs of India was indeed very powerful in the early days of Congress activity. Notwithstanding the essentially British or Free trade bias that was imported into the economic knowledge that was imparted to Indian students by their professors and their books in those days, notwithstanding their staunch admiration for and their attachment to the personalities and principles of British liberalism in those days, Congress leaders like Ranade, Dadabhai, Gokhale, Wacha and others have, from the outset, protested against the sacrificing of India and her economic interests at the altar of Free Trade or placing its finances at the mercy of doctri-

naires in England or of parties that looked at economic problems solely through British or Imperial spectacles. Indeed, in the very first Congress attention was prominently drawn to the economic problem by Dadabhai Nowroji and the demand for a parliamentary enquiry into Indian affairs was based as much upon the economic as upon the political condition of the people in India.

ECONOMIC POLICY DEPENDENT ON POLITICAL POLICY

The Congress, in its early stages, was primarily an institution for organising public opinion for purposes of the representation and agitation of Indian claims before the British rulers and the British public. The resolutions of the Congress laid down its economic policy as part of its political demand for self-governing democratic institutions because it believed and still believes that only by the attainment by the country of power and responsibility in the conduct of its own affairs was there any reasonable chance of its economic requirements being attended to and its material aims realised. The extreme poverty of the country, to which the Finance Ministers of those days, like Lord Cromer and Sir Richard Temple, were more willing to testify than their latter-day successors, was a matter of anxious discussion and deliberation among the leaders of the Congress and, as Dadabhai Nowroji put it, amongst the several causes which are at the bottom of our sufferings, the employment of an extensive foreign agency and the investment of large amounts of foreign capital involving the exportation of its annual profits out of the country without a direct equivalent, were repeatedly pointed to as the most important, contributing to the increasing annual drain of the wealth of the country and its consequent growing poverty. While, therefore, the general resolutions of the Congress demanded political reforms by way of the liberalisation of the constitution, the expansion of the powers of the Legislatures and the redress of various administrative grievances, they were also uniformly accompanied by resolutions demanding the amelioration of economic conditions. The demand for economic and indus-

trial enquiries, for general and technical education, for the mitigation of the burdens of land revenue settlements and the abolition of the Salt Tax, the Cotton Excise duty, and, above all, the retrenchment of public expenditure—in particular the growing military burden of the country—as well as a reform of its currency and fiscal systems were the theme of annual resolutions at every Congress session.

SWARAJ AND SWADESHI

The progress of political events in the country, however, and the opposition of vested interests, made it more and more clear to the Indian National Congress that the demand for piecemeal reforms in the political field and the appeal for financial and fiscal justice in the economic field were becoming futile, that promises made to the ear were broken to the heart, and that constitutional and administrative measures were always hedged round with reservations in favour of the dominant interests of the ruling class. That made the reality of political and economic freedom impossible. When the Congress, therefore, received a new orientation of policy in 1905-06, Dadabhai Nowroji, the Father of the Congress, who more than anybody else, contributed to the exhaustive study of the economic problems that have confronted the Congress, gave the country in Calcutta in 1906 the gospel of "Swadeshi and Swaraj" as the twin objectives of the Congress. While Swaraj "as in the self-governing colonies" as it was even then defined, was the definite objective to which all efforts and attempts of the Congress should be directed, Swadeshi was the definite means by which economically and politically that aim was to be achieved. All activity and agitation in respect of administrative, political, industrial or economic improvements came to be treated as subsidiary to this main purpose and policy of the Congress.

HOME RULE, NON-CO-OPERATION AND SWARAJISM

The history of the political movement since those days has, as you will recollect, turned round what is known as the Home Rule movement with which Mrs. Besant's and Lokamanya Tilak's

names were identified till the passing of the Montagu Reform Act and with the non-co-operation movement inaugurated in 1920 of which the Swarajya Party and its programme were offshoots in 1923-24. The effect of the growth of political agitation and struggle for national freedom when reforms are long delayed and deferred hope maketh the heart sick, has always been to create moderate and extreme elements within a political organisation. And in the case of a great and growing organisation like the Congress, it is natural, nay, it is a healthy sign of its vitality, that its progress should have been marked by the emergence of younger and more virile parties, whose so-called extremism cannot be explained away as the result of a double dose of original sin. Indeed, the extremist of yesterday finds himself the moderate of to-day and the back-number of to-morrow. Political labels or differences in pace apart, the demand for national freedom has now come to be recognised as the natural and inalienable right of human beings—at least after the War—and if freedom and self-rule could not be had for India within the political aggregation known as the British Commonwealth, or if people are honestly convinced to that effect, it can be no sin on their part to aspire for national freedom without the Empire. It will be for you to convince them to the contrary by frankly and fully offering Dominion Status and showing how India's political future as a self-respecting nation will be secured thereby.

UNITY AND UNIFORMITY OF NATIONAL ECONOMIC POLICY

But whatever mutations of opinion or thought have existed on the exact political status of India within or without the Empire in the achievement of its freedom, there has been no difference of view-point in regard to the economic needs of India among Indian politicians whatever the school of thought to which they may belong. And therefore it is that you will find there has been no room for difference of opinion or for controversy over those provisions of the National Demand contained in the Nehru Report which deal with the economic policy of the country under Swaraj. Without therefore, taking up your time with the several economic demands

which the Congress has put forward from time to time as an integral part of its political demands, I shall put as briefly as I can the view-point from which, as I understand it, the Congress scheme of Swaraj will deal with the economic problems that would arise out of the establishment of Swaraj upon the basis of full Dominion Status.

In doing so, I think I should premise by saying that the establishment of a self-governing constitution in this country does not present any special economic problems as such, which in principle or method can be or are fundamentally different from those with which the British people had to deal in the case of other Dominions.

SWARAJ AND ECONOMIC POLICY

The Congress scheme of Swaraj contemplates India's economic policy to be primarily national. It therefore involves all the steps that are necessary to free India from foreign domination no less in the economic and industrial than in the political sphere. In securing and establishing this freedom the coming Swaraj government may be trusted to pursue a just policy and not to contemplate any steps of a spoliatory character nor any confiscating of rights lawfully acquired and actually enjoyed in India by non-nationals. If, however apart from just rights, the European community in this country lay claim to all the advantages that will accrue from the pursuit of this national policy to nationals in India, the obvious step for them to take is to become part of India's nationals. If Europeans settle down and become domiciled in this country, it of course goes without saying that they are ipso facto citizens of the Indian State entitled to the rights and subject to all the duties of Indian citizenship. If, on the other hand, they are here only as sojourners whether with or without a mission for purposes of trade, commerce, or the service of the State, then it follows that they will have, ordinarily speaking, exactly the status which non-nationals in other Dominions, or Britishers not domiciled in those Dominions possess. I do not see that there is any escape from this position once you

grant that India is entitled to full responsible government of the 'Dominion' type. The question whether as members of the same Commonwealth, Britishers in India should have rights and obligations which mark them off from aliens and foreigners doing business in India is one which, I think, has to be solved exactly in the same way as it has been and would be solved in the Dominions. The claim, therefore, for any special or exceptional treatment of the Britishers in India, whatever it may mean, cannot, from the Congress point of view, be held to prevail against the primary demands and requirements of the nation itself and this is particularly the case in the field of economics.

NO TRUSTEESHIP

The doctrine of trusteeship of course ceases to exist with the acceptance of the policy of self-government for India, and surely trusteeship also implies stricter obligations to and lesser advantages derivable from the *Cesti que trustent*. I presume that no Britisher in this country claims a price for his consenting to give up the powers and privileges which he may now enjoy by reason of the domination of the British Government nor any fresh remuneration for the past discharge of the duties of trusteeship even assuming that there is any substance in this hollow theory of trusteeship. If then, there is an offer of British capital or services in the development of India's commercial, industrial or political future, it should wholly be left to the country and its responsible government to decide whether it is or it is not to the interests of the country to accept it on the terms offered. It cannot be left to the offerer to force its acceptance upon the offered. On this free basis, I believe, it would be perfectly possible that the future Swaraj Government of India might be willing to indent as freely upon the services and capital of the British as may be necessary so long as they are satisfied that it would not be detrimental to their own national interests or to their own nationals in other ways.

STEPS TO ACHIEVE ECONOMIC FREEDOM

The present position of India in the economic sphere is one of dependence

upon foreign capital, foreign trade, and the foreign agency in administration. This is admitted and the steps necessary to free her from that position and the just treatment of lawful interests lawfully acquired is, of course, an essential part of this process. I presume that even in the view of the most extreme pro-British exponent should it be conceded that they should at least be governed by the policy defined and elaborated between 1917 and 1919, not merely as to the constitution of India, but as to its fiscal and economic policy. Though the Congress has never accepted the implications of the Announcement of 1917, of which the boycott of the Simon Commission is the latest proof, it has recognised that the economic policy that followed it and has now been fairly well-established, in at least some important respects, has been in the direction of Congress policy and has had the support of Congressmen.

THE GREAT WAR

The injustice involved in the dictation of India's fiscal policy from London at the instance of British vested interests had indeed impressed itself forcibly on the British public during the War. And the disadvantage to the Empire itself which resulted from this policy during the War when India, though willing to help, found itself disabled by Britain's past economic policy, from supplying the needs of Britain and the Empire in the supply of so many industrial and other products opened the eyes of all thinking men at the time. It was during the War that the first steps towards the acceptance of the principle of fiscal freedom and real industrial development for India were conceded by the Government. Until that time, although it was true that the Government of India on many occasions had strongly protested to the Home Government against the many fiscal injustices which they had been compelled to impose upon India at the instance of the British Government—such as, the re-imposition of the cotton duties in the eighties, the imposition of the countervailing excise duty in the nineties, the unequal distribution of the military burden all through and the manipulation of India's currency under the directions of

the India Office—neither the executive nor the Legislature in India were permitted to deal with fiscal and financial questions with any freedom.

THE JOINT COMMITTEE AND FISCAL AUTONOMY

The process of change began during the War when the Government of India were not allowed to increase the cotton duties *pari passu* with other customs duties. The accepted policy of the Coalition Government and of all British political parties in this matter was put in clear terms by the Report of the Joint Committee of the Government of India Act in 1919 as follows:

"Nothing is more likely to endanger the good relations between India and Great Britain than a belief that India's fiscal policy is dictated from Whitehall in the interests of the trade of Great Britain. That such a belief exists at the moment there can be no doubt. That there ought to be no room for it in the future is equally clear. India's position in the Imperial Conference opened the door to negotiation between India and the rest of the Empire, but negotiation without power to legislate is likely to remain ineffective. A satisfactory solution of the question can only be guaranteed by the grant of liberty to the Government of India to devise those tariff arrangements which seem best fitted to India's needs as an integral portion of the British Empire. It cannot be guaranteed by statute without limiting the ultimate power of Parliament to control the administration of India, and without limiting the power to veto which rests in the Crown; and neither of these limitations finds a place in any of the statutes in the British Empire. It can only therefore be assured by an acknowledgment of a convention. Whatever be the right fiscal policy for India, for the needs of her consumers as well as her manufacturers, it is quite clear that she should have the same liberty to consider her interests as Great Britain, Australia, New Zealand, Canada and South Africa. In the opinion of the Committee, therefore, the Secretary of State should, as far as possible, avoid interference on this subject when the Government of India and its Legislatures are in agreement and they think that

his intervention, when it does take place, should be limited to safeguarding the international obligations of the Empire or any fiscal arrangements within the Empire to which His Majesty's Government is a party."

THE INDUSTRIAL COMMISSION AND SIR F. NICHOLSON

The appointment of the Indian Industrial Commission in 1916 was the first definite step taken by the Government in India itself to re-examine India's industrial policy from the nationalist standpoint and its recommendations have been the basis upon which the active policy of industrial development in India by protective duties and bounties, by the development of banking and industrial education and other steps has been pursued. It was before the Industrial Commission that Sir Frederick Nicholson, who is perhaps the oldest influential member of your community, placed his views as regards Indian industries which can bear repetition before you at the present day:

"I beg to record my strong opinion that in the matter of Indian industries, we are bound to consider Indian interests firstly, secondly and thirdly. I mean by 'firstly' that the local raw product should be utilised, by 'secondly' that industries should be introduced and by 'thirdly' that the profits of such industry should remain in the country."

INDIAN STEEL, INDIAN RAILWAY, INDIAN LOANS

It was feared at the outset in India that this fiscal freedom would not materialise to any appreciable degree in the near future. But the working of the Reforms Act and the financial position and commitments of the Government induced them to put into force this policy by the enactment of the Indian Steel Protection Act of 1924—the first tardy and tiny indication of recognition of the economic policy which the Congress, in the interests of the Indian nation, had all along advocated. It was followed in the next year by the repeal of the Indian Cotton Countervailing Excise duty which also involved a recognition of the fiscal freedom that has been repeatedly denied to India at the instance of the British Government. Sometime before this

also the Government of India claimed and enunciated another policy—first with some hesitancy, later on with emphasis born of the support of the Legislature thereto—in regard to Indian railway development. The Government once for all accepted the policy of State ownership, control and management of Indian railways, in place of the development and administration of Indian Railways by private British capitalists. Although these measures have touched but the fringe of the economic policy advocated by the Congress they constitute, as I take it, an acceptance of the national character of Indian economic policy in which the interests of foreigners cannot take precedence over the interests of the nation. One of the significant indications of the effect of this national pressure may be noted in the fact that the Indian Government during Sir Basil Blackett's time had so reformed its finances as to enable him to confine all his borrowings to India and not to go to the London market for Railway or other finance. Though the Government has since found itself unable to persevere in this policy—thanks to the exchange difficulty and other causes that are keeping India's trade in such a depressed condition now—still the principle that the Government's loan requirements, mainly for productive expenditure and previous obligations, should be met from within this country and not from without, is also, I believe, an accepted part of the Indian Government's policy.

EXTERNAL CAPITAL COMMITTEE

Indeed the policy of restricting the inflow of foreign capital was a unanimous recommendation not only of the Indian Industrial Commission of 1917 but also of the External Capital Committee of which Sir Basil Blackett and Sir Charles Innes were the most important members. The Indian Industrial Commission had recommended unanimously that:

“Indian Capital should have full scope for investment in Indian industries and that foreign capital should only supplement it to accelerate the pace.”

The External Capital Committee of 1924 went further and its recommendation was in the following terms:

“It is more advantageous to India that its requirements for new capital should be supplied from internal rather than from external sources so far as internal capital is forthcoming. The real solution of the problem of external capital lies in the development of India's own capital resources.”

Again:

“India possesses a vast store of dormant capital awaiting development and it was recognised in practically all the replies that the Committee received that there is sufficient potential capital in India to meet the larger part of India's industrial requirements.”

ACCEPTED PRINCIPLES OF NATIONAL ECONOMICS

If, therefore, in all these directions the Government as well as certain Europeans in this country have accepted and acted upon a national economic policy for India, if they have conceded that the protection of Indian industries should be placed before the demands of foreign importers or dumpers, if Indian railway development is to be freed from the trammels of company control from London, if all these steps are justified, I claim that their implications must necessarily involve the position that you can have no cause for quarrel with the future Swaraj Government if it continues the principle of fiscal and economic autonomy that has been conceded but proceeds further and attempts to give it more reality and life in the re-building of the prosperity of this most impoverished country. The necessary consequences of it are that India will re-construct her economic structure and take her proper place as an economically self-sufficient and progressive country, that she will restore the prosperity and welfare of her rural population in accordance with her growing needs, that she will develop her industries and her commerce in the same way as other nations are doing, that her industrial and agricultural products and her manufactures will be developed, not for providing the raw materials for the manufactures of other countries and that she will lose no time in getting rid of her dependence upon foreign countries for her needs and in growing out of the position of merely producing raw products for the benefit of other nations.

It cannot be denied that this country is eminently fitted for many industries which have yet to grow or which have yet to develop to the required standard and which have not so far developed on account of the competition of the foreigner in her own markets. This state of things will go and it will be the business of the Swaraj Government to see to it. Her commerce requires to be developed and for that purpose her shipping and her marine have also to be developed as fast as her Government can enable her to do so.

JUSTICE TO EXISTING INTERESTS

There is of course one essential condition of justice on which she should pursue all this and if that essential condition of justice is satisfied, I hope you will agree that the national economic aspirations of this great country will not be thwarted by a nation that has itself struggled through centuries for economic freedom and prosperity. And what is this essential condition? Let us examine it a little closely. As I said it is admitted that there is in this country a large amount of foreign capital invested and yielding a return. It is also admitted that there are a very large number of Europeans employed in this country in business or in the services whose "existing and accruing rights" to use the words of a statute, cannot be ignored.

FOREIGN CAPITAL AND DRAIN

The amount of foreign capital invested in this country has been variously estimated at between 800 and 1,000 millions sterling and constitutes in regard to repayment by way of profit, interest and capital, an annual drain of 50 crores on the resources of the country. In speaking of this as a drain I hope none of my hearers will get back into the confusion into which the drain theory has been dragged so often. That the amount payable by way of interest and instalments of capital of this investment, whatever might have been its history, is justly claimable as of right by the investors or their successors is of course not gainsaid. But that India would be better off if all this investment had been found out of the wealth of its own people within the country so that thereby it would have avoided the export annually of the large quantity of

wealth represented by the home charges is equally a fact which cannot be gainsaid and that is what we mean by asking that this drain should cease—not that the payment of interest, etc., on these investments should cease by any unjust fiat of the State.

EUROPEAN SERVICES

Similarly in regard to the payments made for the services of Europeans in India employed in the administration of the Government, the Services have already in a fit of extra-nervousness obtained guarantees and assurances since 1919 for all their existing and accruing rights and also for compensation if they elect not to serve this country under the changed conditions, not of Swaraj, but even of the Montagu Reform Scheme. The continuance of these rights has been specifically provided for in the following terms in the Nehru Report in the same manner as in Canada or South Africa.

THE NEHRU REPORT ASSURANCES

The Report observes:

We are next confronted with questions relating to European commerce, and are told that "men who have put great sums of money in India and are daily increasing the sphere of their operation, have a right to know if we contemplate an early change of Governments". Similarly we are told that "men entering the services" whether civil or military, whether European or Indian, have a right to know if we intend a radical change of Government at an early date.

As regards European commerce, we cannot see why men who have put great sums of money into India, should at all be nervous. It is inconceivable that there can be any discriminating legislation against any community doing business lawfully in India. European commerce, like Indian commerce, has had to bear in the past, and will have to bear in the future the vicissitudes inseparable from commercial undertakings on a large scale, and no Government in the West or anywhere else has been able effectively to provide a permanent and stable solution for the conflict between Capital and Labour."

The question next arises as to whether there are any other European interests in which the demand for protection or adequate guarantees can

reasonably be made and on this I may say at once that the authors of the Nehru Report have stated the following:—

“If however, there are any special interests of European commerce which require special treatment in future it is only fair that in regard to the protection of those interests, Europeans should formulate their proposals and we have no doubt that they will receive proper consideration from those who are anxious for a peaceful solution of the political problem.

And since the Nehru Report has been formally endorsed by the Congress, it has, in effect, taken the same position.

THE EUROPEAN CLAIMS

I do not know exactly what are the other items in the Bill of Claims which you would want me to meet in this connection. But I presume that they would come under the general categories which have been summarised under the heading of ‘Financial interests and responsibilities’ in the memorandum of the European Association submitted to the Simon Commission thus:—

“The total capital controlled by the British community amounts to many hundreds of million pounds, while of the immense import and export trade of India amounting annually to £ 400,000,000 Europeans have responsibility for the larger share.

“It would appear unnecessary to emphasise the fact that the well-being of the Indian people is as much dependent on the development of India’s economic resources as on the development of her political organisations, and in the former sphere the British community will for many years to come have to play a leading part.”

I presume also that it would be in this category that you would include the question of shipping and coastal traffic and similar matters in which British enterprise is likely to come into conflict with Indian enterprise.

SWARAJ AND FOREIGN TRADE

Now so far as the import and export trade of India is concerned, I have already stated that with the concession of the policy of fiscal freedom for India and the acceptance of a policy of protection by the Indian Government, a policy of bounties and state-aid for assisting Indian industries and a policy of finding Indian loans in India

as far as possible the principle that the interests of India’s industrial and economic development should prevail over any mere expectations of traders and profiteers in the future economy of this country cannot be ignored any longer. It would not be right to raise any misleading plea of racial discrimination in respect of what is essentially an economic question, for British trade with India can only be affected by the growth of industrial development in India during a course of years during which England should easily find other markets for displaced goods or other goods to import into India as she has done in the past.

Similarly in regard to concessions, mineral, commercial or other. In regard to new industries it should be entirely left for the Swaraj Government to decide whether in the national interests foreign mineral concessions can be permitted or whether foreign industrial or commercial interests should be allowed to develop.

In all these economic and industrial matters, it would certainly be not beyond the capacity of the future Swaraj Government to determine what are national interests. It is wrong to assume after conceding the right to self-rule and the capacity to do so, that the future Swaraj Government would be so foolish as to sacrifice the true interests of the nation if they would be promoted by the co-operation of the capital or industry of the Britisher or foreigner and that they would, out of sheer cussedness, eschew the foreigner and injure themselves for the nonce. It is equally wrong to assume that the requisite enterprise, skill as well as capital could not be found in India or that this country should not look forward as early and as far as possible to meeting all her requirements in this respect from her own nationals and within her own country.

SAFEGUARD BY INSTRUCTIONS

The proposals that have been made on behalf of the European Association to protect the interests of non-official Europeans in this country, in particular their financial and commercial interests, have been advanced and developed in some propositions which I think I

should examine from the standpoint of the Indian National Congress. In their memorandum to the Simon Commission they have suggested that these interests have of late not received that attention which they had received in the past and they therefore ask in the first place for a continuance of those clauses in the present Instruments of Instructions to Governors which enjoin on them the following duties:

To see that no order of your Government and no Act of your Legislative Council shall be so framed that any of the diverse interests of or arising from race, religion, educational, social condition, wealth or any other circumstance, may receive unfair advantage or may unfairly be deprived of privileges or advantages which they had hitherto or be excluded from the enjoyment of benefits which may hereafter be conferred on the people at large.

To safeguard all members of our services employed in the said presidency in the legitimate exercise of their functions, and in the enjoyment of recognised rights and privileges and to see that your Government order all things justly and reasonably in their regard and that due obedience is paid to all just and reasonable orders and diligence shown in their execution.

To take care that, while the people inhabiting the said presidency shall enjoy all facilities for the development of commercial and industrial undertakings, no monopoly or special privilege which is against common interest shall be established, and no unfair discrimination shall be made in matters affecting commercial or industrial interests.

SAFEGUARD BY STATUTE

They ask in the next place over and above these general safeguards by executive instructions, for constitutional and statutory safeguards in respect of taxation, trade, professions, commerce, and industry. They ask that discriminatory legislation should be forbidden altogether. In response to a request that this demand may be put in the form of a draft statutory provision your Association have put forward, as you all know, two drafts known as the Bombay and Bengal drafts which I have here before me and which I shall not trouble to read through in full. Nor do I on this

occasion want to enter into any elaborate discussion of these drafts and clauses; I desire only to examine them in the light of the principles which as I said are fundamental in the economic policy of the Congress. As I have said before the claim for guarantees or assurances in respect of invested capital or properties and rights lawfully acquired, possessed and enjoyed in India is an unnecessary one as it exists in the present scheme of things. There is no question of any repudiation on the part of any Government, Swarajist or other, that may succeed to the present bureaucratic Government.

OFFER OF LIQUIDATION

But if assurances are discounted or suspected, speaking for myself as a Congressman, I should be more ready to consider the question of liquidating the whole of this liability by raising the necessary securities on the National credit and assets of the country—in the same manner as the French people did when they wanted to wipe away the disgrace of German military occupation at the end of the Franco-German war in the seventies—than to incorporate statutory guarantees beyond what the present constitution affords. With the magnificent asset of her railways and other productive capital works, the question of the sufficiency of assets cannot arise. Indeed, the total public debt of India productive and unproductive, about 800 and odd millions, as compared to European countries is so small in relation to the assets as well as the annual resources of its Government even on the present extravagant scale of expenditure, that I do not think the cry of affecting India's credit or position in the world's money market need be seriously considered. As regards European services also I have said that their existing and accruing rights have already been duly safeguarded.

GUARANTEES AGAINST TRADE DEVELOPMENTS

But on the question of the import and export trade of Great Britain with India it is indeed difficult for me to understand what in reality the claim made is. If your profession of faith in Free Trade is real, then it follows

that you cannot be affected by the fact that other countries follow a protective policy. It would be childish to assume that the moment freedom in fiscal policy is given to India, its Cabinet will immediately proceed to enforce legislative prohibition of all British imports to India, or as the Americans did, to empty the tea chests into the sea. It would amount to an economic injury which would practically be a physical impossibility. Indian Cabinets will of course strive to build up Indian industries that must in course of time make India self-sufficient in respect of all articles which she herself is capable of producing. But this policy cannot be carried out at a moment's notice and a great manufacturing country, like Britain which has believed in and achieved success under Free Trade, can well look with confidence to the development of fresh markets and the production of other goods not produced in India. To ask therefore that commercial or trade expectations should not be left to the free play of political and economic forces, but should be secured by constitutional guarantees or legislative safeguards is to ask for the imposition of a regime of capitulations on an indigenous Government in India or to ask for a perpetual charge on the resources of India. The demand in the Bombay draft that there should be a constitutional limitation on the Indian Legislatures' power to make any law in India calculated to discriminate not only against any commercial or industrial or agricultural interests already established, but interests to be established in the future, without limit of time is, to put forward a claim on behalf of Britishers to hold the gorgeous East in fee for all time—a claim which is inconsistent even with the accepted policy of the 1917 announcement. The Bengal draft puts it in a different form, but the claim is, in substance, there also, while the latest emendation of these drafts is the demand that the power to decide whether any legislation is discriminatory or not is not to be in the Courts, but in the Governor-General or Governors in India.

WHAT IS UNFAIR ADVANTAGE AND UNDUE PRIVILEGE?

I shall presently come to the question of discrimination; but I shall dispose

of the proposition that the Instrument of Instructions to Governors should provide for the protection of rights other than those which you would want statutorily protected. The claim that no race or class should receive unfair advantage or should be unfairly excluded from benefits or deprived of privileges or advantages which they have hitherto enjoyed, is one which it seems to me requires much clearer definition than you have chosen to give. What is an advantage, a privilege or a benefit and what is the extent of the enjoyment that would constitute a claim for its protection and whether the word 'inhabitant' can be legally extended to cover the cases of residents or traders who do not make India their home, cannot be left to be decided by the discretion of Governors, however eminent. And if advantages in fields other than commerce are to be of the same comprehensive character as that which is claimed in respect of commerce or trade established or to be established in future in this country, it is plain that such indefinite obligations, could not be accepted by any national government. But I believe that undue preference of any kind in favour of or as against any class or race in respect of any rights or properties lawfully possessed and enjoyed will not be permitted in the same manner as they ought not to be permitted under the present regime. For the rest, if, as my friend, Mr. James happily put it in his speech in the Legislative Council the other day, you do feel increasingly the urgency and need for a constitutional settlement, the offer of a discussion round a table with the authors of the Nehru Report is before you.

"DISCRIMINATORY" LEGISLATION

But then it would be argued, what we ask for is protection against discriminatory legislation of a racial or class character. It is contended that since in England the Indian has equality of status and legal rights so in India the Englishman should suffer no disabilities or unfair discrimination against his commercial interests. I do not know whether the removal of legal disabilities or unfair discrimination against the commercial interests of Englishmen in India is the same thing

as equality of status and legal rights for Indians in England. But so far as equality of status and legal rights are concerned, I do not think it can be contended that there has been in Congress or nationalist circles any disposition to deny any such equality of status or rights. The authors of the Nehru Report have gone into this question and have in their Definition Clauses defined the word "Citizen" and "Citizenship rights" to include the cases of subjects of the Crown who carry on business or reside in the territories of the Commonwealth as distinct from those who are naturalised in this country.

The distinction, of course, must exist in all constitutions—British as well as foreign—between nationals, born and domiciled in India and residents and sojourners carrying on business and the legal rights and obligations of the latter must necessarily be more restricted. The Swaraj constitution in all these matters will follow accepted juristic and constitutional principles. There is, however, a strong demand in the Congress that this claim for civic rights for residents should not be conceded in respect of people of those parts of the British Empire who impose the racial bar upon Indians going and residing in their climes; but so far as Britishers are concerned there has been no dissent from the proposition as set forth in the Nehru Report.

COASTAL RESERVATION BILL

There is one particular question of acute controversy between the European and Indian points of view in connection with the subject of discriminatory legislation on which I think I should say a few words. You are all aware of the history of Mr. Haji's Bill for the reservation of coastal traffic in India to Indian shipping and you would perhaps want me to say how the Congress supports this Bill from the point of view of Indian economic policy. I do not propose to discuss the technical details of the Bill which has undergone large changes in the Select Committee and probably, in the course of its passage, may undergo further alterations. But treating the principles of the Bill as a whole, I do not think that from the national standpoint or even from the

standpoint of the policy to which the present Government also is committed, the demand for the development of Indian shipping by the reservation of India's coastal traffic to Indian national shipping, is either improper or in its nature a measure of racial discrimination. Indeed, Sir George Rainy admitted that if a Bill is limited to this, namely, that the coastal trade of India was to be reserved to nationals in the ordinary sense, i.e., the companies registered in the country, then it could be argued that there was no racial discrimination. He only claimed that the particularly onerous conditions that were imposed in favour of Indian nationals in respect of percentage of capital, tonnage, management and labour, would make it a measure of racial discrimination. On the other hand, an equally high European authority *The Statesman* pointed out that, while the Bill itself was a bad Bill, it was 'not in itself evidence of Indian desire for racial discrimination, because, in fact, other countries have protected their coast-wise trade and the hundred per cent Britisher in Australia does not hesitate to discriminate against the shipping of the Mother country. They are in themselves no proof of racial discrimination. The Dominions not only have the right to pass similar measures but they do pass them'. Why a different standard or rule of conduct should be imposed upon India whose kinship with Britain is by no means as intimate as that of the Dominion Whites with the Mother country passes my understanding.

NATIONAL SHIPPING AND NO MONOPOLY

It would not be right for me on this occasion to introduce or refer to the grievances which the Congress has voiced in respect of this matter for years past as a consequence of the shipping monopoly maintained by shipping corporations or combines of British shipping interests, by rateways and rebate arrangements with companies in India, or how rival Indian steamship concerns have gone under under this process. Some of these concerns had been, I admit, not ma-

naged with business skill, but certainly they were wholly unable to withstand the heavy fall of the Inchcape axe. Nor need I refer to the history of the past when Great Britain herself took by no means gentle measures for the complete supersession of Indian ships in the trade between India and England in the days of the Company. I am only anxious to emphasise that in this matter the principle upon which the Congress is supporting the Bill is not one of racial discrimination, much less the expropriation of any defined rights or interests. Sir Charles Innes raised this cry of expropriation of property, goodwill and the rest; but surely such questions of expropriation must have weighed with Australia and America and Canada when they enacted similar legislation. Sir James Simpson in the Assembly defined this expropriation as an expropriation of the goodwill and the earning power of the large British interests in the coastal trade. Sir Victor Sassoon laid down that he would support the Bill provided that there will be no acquisition of assets whether tangible such as ships or intangible such as goodwill without proper compensation. Now in dealing with the question of expropriation and of compensation, I can only state that as a matter of general principle there can be no expropriation and consequently there can be no compensation, in respect of trade expectations or possibilities of development and there can be no goodwill or earning power to be compensated which cannot be enforced under the law as against others. Is it contended that the existing shipping companies or combines can obtain an injunction under the law against the starting of rival shipping concerns on the ground that they have by prescription acquired a monopoly in defined and exclusive proprietary interests in the coastal shipping trade of this country? If they cannot do so the case for compensation fails altogether.

Such shipping and trade monopolies were conferred by Charters and Charter Acts in the 18th century and have long ago been abolished. Legislation not for individual monopoly, but national conservation and development is an acknowledged policy and is wholly different.

When the power-mills displaced the hand-loom were the latter compensated? When protected Indian steel displaced the Belgian bounty-fed steel were the latter compensated? As I say, Indian nationals will always generously consider all reasonable claims for compensation but they can hardly, with any sense of justice to a very poor country, entertain demands for compensation for intangible stakes and interest from which large profits were derived in the past and from which in the inevitable progress of events they will not be able to derive the same profits in future. These are, if I may say so, generally speaking, the considerations on which on principle Mr. Haji's Bill has obtained the unanimous support of all the Indian elected representatives of the people in the Assembly. As to whether the particular methods adopted for reservation, such as the period within which the reservation should be fully put into operation, the restrictions as to freight, fare, tonnage, capital, management, and the rest, are calculated to achieve the result desired, they are what may be termed "Select Committee questions" upon which a discussion and settlement should by no means be difficult if conducted frankly and fairly.

AN EXTRAORDINARY CLAIM

It would thus appear that what is claimed in this and other matters is more than the rights of domicile where it exists or of residence, sojourn or business. The right claimed for the European community is not for its individuals who come and go, but for its corporate entity. "The European community in India," we are told, "is very small, but important, and its position, is one of some complexity. Whilst the community as such and the majority of the big commercial firms have an unbroken connection with India for a century and more, the individuals who compose it are constantly changing. They come to India at the outset of their careers and leave it on retirement after the best years of their lives had been given in its service"—such services, I may point out, in passing, have always been generously paid for though the earnings and gains of these retiring individuals go out of the country. In

other words, the demand is not only for civic citizenship rights for those domiciled in this country and for those residing in this country, not merely for the protection of properties or interests established in this country, but for a connection and stake for present and future generations, maintained in this country by an ever-changing group of European sojourners in India. I must say that no constituted Government can hope to meet or to provide adequate compensation for claims of this extraordinary character. At the same time, I shall be the last to say that the continuance of the maintenance of these connections and the acceptance of the services of these Europeans in this country should or would cease in a day. They will continue as before, so long as they could be maintained on a free and equal basis, so long as they are not sought to be forced by statutory guarantees based on suspicion. As Mahatma Gandhi has put it "when that atmosphere of trust and confidence is created on the basis of equality and freedom no European will find the Indian a niggardly bargainer." Nor can I believe that the financial and commercial position of England is so low that it cannot take the risk of this possibility and find other fields for investment of capital for exploiting the resources needed for her industries elsewhere within or without the Empire; that she must needs keep hold of political domination on this country as a lever for maintaining trade and commercial interests, expectations and developments. To me it is unthinkable that the people in England or even the European community in India obsessed with the magnitude of their interests, would take such a wholly un-English view of their rights and responsibilities and of their duties towards the Indian nation.

There are again claims you make on behalf of the European community for protection on the ground of their being a very small minority on the

basis of the demand for protection of minorities in several Continental States. You refer to questions of representation and the enactment of laws or administrative regulations as to social, educational and other matters concerning your community. I need say very little on this matter beyond the statement that they can well be matters for discussion and easy settlement at friendly conferences.

They would be treated with consideration in the same way as other minority problems are treated.

EUROPEANS AND THE NATIONAL VIEWPOINT

The real trouble behind these pronounced differences between the European and Indian communities in matters of trade and finance, is that the Europeans in this country, even when they desire honestly to co-operate with the Indians, do not realise the implications of a national outlook. If the European community in India, or at least a large part of that community, becomes nationalised in the sense that its members settle down and get domiciled in this country, becoming an integral part of the Indian nation, then all these difficulties, all these demands for protection, safeguards, compensation and the rest will vanish. If, on the other hand, they treat this country only as a place where they have a commercial or business stake, for which purpose they reside temporarily and depart, may be in successive groups for years, then it is inevitable that the point of view of the European, however well-intentioned, should be wholly narrowed down to the question of the protection and development of his own interests primarily, and that the claims and demands for their protection and compensation and development should be foremost in his mind. I would therefore appeal to the European community to examine the National Demand from this national and Congress viewpoint and I sincerely hope that you will find it sound, moderate and wholly acceptable.

L'LEAGUE OF NATIONS
AND
INDIA'S EMANCIPATION

BY

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(President, Indian National Congress, 1920.)



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(2)

TO all my countrymen and countrywomen, are satisfied that the state of things, political and economical, in our country has reached a supreme crisis, that every attempt should be made to arrive at the speediest and most suitable solution, by peaceful means, that the intervention of the League of Nations is one and the only means for accomplishing this, our aim while the remedy of non-violent non-co-operation, though it may be necessary as the ultimate bloodless weapon, is bound to be both exceedingly slow and fraught with danger to the people, that the attractive vision of philosophical anarchy produced by the evolution of the processes of non-violent non-co-operation is bound to inflict, in spite of every care on the part of leaders and thinkers, incalculable suffering on the mass of people at large, that the sure

use of force by Government for preserving law and order would produce conflicts between the people and police and military, leading to national catastrophe which is likely to produce a repercussion and reaction to the ruin of the national cause.

Also to Englishmen and Anglo-Indians who would set justice above commercial interest, who would be able to see that the people of India, not altogether undeserving the name of "the dying race," started on their feet on their path towards political liberty and economic prosperity would furnish the best market alike for purchase of manufactured goods and sale of raw produce including food-stuffs and who would avoid a rupture between England and India which is bound to lead to the disturbance of the world's peace.

INTRODUCTION

"We must prevent, say, America making single-handed the decision that the Philippines are unfit for Self-Government; we must permit India to appeal beyond the decision of Parliament to the common will of a world unified into the League of Nations." (Professor H. J. Laski: 'A Grammar of Politics', p. 229.)

It will be remembered that over three months ago., on my return from the Calcutta meetings during the last Christmas, I ventured to make the statement that our political and economic salvation lay with the League of Nations. That was in the course of a conversation with a friend of mine and it was published in "The Hindu" on 2nd March last. I had intended to rewrite an article on the subject, the better to explain the whole position. But I have been unable to do so for two reasons. In the first place, I have been trying my best to get access to the literature of the League so as to be in possession of its full activities up to date. But I have not, as yet, succeeded in securing it. In the second place, my health suddenly collapsed and I am now an in-patient in Dr. Rajan's Clinic, Trichinopoly. Hence I have decided to republish the conversation as it appeared in "The Hindu" with this introduction, which I necessarily have to write under great disadvantages. I do so because I think it undesirable to postpone the performance of this duty of mine to the public any longer.

2. Criticisms have appeared of the expediency and the practicability of this suggestion and many friends have also written to me on the subject. Naturally enough, no one has blamed the suggestion, while some friends have praised it as a course worth trying. But to me it appears that all these criticisms ignore one vital consideration. Whether or not the League of Nations would save us and the world from a situation which is bound to develop into an economic and political disturbance of the highest magnitude, it is not clear what harm there is in our claiming its intercession at this stage. If the League of Nations is loyal to those ideals in the light of which its great prophet and founder President Wilson started it, it is bound to take speedy notice of the Indian problem. If on the other hand, the League has departed from those ideals, which I do not hesitate to deny, it deserves to be shown up, in either case India and the world stand to gain. I have therefore no doubt that the course which I have ventured to suggest is one which

ought to be taken up by our leaders and tried as soon as possible.

3. I may here permit myself to make a personal reference. The spirit which underlay the conclusions arrived at in the National Gatherings at Calcutta last December distressed me, as they must have distressed a great many others. There were those who, animated by a fervent enthusiasm and an impatient desire to see their country free at the earliest possible moment, proposed resolutions which stand redeemed only by the purity of their intention. There were those others, equally patriotic and no less ardent, who chastened their impatience with a lively practical sense. In trying to find a common formula, impatient idealists on the one hand, and practical politicians on the other, produced a compromise resolution replete with ambiguities. I shall not enter into a full examination of that compromise resolution. The only part of it which concerns me at present is that relating to Sanctions. I agree that what has been called the constructive programme, to be carried on uninterruptedly, is beyond controversy, a programme the most desirable. At the end of this year, however, should Britain not have responded to our demand for a self-determined constitution, as everybody is sure it would not, the Congress is to embark upon mass civil disobedience and non-violent non-co-operation. There can be no doubt that if all the other methods fail, our deliverance is to come from the employment of the Non-Co-operative method. That our culture lends itself to the easy use of this method cannot be gainsaid; but even with all our high spiritual attainment and training through the ages, let us not disillusion ourselves of the actual dangers of this delicate instrument. We have had the experience of Mahatma Gandhi's movement. It did not succeed because even the Indian people lacked the strength and the character without which it is impossible to wield this godly weapon. We now know that to discipline the masses of our countrymen into sufficient fitness for working out successfully a programme of non-co-operation would not only take a very long time, longer than we can wait with safety for the achievement of our objective, but it requires an amount of organisation and effort which in the present state of our country, political and financial, it is hardly possible to put forth. When I realised the immense difficulties of this method for use within measurable future, the idea of invoking the assistance of the

League of Nations occurred to me as the only possible alternative. Let me not be understood as expressing any want of faith in the principles and the policy of non-co-operation. My faith in them stands reaffirmed. But I feel that it is even a higher course to adopt to appeal to the League as by its intervention, the League may save us and the world, considerable suffering and enable us to achieve Swaraj easier and quicker. By its intervention the League cannot levy any suffering either in person or in property but non-co-operation is nothing if it is not a draft upon the popular capacity to suffer, and suffer terribly, in both person and property.

4. The appeal to the League of Nations is a challenge to the conscience of civilised mankind. Almost every important self-governing country in the world which has pretensions to permanent and civilised institutions is represented on that body. Its ideals and its professions have been pitched to a humanitarian key; its watchword is international justice. To prevent war and to settle international disputes by mutual discussion and arbitration rather than by dictation or by war is the object of its policy. To whom shall an oppressed people appeal for a peaceful settlement of its grievances against the oppressor, if not to a body inspired by such ideals and endowed with such opportunities? The League maintains at great cost, several agencies for the purpose of facilitating its work; and India pays a very large proportion of that cost. She is entitled not only on humanitarian grounds but as a permanent and prominent member of the League; to call in the whole-hearted assistance of the League's agencies for the solution of her various problems. The specialised skill which the League commands cannot be had anywhere else.

5. It is suggested that the League of Nations will not easily take cognizance of our appeal. I have discussed this aspect of the question in some detail in the course of the conversation. I adhere to the view that it is possible to bring the matter up before the League effectively in more ways than one. Article XI of the Covenant is most important in this respect. President Wilson himself referring to it said: "Article XI says that it shall be the friendly right of any member of the League to call attention at any time to anything anywhere that threatens to

disturb the peace of the world or the good understanding between nations, upon which the peace of the world depends. That in itself constitutes a revolution in international relationships. Anything that affects the peace of any part of the world is the business of every nation. It does not have simply to insist that its trade shall not be interfered with; it has the right to insist that the rights of mankind shall not be interfered with." This emphatic and impressive interpretation of the article by the father of it is most helpful to our cause. That to ignore the Indian situation would menace the world's peace is certain. That any member of the League may invoke its jurisdiction to interfere in this matter is equally certain. I believe that it would not be impossible to persuade one of the many member-nations to move in this behalf, having regard to the justice, urgency and peril of the situation. I need not here refer to the fact that the League has jurisdiction *suo motu* to interfere, as M. Briand's action as President of the League Council in the disputes between Paraguay and Bolivia shows. I desire also to refer to the views of two very eminent thinkers.

6. I invite attention to the passage quoted from Professor Laski's 'A Grammar of Politics' at the head of this introduction. If the Philippine question and the Indian question have to be ultimately decided under the auspices of the League of Nations, can it be suggested that the application for the League's intervention is entertainable only if it proceeds from the Philippine Government or the Government of India? The constitution of the League makes it clear that the Governments of the various countries are the constituent members. Accordingly the Government of India is the member of the League. But this is a most remarkable instance of a government not representing the people whom it governs, which has been allowed to become and remain a member of the League. To-day India is represented on the League not by the chosen delegates of her people but by the nominees of the British Government. Who expects that Britain will permit these nominees to put forth the Indian people's point of view to the League? The people can therefore only invoke the jurisdiction of the League through other available means. International justice which is the governing principle of the League

activities gives her the implied power to act at the invitation of the real party on whose behalf the Covenant provides that the respective governments as representing that party, shall sit on the League Assembly.

7. Now let me allude to the views of Professor Noel Baker, M.P., Professor of International Studies in the London School of Economics. He said, "Despite its defects, the League of Nations was at this moment of great importance to India. If India was to become one of the great nations of the world it would probably be largely through the instrumentality of the League. In any case, her nationality, whether as a Dominion or as a completely independent State, would be aided and developed in large measure by Association with that body; but he was not surprised that India took little interest in the League so long as her delegations are nominated and instructed by Downing Street." This is the verdict of a gentleman who has studied the place of the League in the economy of the world. Let us hasten the day when we shall utilise the League through whose instrumentality we shall realise our place among the great nations of the world. Let us invoke their assistance in time so that our nationality, which is but in the making, may be aided and developed in large measure by that body. Let us understand that whether we shall be a dominion within the British Empire or an independent State outside of it, we stand equally in need of the good offices of the League.

8. I appeal to my countrymen not to be daunted by the mere apprehension that the League will be prevented by Britain from entering into this question. We must ever be prepared to meet Britain's opposition, whether in a campaign of non-co-operation or in the chamber of the League Assembly, and the latter is by far the most easy. Besides we must remember that the small nations of the world which form the majority of the members of the League will be naturally sympathetic to our aspiration for freedom rather than to Britain's efforts to keep us in bondage; and as Professor Delisle Burns so clearly points out, the peculiar usefulness of the League arises from the opportunity it affords to the small nations to participate in and to influence the policy of the great powers. This influence will be more or less in proportion to the magnitude and the urgency of the interests involved. The Indian Swaraj question, both in its internal and international aspects, is of sufficient gravity and impor-

tance to the future of the world's peace that we may expect the experienced statesmen who meet in Geneva to take a just and rational view of it. It is in this hope and in the hope that my countrymen will explore every avenue that is open to us to reach the haven of Swaraj that I have ventured respectfully to tender my humble suggestion. So ardent and so devoted a friend of India as Mr. C.F. Andrews has recently told our countrymen that our eternal interests are best served by our continuance as members of the League of Nations. To the advice coming from him, pure disinterested and well-informed as it is, we are bound to pay heed. Also as a devout Hindu I revere Sri Krishna's sacred precept that action must be our duty, the fruit thereof is no concern of ours. The League may do what it likes but we shall not give room for the reproach that we failed to give it a chance.

9. The conclusion is sought to be drawn that because the Indian people do not enjoy self-government, India's membership of the League is an anomaly and that therefore the League for the present should treat our Government as an appendage to the British Government. So it is in fact, but it is this very anomaly which we require the League to remove. Either the League should in all honesty render every help it can in our efforts to become nationally an organised people and a real member internationally, or it should speedily decline to be party to Britain's game of enjoying an additional and undeserved vote in the League Assembly in the name of India. To send us out is perhaps not within the competence of the League because we are an original member and our people have always paid their quota to the League's expense promptly and without demur. The only inevitable alternative for the League is therefore to take action on our application.

10. Apart from the rights of parties arising from the interpretation of the League Covenant, it would raise the prestige of the League in a striking manner if it should interfere in major question of this kind with the sole view of righting an age-long international wrong. Instead of going to the logical length of either ignoring the people of India or of sending out the Indian Government from the League, it would, we may be sure, take the far nobler course of altering the fiction of Indian representation into a fact. This will stand out as among the most beneficent achievements in all history.

11. If my countrymen are still sceptical of the usefulness of the League's intervention, it is probably because, in their

preoccupations with internal politics, they have not bestowed enough attention to the history of the achievements of the League. I have drawn attention to some of those achievements in the Conversation. Since then details have come to us of the manner in which the League so successfully settled the dispute between Bolivia and Paraguay. In December 1928 whilst the League Council was sitting in Lugano came the news of a serious war-threat in South America. Bolivia and Paraguay had fallen out. M. Briand, the President of the Council, immediately sent out cables to the disputants reminding them that as members of the League they were pledged to try peaceful means of settlement. He secured the support of American and Argentine representatives. He then told the Bolivian and Paraguayan *Charges de Affairs* that unless they adopted a more conciliatory attitude, the League would have to consider what further measures should be taken to preserve peace. Immediately, Bolivia, the more aggressive of the two States, cabled to the League that her troops had been ordered to cease fire. Almost at once Paraguay who had been calling up reserves, set about the demobilisation. Both countries have agreed to accept mediation by the Pan American Conference, and have signed a Protocol to that effect. It is noticeable that the Pan American Conference was also sitting at the time. According to one interpretation of the Munroe Doctrine, the interference of the League of Nations would be violation of that doctrine. By the step he took, M. Briand impliedly extended the jurisdiction of the League of Nations, over-riding this new interpretation of the Munroe doctrine. He thereby did, indirectly, a great service by the many American States which were all resisting this novel interpretation which reduced all American questions to the category of domestic questions, and as such, incapable of being touched by non-American diplomacy. The prestige of the League has increased as a result of this achievement, especially as the U. S. A. has acquiesced in these proceedings. The next important event of the highest significance to the League of Nations ideal is the Kellogg Pact. Although owing to a change of the Party in Power, America refused to join the League of Nations, a creation of the Democratic President Wilson's, she realised that the League ideal has come to stay. The Kellogg Pact is a clumsy and almost hypocritical homage to that ideal, and a spurious imitation of some of the provisions of the League Covenant. After

this, let no one discount the permanent influence in international affairs of the League of Nations. It is yet too soon to say whether the sanctions are adequate to the successful carrying out of the decisions of the League. But this is necessarily of slow development, considering the novelty of this institution, and the departure it marks from the traditional methods of settling disputes and of healing economic ill-

12. Already the non-participation of America in the League is a serious disadvantage both to America and to the League. It is an irony that President Wilson, one of the greatest of the world's benefactors, who started the League on its career, should have encountered such extreme opposition to the League's idea from his own countrymen. It only shows that America erred in choosing for her President a prophet and a philosopher far in advance of her ideals; but the world gained by America's error. The League of Nations has come to stay. It is a privilege to belong to this sacred institution if we might do so as equals and not as mere licensees as we are to-day. While thus we resuscitate ourselves as equals of the other nations of the world, we shall not only take upon ourselves those difficult duties which a civilised people owe to their less fortunate brethren, we shall also be in an eminent position to make phenomenal internal progress.

13. The appropriateness of inviting so distinguished a body to take notice of the Indian question appears to me to be obvious. It is impossible to conceive of a fairer arbitrator between nations. It is impossible also to think of a more efficient agency to advise in the readjustment if not the reconstruction of the country's political and economic policy. The variety of experience and talent available through the League's agencies is unavailable through any other source. In this respect also its history for the short period of ten years fills me with hope. It has averted national bankruptcies, it has revived trade and prosperity among paralysed communities. Austria and Hungary would not be on the map of Europe but for the timely assistance of the League of Nations.

14. We in India have now reached a supreme crisis. I have always stressed, and I am not tired of doing so now, that the persistent decrease of our average age and of our physical stamina to resist disease are unmistakable indications of this crisis. The causes of the decrease are attributed by our thinkers and leaders, among other reasons, to various social factors. But it appears

As though the main reason for our present state is not fully appreciated. That reason is the growing poverty of our people as a result of a wilful pursuit of an anti-national financial policy. We ought, therefore, to invite the League of Nations to assist us in conceiving and applying sound national financial policy. China of Asiatic Governments is the most recent instance of a country emerging from anarchy utilising the expert assistance of the League in setting her financial affairs in order.

15. There is then the problem of the Indian Native States. I have been of opinion that the relations between British India and the Indian States must be governed by principles of International Law. Substantial questions relating to fiscal and political policy have been raised; and it is clear that the Butler Committee has failed to satisfy the parties concerned. These are questions eminently within the province of the League, and I even think that in the present organization of international affairs the sole jurisdiction pertains to the League. Britain is said to occupy a position of paramountcy in relation to these States; but the exact scope and operation of this paramountcy in principle, has yet to be determined. It is obviously unjust to let Britain herself decide this matter. Having regard to the immensity and the importance of this question, I think it is the duty of the League acting within its express powers to take immediate notice of this question and award a settlement.

16. Nextly, the League has enunciated standards of justice to minorities which should be of the highest value in solving the minorities question in India. Self-Government in Mid-European States would be farcical if the League had not formulated sound principles for the protection of minorities, principles which have given universal satisfaction. Says a great author, "The development of a new technique in adjusting the claims of minorities to general policy leads to the interesting situation that instead of being sources of irredentism and friction, they are often means of reconciliation with the neighbouring peoples." Let us invite the League to apply this new technique to the problem of minorities characteristic of India. The National Congress has in co-operation with other bodies made many efforts to find an acceptable solution of this very important question. The Government all along not only left us severely alone but they have always adjusted their policy so as to keep alive and even promote these differences. Let us

frankly confess the failure of our unaided efforts. In anguish of heart Mr. Jinnah told his countrymen, "If you wish to live as decent men in this country, you must settle the Hindu-Moslem question. If you want to cease to be Pariahs in this world, settle this question." Let us remember that the Hindu-Moslem question does not exhaust the problem of minorities in this country. In fact the political problem of India is solved the moment we can find a suitable solution to allay the fears and to safeguard the interests of the minorities of this country. The Sikhs and the Christians have displayed commendable enthusiasm for a nationally united India among religious minorities. It is not that they do not feel the necessity for special protection but that they know the immediate need of the hour to be the achievement of Swaraj. It is highly desirable to have an expert committee of the League to go into all these questions impartially and according to accepted principles. There is a greater likelihood of their recommendations being received favourably, as they would be in the position of jurymen, disinterested, and without any motive for partiality.

17. This leads me on to the next most important reason why we should establish and maintain live contact with the League. The military expenditure in India has always been outrageously heavy and disproportionate to the actual needs of Indian defence. Our efforts have failed to reduce this expenditure. By our becoming active members of the League we shall get all the benefit of its protection and shall be in a position to largely reduce our armaments and to deflect the present wasteful expenditure to nation building activities.

18. While thus in the internal organization of our country we have everything to gain by invoking the assistance of the League, our position among the nations of the world will become assured if we succeed in turning our membership of the League into a reality. I envisage a future when India shall be a permanent or at least a semi-permanent member of the League Council. We are a nation in the making, and the genius of our times points to the irresistible conclusion that no nation can be made except as part of an international mechanism. I believe that if Afghanistan had become a member of the League, King Amanullah would have found himself stronger in dealing with the most lamentable and reactionary revolution in recent times. Let us warn ourselves against the consequences of such an isolated nationalism. Our object must be

to secure an effective voice in the ordaining of world policy, as, economically and politically, our interest in world peace and prosperity is as great as that of any other country in the world.

19. When once we gain such a status, our usefulness to the world would be unlimited. We shall be in a far better position than any other member of the League to undertake those arduous and humanitarian duties which the League requires some of its members to perform in respect of Mandated territories. Having ourselves suffered under intolerable servitude in which we have been involuntarily placed, we have exceptional intuition and experience to administer the League's mandate in the lasting interest of the world.

Let me now conclude. I have endeavoured to refer to a few aspects of the questions in a rambling way. I hope that at a later date. I shall do all that is in my power to impress upon my countrymen the duty of utilising this method for the achievement of our ideals. I hope also to be able to create sufficient interest in my countrymen so that the younger and more energetic amongst them might work it out with speed and decision. If the method fails we shall not be the poorer. But if it succeeds, what a saving of human suffering! The

weapons of civilised warfare are available not only to warring governments, they are equally available to an oppressed people at war with their tyrant rulers. I cannot contemplate without shudder the possibility in our country of an anarchy so convulsive. And yet that is what stares us in our face if our freedom is not peacefully gained immediately. We have waited too long; we cannot wait any longer. We must win our freedom any how. But we are bound to try every method of peace before we resign ourselves to the inevitable arbitration of the sword. God guide us with wisdom on this supreme occasion.

C. Vijiaraghavachariar.

Rajan Clinic, Trichinopoly,
June 7, 1929.

Note.—Since the above was written, the views of Mr. H. N. Brailsford, published in "The New Leader" appeared in "The Hindu" of June 15, 1929. Mr. Brailsford suggests that the League of Nations is the proper authority to safeguard the interests of Indian minorities. I am glad to find that my own views have received the support of this eminent authority. I should have liked to make a fuller reference to Mr. Brailsford's views; but the text of the article is not yet available.

THE LEAGUE OF NATIONS

AND

INDIA'S EMANCIPATION

THE following conversation took place recently between Mr. C. Vijiaraghavachariar and a friend of his on the problem of the political future of India in the course of which Mr. Achariar propounds a solution which will be found as striking as it is original:—

K.—You will remember the request personally made to you by me on your return from Calcutta, early in January last, regarding your own considered views on the present political situation as disclosed by the decisions reached in Calcutta by the Indian National Congress and the All-Parties' Convention during the last Congress week. You were somewhat reluctant, I thought, to freely express them then. In the light of the speech of His Excellency the Viceroy in the Legislative Assembly, the other day, do you think you can now comply with my request?

C. V.—I shall make an endeavour. I should like to say at once that the speech of His Excellency the Viceroy, made in opening the proceedings of the Legislative Assembly the other day, does not much alter the very acute political situation reached, notwithstanding that he therein made some refreshingly original statements which, in my humble opinion, entitle him to the country's gratitude.

K.—I am greatly surprised at what you say. I fear that you are yourself original in your opinion. Pray, tell me what in your view are the statements, which are to be found in that speech which can secure him our grateful thanks.

C. V.—Well, I do not know if I am original in my judgment of the speech in question. I trust that you remember the historic pronouncement of the 20th August 1917. While that announcement does contain a pledge that the destiny of British India is responsible government as an integral part of the British Empire, it is impossible to conceive a

more diplomatic device to lull a subject people into fancied security and hopes and consequent political inactivity. The real author of that idea was Lord Curzon. It does not at all recognise the right of self-determination or anything approaching it on the part of the people of this country. On the contrary, the promised responsible government was to be gradual, was to be achieved by successive stages and that Government at home and in India were to be the exclusive judges both as to the time and measure of each advance! The people of this country have not been deceived by this extraordinary political device. It simply shows that Englishmen are not good judges of character. Now for the first time, His Excellency the Viceroy has interpreted it as an honest promise of responsible government on the one hand and on the other that the people of this country must have a voice in determining the arrangement to be finally reached. He admits that the solution of the present political situation is possible only by mutual agreement between Great Britain and India. He admits too that it would be shortsighted policy on the part of Parliament if it tries a solution of the present impasse which would not carry the willing consent of the people of this country. These admissions, imperfect as they are, of the right of the people of this country to ordain their own system of government, are almost if not quite new in the history of authoritative proclamations and pronouncements, pledges and promises made from time to time in reference to India.

K. Are you quite sure that this view of yours is absolutely correct? Does not the Great Queen's proclamation of 1858 recognise such a right?

C. V. I am pretty sure that I am correct. At all events I should be glad if you would correct me and refresh my memory. No doubt the Great

Proclamation of 1858 contains a pledge that the sovereign of the British Empire would henceforth observe no distinction between the white and the Indian subjects of the Empire and that she held herself "bound to the natives of our Indian territories by the same obligations of duty which bind us to all our other subjects; and those obligations, by the blessings of Almighty God, we shall faithfully and conscientiously fulfil." But it is very doubtful, whether at that time, notwithstanding it was some sixty-five years after the French Revolution with its gospel of universal fraternity, liberty and equality before the law, the Great Queen fully understood and recognised the principle of political sovereignty of her own subjects and that all authority, legislative, executive and judicial emanates from them. It must be remembered too that this was some three years before Abraham Lincoln enunciated the divine principle of the government of a people by the people for the people. Apart from the possible implication of such a principle in the Great Proclamation, I am aware of no express statement authoritatively made by British statesmen admitting the right of the people of this country to self-government. I omit from all consideration, vague statements made in this behalf now and then in the course of the Great War.

K. I admit I am not in a position to say that you are not correct. But why do you say that the statement of His Excellency the Viceroy on this vital point is imperfect?

C. V. I say so because His Excellency does not admit the right of self-determination of the people of this country to its fullest extent. He would give the right of determining the constitutional government of this country both to the people of this country and to the people of England.

K. Has not the Parliament a voice in the question?

C. V. By the right of Parliament you mean the right of the people of Great Britain, for the British Parliament as such has no right as against the people of this country apart from the people of Great Britain. And the people of Great Britain has not joint voice with us in the exercise of our God-given and inalienable right of self-determination or sovereignty, any more than we have a joint voice with the people of Great Britain in ordaining their own political institutions.

K. Have you no other criticism to offer on the speech?

C. V. I have a great deal to say. But it is not quite necessary to traverse the whole of the speech for the purpose we have in view. I would allude to one or two points. His Lordship does not find his way to say what the people of this country should do if a solution is not reached by mutual agreement. He takes good care to say, however, Cromwell-like, that Government would ever keep the powder dry for the purpose of maintaining law and order in the country. Reading between the lines it is clear that while he is prepared to do his best to interpret our wishes to the Parliament and to co-operate with us in reaching a mutual agreement, he necessarily implies that if any such agreement is not reached, we should remain content with what we might get eventually from Parliament. But if, on the other hand, we take to non-co-operation in view to secure full responsible government at once, not to say absolute independence, the British Government would take good care to maintain law and order, that is to say to use all the available force to prevent the success of the movement of non-co-operation. Here we are.

LORD IRWIN'S OPPORTUNITY

K.—Quite so. But what in your opinion does His Lordship do in all the circumstances?

C. V.—Why, he can make history, the most glorious chapter of it, if he likes and if he would have the necessary courage. The present situation in the relations between the United Kingdom and India presents a strong parallel to the Canadian situation ninety years ago as found by Lord Durham who saved that rich colony to Great Britain by his bold and wise recommendation that it should be allowed to have immediate responsible government, Lord Irwin has a unique opportunity of becoming a second and even a greater Lord Durham in the British Empire if he would only summon courage to rise equal to the crisis. But I believe that every indication points to the contrary direction, even ignoring his threat that the powder would be ever kept dry for the maintenance, in the chronic formula, of "law and order."

K.—What, then, is the course which the people of this country should adopt, assuming that His Lordship would not seize this golden opportunity to follow so brilliant and historical an example?

C. V.—Before I attempt to answer your question it is better that you let me do some spade work in view to find out what exactly is the present political situation in our country. The problem is exceedingly complex. I

think I can here take up the Calcutta decisions of both the Indian National Congress and the All-Parties' Convention for a rapid consideration.

THE DECEMBER DECISIONS

K.—I should be very glad to have your criticism of these decisions, especially the better to know how these resolutions of those two bodies would enable us to find out what exactly is our political problem.

C. V. I venture to think that an examination of these resolutions would much assist us in understanding the problem we are called upon to deal with. The most prominent of these decisions is, of course, the adoption of the demand for the immediate establishment of Dominion Status for India. The All-Parties' Convention, following the recommendations of the Nehru Committee, adopted the resolution without any qualification. But the Congress in adopting the same by a majority vote tacked on a condition in the nature of an ultimatum that it should be established in one year or the agitation in the form of non-cooperation would be renewed for the separation and absolute independence of India from the British Commonwealth of Nations.

The manner and the circumstances under which this resolution was passed in the Congress are most remarkable in its history and conclusively show the present phenomenal political mentality of the people of this country, especially the rising generation. This resolution was sent up by the Subjects Committee—the All-India Congress Committee—as the result of a compromise between the two wings of the Congress, the party for the absolute independence and the party for Dominion Status respectively. Yet this resolution was most vehemently fought out in the Congress and the debate was hot and prolonged till the small hours of the night when it was finally decided by a majority on the side of the right wing, that is, for Dominion Status. You will thus see that the compromise arrived at by the "leaders and thinkers" was not accepted by the followers who were determined on having a voice. They resented the existence of the smaller inner cabinet among such leaders and thinkers, whom some of them irreverently designated as a "driving team" which ordained all the resolutions of the Congress. The whole situation was grim and ludicrous. Of these revered leaders and thinkers, some were silently asked to step aside while all the rest without exception were respectfully

but firmly asked to descend from their lofty pedestal to the plane of their followers. While Messrs. S. Srinivasa Iyengar and Subhas Chandra Bose wisely recognised that it is occasionally the duty of the leaders to allow their followers to lead them, several of the old leaders who could not see eye to eye with the youth of the country were discontented and grumbling.

K. I see this is your view about the most important resolution of the two political bodies. What say you about the other resolutions of the Congress?

C. V. I do not think I need traverse the rest of the resolutions for the purpose we have in view. But I must say that the programme of work ordained by the Congress resolution should not have included social problems, even those which are admittedly urgent and need immediate solution. On the one hand, the solution of these problems has little to do with our political salvation. On the other, it has furnished the enemies of Indian political reform, especially in England, with a handle similar to the weapon furnished by the infamous book of Miss Mayo to be used in the arrest of the urgent processes for the political and economic freedom of India.

ADJOURNMENT OF THE CONVENTION

K. By the way, I read in the papers that you were against the adjournment of the All-Parties' Convention. Can you kindly tell me why?

C. V. I was. I cannot understand why that course was sprung upon the Convention at all. It was against the resolution of the Madras Congress of which the Convention was the creation. Besides, it was in my humble view most injudicious. It would have been quite in public interests at this crisis that the Convention should have finished its labours and published an agreed constitution; in any event the resolution moved by Dr. Besant that a committee be appointed for considering what further work should be done by the Convention should have been allowed. Such a committee with a more comprehensive reference than Dr. Besant expressed in her proposed resolution was most necessary in this national crisis. Such a committee with power to co-opt experts and experienced men is most necessary for investigating the present deplorable economic condition of the country if only to show to the world the great necessity there is for the immediate establishment of Swarajya Government for India as a Dominion

of the British Empire on elastic lines, capable of healthy conventions from time to time as they obtain among the existing Dominions.

K.—Pray, how would such a report help us in solving the complex political problem?

C. V.—I will tell you. And here I believe I am entering on new ground. I agree with those of our countrymen who are pessimistic and who believe that the British Parliament would not, in the near future at least, establish Dominion Government in India. I need not here state their reasons and mine for this belief. The speech of the Viceroy in the Legislative Assembly is alone sufficient for warranting such a belief, not to mention the statements and observations which Sir John Simon now and then makes.

APPEAL TO THE LEAGUE OF NATIONS

K.—Then what is the course which at all is open to us?

C. V.—The only course open to us now is an appeal to the League of Nations to save us. And the League of Nations can save us. Nay, more. The League of Nations is the only resource open to us to save us now both from ourselves and from our rulers and establish Dominion Status with financial stabilisation and economic prosperity. For this supreme purpose the League of Nations can start an enquiry into the present political and economic conditions of our country and recommend the immediate establishment of Dominion Status in it under better patent of the King-Emperor.

K.—I am most agreeably surprised. Is not your idea quite new, I dare not say, startling? It is now nine years since this great institution was started. How was it that during all this time nobody suggested an appeal to the League of Nations for help to achieve our freedom?

C. V. I don't know if my idea is new. However, I venture to say that an appeal to the League of Nations can be legally made for the high purpose we have in view. I am further satisfied that, if on technical grounds, the League of Nations declines to help us, we shall still be gainers because we shall have then gained the sympathy of the world in our struggle to gain our freedom and our process of non-co-operation will be better appreciated in the opinion of the world as the only weapon open to us. So it would be the easier for us to reorganize this movement with efficiency and the Government in using force against us under the name

of law and order will stand condemned at the bar of the world's public opinion.

HISTORY OF THE LEAGUE

K.—Do please briefly tell me how you have reached this remarkable conclusion. I am getting more and more interested in your proposal which, I would repeat, appears to me as quite original.

C. V. I will begin with a brief history of the League of Nations. If Grotius was the father of modern international law, Woodrow Wilson may be truly said to be the father of the machinery for doing international justice. We all know of the famous fourteen points which he laid down in his address to the Congress in January 1918 as his programme for achieving the world's peace, and we know that, of these fourteen points, the last and the most important was his conception of the League of Nations. He went to Paris at the head of the United States' Delegation and there under his immediate auspices the League of Nations was established in January, 1920. And the greatest institution of the world has been in incessant operation ever since. Its constitution is embodied in a covenant and it became Part I of the Treaty of Versailles.

K.—Was this constitution entirely the work of President Wilson?

C. V.—Not quite exactly. The entire idea and the leading principles embodied therein were his but they were adopted after a good deal of discussion as to the plan and details with English and other European statesmen and General Smuts of South Africa. And it is worthwhile to remember that the English Foreign Office had a good deal to do with the drafting of the Covenant.

K.—Then kindly tell me how many nations have accepted and adopted the principles of the League of Nations and become its members?

C. V.—The very vast majority. I believe that there are now 55 Nation-States who are its members and there are only about 12 more left. The members of the League of Nations have been recruited in reference to their attitude towards the Great War. The first set of members called the "Original Members" were "the Allied and Associated Powers" who were the signatories to the Peace of Versailles. And these "Original Members" invited thirteen neutral members also to join them and become "Original Members." Then other nations could only become members when the Assembly of the League of Nations admits them by a

majority of two thirds. In this way the League of Nations consists of all the three classes of members.

K.—Is there any distinction in rights and privileges or duties between one class and another? I believe there is none.

C. V.—None whatever. There are but two conditions:—The first is that every one of the members should be fully self-governing, it does not matter whether it is called a State, a Dominion or a Colony; and the second is that every one of them should undertake the duties and obligations arising from the membership and guarantee to carry them out.

K.—If so, can you explain how India which is not fully self-governing, if it is self-governing at all to any extent, has become a member of the League of Nations? Is it not a very curious circumstance?

C. V.—It is the only one among the fifty-five members of the League of Nations which is not a self-governing state, or Dominion. And this very anomaly is our hope. We fully expect the League of Nations to get rid of this strange anomaly and raise India really and in fact to the level of the other members as she is now theoretically and technically, occupying the same status with them. We must remember that India is among the first class of members, namely, "Original Members" who signed the Treaty of Versailles. She was one of the "Allied and Associated Powers." Among these there were also the Dominions of Canada, Australia, South Africa and New Zealand. Absolutely no distinction was made in the nature and prestige of the status, rights and privileges and duties between India and any of the other Member-States. And this position was accorded to her with everybody's eyes wide open. I have already told you that English statesmen and General Smuts took part in the discussion and framing of the Covenant of the League of Nations and that the English Foreign Office was chiefly responsible for the actual drafting of it. No attempt was at any stage or anywhere made to restrict India's power or privilege under the Covenant. As an ally and as one of the "Allied and Associated Powers," it would have been impossible.

THE LEAGUE'S RESPONSIBILITY TO INDIA

K.—It is clear that it was not by accident that India became a member of the League of Nations co-equal in status and in every thing else to all the other members. Yet do you think you can

account for this strange phenomenon? Why was she made a signatory to the Treaty of Peace at all?

C. V.—I believe I can state one or two reasons. In the first place the whole world knew then and the United Kingdom and the Dominions then fully appreciated without any reserve the tremendous sacrifices which India made during the Great War in men and money, indeed more than and earlier than the self-governing Dominions of the British Empire. Nextly the principal "Allied and Associated Powers" were then full of the rights of self-determination for every country and generally English statesmen then genuinely meant to allow India to get into her Dominion Status soon after the War. It must be remembered too that the solemn pledge of the people of the United Kingdom to let India have responsible government within the Empire, notwithstanding the somewhat disquieting language of the pledge diplomatically inserted in it by Lord Curzon, was made some two and a half years before the Covenant of the League of Nations was born and even several months before President Wilson announced his famous Fourteen Points. Therefore, everybody believed and expected that India was, for all practical purposes, as good as a fully self-governing Dominion as she was soon bound to be one. I submit therefore, that the League of Nations is not only entitled but bound to call upon the United Kingdom to carry out the sacred pledge made expressly to the people of India on the one hand and, by necessary implication from authoritative conduct, to the League of Nations itself on the other. This argument of mine is greatly reinforced by the attitude of the United Kingdom in reference to the Kellogg Pact. When the British Government accepted the proposed Pact, the United States suggested that the *British Dominions* be invited to sign the Pact. The Pact was signed a few months ago, in August 1923, and India was among the signatories. This Pact is justly regarded as supplementing and fortifying the Covenant of the League of Nations. Here again the British Government and the other High contracting parties made no distinction between India and the other parties to it.

THE ALTERNATIVE

K.—Do kindly tell me how we are to proceed in order to make this appeal to the League of Nations and what exactly we had better do for the purpose.

C. V.—We must remember that under the Covenant the activities of the League may be divided into two principal spheres, namely, those relating to the preservation of international peace and avoidance of war on the one hand and on the other, those relating to the promotion of health conditions and economic prosperity of the world. I may add that, as a sort of corollary to its two sets of activities, another sphere has been added, namely, the protection and guarantee of the rights of minorities whether racial, religious or linguistic. I venture to think that the League of Nations has jurisdiction to interfere in the affairs of India just at this crisis from the standpoint of every one of its three spheres of action. First and foremost, the League has jurisdiction to interfere on the one supreme ground which is the essence of its very existence, namely, the preservation of peace and prevention of rupture and war and anarchy. There can be no doubt whatever that, if Dominion Status is not forthwith established in India, the people are resolved to take to non-co-operation including non-payment of taxes to Government and they are bound to take to it as the only weapon open to them. And this method to achieve their salvation is sure to lead to a rupture between the United Kingdom and even its Dominions on the one hand and the people of India on the other. The speech of His Excellency at the Legislative Assembly leaves no doubt on the point. But we really required no threat or menace on his part to induce us to believe that a serious rupture little short of a war would surely be the result.

TWO INSTANCES OF LEAGUE'S INTERVENTION

K.—Let us then assume that the League of Nations has jurisdiction to interfere in view to the solution of the present political situation in India and that it is its duty to help us in reaching the solution. What do you think the probable attitude of the United Kingdom in this behalf would be?

C. V.—Well, I can only speculate. Her first and foremost objection would be the denial of the League's jurisdiction to interfere. She would probably plead that the question of the settlement of the relations between her and India falls within her "domestic jurisdiction" within the meaning of clause (9) of Article XV of the Covenant and, therefore, that the League has no jurisdiction. I venture to submit that the objection would not hold. The relation between India and the United Kingdom is clearly international. Otherwise she could not have been her

ally and one of the "Allied and Associated Powers" for the Great War and Peace and it is impossible to conceive that it could be a domestic business of the latter country. It is too late for her to deny India a status in the League equal to that of any other member, deliberately assigned to her in collaboration with herself (United Kingdom) from start for which India has been paying but too handsomely and that she (India) has been ever accorded equal rights of participation and voting in the activities of the League. It must be remembered that the Covenant of the League is designedly vague and elastic and that its full and varied jurisdiction has to be determined and ascertained in relation to its actual activities in view to achieve its high purposes. I would take two instances of its activities, those relating to the Aaland Islands and the Irish Free State, as most germane to the point in question. A serious dispute arose between these islands and Finland after the late Russian Revolution when Finland became an independent republic. The people of the Aaland Islands, who are ethnically Swedish, wished to seize this opportunity to separate themselves from any part of Russia and become absorbed into Sweden. Sweden naturally enough sympathised with them but Finland claimed sovereignty over these islands as part of herself. A serious rupture was thus imminent. The British Empire, acting under clause (2) of Article XI of the Covenant, exercised her "friendly right" and brought the matter to the attention of the League in view to her interference in the interest of peace. Sweden was a member of the League but Finland was not. But the League invited her to become a member thereof under Article XVII of the Covenant for the purpose of settling this dispute between her and the islands. She consented and became such a temporary member but she at once raised the plea that this was her own domestic concern and that the League had no jurisdiction to interfere. The League, however, entered on an investigation of the state of relationship, found that Finland had sovereignty over the islands but yet she claimed and exercised jurisdiction on the ground that otherwise the rupture would be serious and disturb international peace. So she made several recommendations including full autonomy for the islands. Finland obeyed and carried out the recommendations and the Aaland Islands are now enjoying a Dominion Status so to speak. Let us next take the case of the Irish Free State. We must remember that under the preamble of the Covenant clause

(2) the relations between any two nations should be open and honourable and that under Article XVIII thereof every treaty or international engagement between any two nations, both or one of them being members of the League, should be forthwith registered in the Office of the League Secretariat and published by it. Otherwise such treaty or engagement shall not be binding. The Free State of Ireland, after she had secured her treaty with the United Kingdom under which she became a fully self-governing Dominion, but before she became a member of the League of Nations applied to the League to have the treaty registered and published. Great Britain objected on the ground that it was a matter of her domestic concern and that the League had no jurisdiction. The plea was disallowed by the League and the treaty was registered and published under the Covenant on the ground that it was an international engagement within the meaning of Article XVIII. These two instances are sufficient conclusively to dispose of the possible or probable objection of the United Kingdom in our own case. It requires no argument to show that, if the doctrine of "domestic jurisdiction" is carried too far, the one supreme aim and object of the League of Nations, namely, to avert danger or threatened danger to the world's peace would be frustrated. If the League of Nations had existed at the time when the Wars of the Roses in England and the War between the North and South of the United States of America took place, could jurisdiction have been denied to her if she tried to avert those great and sanguinary wars, on the ground of "domestic jurisdiction"? It is clear from the actual operation of the Covenant of the League that the principle of domestic jurisdiction ousting the jurisdiction of the League is subject to the far more important vital principle of maintaining the world's peace, and the phrase "domestic jurisdiction" has to be confined to comparatively petty disputes in which the outside world has no concern or interest. If the great authors of the League of Nations meant that countries under one sovereign cannot evoke its jurisdiction under circumstances which would warrant the exercise of its jurisdiction if such circumstances would affect the countries under separate sovereigns or were separate republics, nothing would have been easier for them or more necessary than to have said so in several Articles of the Covenant where such a statement would

be most relevant, such as Article XV where it might and ought to have expressly declared that in spite of the Annex No 2 which allows self-governing Dominions and Colonies to become members of the League with equal status and rights and duties with the rest they are all one and the same with the Empire within which and of which they are Dominions and Colonies, for the purpose of "domestic jurisdiction". It would be strange indeed if the great authors of the League meant that the relation between the United Kingdom and India were domestic and not international they would have laid upon the latter such a heavy contribution to the budget of the League and that on the application of the test of her own resources and populations and not in reference to the combined resources and population of the two countries if at all. For the Colonies do not contribute a penny at all to the 105 units out of 937 which the British Empire pays. India like them should not pay anything whereas she pays 56 units and she is the fifth among the 55 members according to the extent of the sum paid by each.

It is worth while observing that Professor Keith hesitates to accept the British interpretation of the Covenant in this important particular. He characterises its attitude in the significant words "the claim is hard to substantiate." It is needless to argue the point further. To put such a construction upon the Covenant would be not only to defeat the one great object of the great institution but also to hold out a premium to the people of India that in view even to secure their political and economic freedom as a Dominion within the Empire with the aid of the League of Nations, they shall have to declare their absolute independence of Great Britain and start or seriously threaten a rupture that would disturb the world's peace. May merciful God save us all from such an interpretation of the principles and provisions of the constitution of the greatest and most humanitarian institution of the world.

THE METHOD OF APPROACH

K.—I am certainly inclined to agree with you in this view. Please tell me how we are to proceed in order to bring the matter to the attention of the League.

C. V.—This question is easily answered. It is the duty of the Governments of Great Britain and India, under Article XV of the Covenant to submit the matter to the

Council of the League; either of them may give notice of the existence of the dispute to the Secretary-General of the League. If neither of them would do its duty, a not unlikely event, then any other Member-State of the League may invite its attention to the subject matter by exercising its "friendly right" under clause (2) of Article XI just as Great Britain did in reference to the dispute between Finland and the Aaland Islands. If the people of India, by means of any one of their innumerable organisations do not succeed in persuading one of the remaining fifty-three Member-States to act under this Article, a most unlikely contingency, still I submit, there are other ways open to us. If a single member of the League can start its jurisdiction in this important particular, then it does not require the genius and statesman-like outlook of a Chief Justice Marshall to infer a necessarily implied power on the part of the corporate institution itself for exercising *suo moto* its supreme function. I venture to think that on credible information before it, the Assembly or the Council of the League can set the whole process of the Covenant in motion for the purpose of the investigation of the dispute and taking all such actions as the Covenant commands and warrants. The course adopted by the League in the matter of the Upper Silesia frontier problem in 1921 furnishes a very good precedent for shewing conclusively that its jurisdiction to settle a dispute can be started by agencies other than those expressly mentioned in its Covenant. The duty of tracing and fixing a frontier between German Upper Silesia and Poland in accordance with the provisions of the Treaty of Versailles devolved upon the 'Principal Allied Powers.' But the Supreme Council of these powers after strenuous endeavours failed to reach an acceptable solution and hence there was imminent risk of a dangerous rupture between Germany and Poland. Thereupon, M. Briand, President of the Supreme Council, wrote to Viscount Ishii, President of the Council of the League of Nations, inviting his attention to the gravity of the situation and soliciting the prompt intervention of the League. Viscount Ishii complied with the request of M. Briand and summoned a meeting of the Council of the League forthwith. In his report, Viscount Ishii said "... that it is not only the right but also the duty of the Council to accept the role which, in the spirit of the Covenant, it has been asked to assume

and in the fulfilment of which its liberty of action and authority will be fully guaranteed." And the members of the Council of the League unanimously decided to accept the invitation of the President of the Supreme Council. A satisfactory solution of the problem was eventually reached but for our purpose it is unnecessary to describe the steps taken by the Council in this connection. The point is that neither the Supreme Council of the Principal Allied Powers nor its President had any status in the League of Nations under the provisions of its Covenant for the purpose of starting its jurisdiction for settling a dispute. And Viscount Ishii hit upon the doctrine of the *spirit* of the Covenant. This view is even better than the principle of implied power which Chief Justice Marshall would evolve under the circumstances. It is thus clear that the people of India have the right and power to submit their case to the League of Nations in view of its investigation and settling our dispute with the British Empire in regard to our political emancipation. The President of the Indian National Congress or of the All-Parties' Convention for instance, not to mention other non-official public organisations such as the Hindu Maha Sabha or the Muslim League, can, like M. Briand, invite the attention of the League of Nations to the very acute political situation in India, calculated to lead to a dangerous rupture with the British Empire and effectually start its jurisdiction for the exercise of all its powers under the Covenant for reaching a satisfactory solution in the interests of peace. Besides this power is within the letter and spirit of Article XI clause (1) of the Covenant which makes it obligatory on the part of the League to take any action that may be deemed wise and effectual to safeguard the peace of nations.

K.—You told me a little while ago of the jurisdiction of the League in matters of national health, economic prosperity and also for the purpose of the protection of the rights of the minorities. May I ask you kindly to tell me how far the present state of India in reference to these points would justify the interference and action of the League.

C. V.—The Great Powers that drew up the Covenant of the League, and the several treaties of peace at Paris in 1919 imposed upon the League of Nations the duty of safeguarding the rights of minorities in the several countries in Europe whether

racial, religious or linguistic. To the several governments affected, protesting against this proposal. M. Clemenceau on behalf of the great Powers explained the purpose and declared that the duty of protecting the minorities would be entrusted to a body representing all the nations and in a purely judicial manner. The Council of the League is the authority to which complaints from the affected minority should be made. The Covenant itself, apart from these treaties contains no provisions expressly conferring jurisdiction upon the League for the protection of the rights of minorities. But such a jurisdiction may be conferred on the League by declaration by the minorities affected. Above all, the League has power to intervene for this purpose if the circumstances affecting the question are such as to threaten to disturb the peace. In our own case the several minorities and majority can agree to refer the whole question to the League. The Hindu-Moslem problem has been found to be too tough to be settled by the people of this country. Past experience shows that it is not easy for us to solve it in the near future. On the other hand there is no near chance of the powers that be enabling us to reach a satisfactory solution. Without a solution of this important problem it is admittedly impossible to establish Dominion Status, much less absolute independence, in our country, and to successfully maintain the same. Judging from its hitherto very satisfactory activity in this behalf in Europe the League of Nations is the best and perhaps the only tribunal that can settle this question to the satisfaction of all parties in India. For this purpose any minority in India can move the Council of the League to enter into an investigation of the subject and even the Hindus can do so as they are in a minority in some provinces. Besides they are most interested in satisfactorily and permanently securing a settlement of the claims and disputes relating to the rights of all the minorities in India in order to reach the political and economic freedom of the whole country. Our Muslim brethren throughout the country can possibly have no objection to this course but on the other hand they should welcome the suggestion. It must be remembered that Persia is one of the Member States of the League and they can have no reason to entertain any fear that the investigation and decision of the League of Nations as to their rights as a minority would not be thoroughly impartial and satisfactory.

K.—Cannot some political body, such as the Indian National Congress, or

the Muslim League, take the initiative in the matter?

C. V.—It can, I should think. But the best body is the All-Parties' Convention which stands adjourned sine die, as that is more representative than the Indian National Congress as regards the varieties of political views. And for another reason too which I shall state presently.

INTER-DEPENDENCE OF POLITICS AND ECONOMICS

K.—Is it necessary that we should invite the League of Nations to enter into an investigation of the health and economic conditions of our country now? Is it not enough if it settles the constitutional problems and the question of the rights of the minorities as incidental and even essential for that one purpose?

C. V.—I am clearly of opinion that they should all be treated and investigated as constituting the one complex problem confronting us. On the one hand, it should be emphasised times without number that politics includes economics and that our political and economic freedom are interlocked and cannot be conceived, the one as separate from the other. A sound and lasting constitution for a country cannot be constructed without a due regard to the economic conditions obtaining therein, and to the prospects of their improvement. On this important aspect of our duties I dwelt at some length in my address to the delegates of the Madras Session of the Indian National Congress over a year ago. The present deplorable economic condition of our country is admitted by the most impartial observers. There is any amount of very good evidence on the print taken by the Royal Agricultural Commission. There are also the statements of Major-General T. H. Symons, President of the Tropical Diseases Congress at Calcutta, and of Sir Daniel Hamilton made only the other day. The exact truth of which cannot be challenged. While we cannot agree with them in their views as to the causes and remedies suggested, we cannot but be grateful to them all for the accurate and masterly picture of the frightful fact itself. In the light of all this unchallenged and unchallengeable and conclusive evidence, it is unnecessary for us to discuss this aspect at any length here. Briefly stated, the notorious facts are that the present-day Indian is gradually deteriorating physically; he is unable to resist diseases to any degree anywise approaching the capacity possessed by the people of well-governed modern states or even by our ancestors up to some two centuries ago; that this

capacity of his has been gradually shrinking; that his average age has been diminishing and is now very low, being about a half of the average age in England or Japan, and even very much lower than that of our neighbour the Afghan, not a citizen of a most well-governed state as yet; and so too the condition of the cattle and of the soil have been steadily deteriorating.

THE LEAGUE TO INVESTIGATE

K.—Quite so. But after an investigation of all these questions what use can the League of Nations make of the result?

C. V.—The League of Nations has to consider what is the exact structure of the mechanism of the Government that is most suitable to our country in reference to all these facts; to find out what form of government would be the cheapest and yet at the same time the most efficient for starting institutions and policies for the gradual removal of all these fatal aspects.

K.—But cannot the investigation of these questions be made by ourselves, say a non-official commission of the Congress and then the result placed before the League of Nations?

C. V.—This can be done. But I must say that on the one hand, such an investigation would not be most satisfactory, and on the other, the League would not act on it with the confidence with which it would accept the report of a committee of its own experts. We cannot secure the services of such experts. But it would be desirable that we should make such an investigation as well as we can and place the result before the League of Nations to show that it is necessary for it to enter into an investigation of this aspect as well. In my view the All-Parties' Convention is more suitable for this purpose as its authority would be better appreciated as being more representative than the Congress. If the Nehru Committee is deemed still to exist on the ground that it can only expire with the All-Parties' Convention which has been adjourned it can and ought to undertake this important work. If it does not exist, either the Convention should at its next meeting appoint a committee for the purpose, or the All-India Congress Committee should appoint a committee of its own.

K.—I should like to ask you one question in this connection. Cannot all the information relating to the economic condition of the people of this country be collected from the published records and if all of them have not been published, can they not be secured from

Government? Is it necessary for a committee to make inquiries anew?

C. V.—No; a good deal can be secured in the way you suggest. But Government have not as yet investigated this question thoroughly and in all its aspects. For instance I am not aware that the question of the diminishing average age of the Indian has been investigated nor the question of the incidence of taxation with due regard to national and individual incomes nor again the question how far the incidence is responsible for the growing poverty of the people and deterioration of cattle and soil. Besides, the whole financial policy of Government in all its aspects, namely, taxation, public expenditure, currency, exchange, and banking should be examined by the best and unprejudiced experts which the League of Nations alone supply. The committee we can employ can only do work sufficient to convince the League that the field is worth exploring by great experts in view to the reconstruction of the whole system of government for our country.

K.—But are we sure that the abnormal mortality and the low average age among us are not also due to social evils such as child-marriage?

C. V.—No doubt child-marriage of girls and premature maternity are somewhat responsible for the high mortality, especially infant mortality, and for the low average age. But this factor is exceedingly small if not negligible when the question is considered as affecting the people of the whole country. This social custom obtains only among a small class of Hindus and the custom is gradually being discredited. To show that this social custom has very little to do with the vital statistics of India, let me allude to one important fact. The infant mortality among the Muslims of Bengal is 15 per cent more than the same for the Hindus.

K.—Strange phenomenon this, is it not?

C. V.—I don't think so. The true and substantial causes are economic and not social.

INDEPENDENCE AND DOMINION STATUS

K.—There is one important aspect of the whole problem to which I must call your attention. You will remember that the volume of opinion in favour of absolute independence of India is increasing and that the Congress in its resolution for Dominion Status has recognised this growing opinion in accepting the ultimatum attached to it. Assuming that

Great Britain won't let us have full Dominion Status this year or in the near future, do you think the country should ask the League of Nations for the establishment of mere Dominion Status and not for absolute independence? What would be the attitude of the League of Nations if we ask for absolute independence?

C. V.—A complete answer to this question would be very long indeed. In the first place the League would not entertain such an appeal as being beyond its jurisdiction. The Covenant says that, provided its members are fully self-governing, it is immaterial whether any such member is a State or a Dominion or a Colony. Prof. Laski says, and rightly in my view, that the League has no power to ask Great Britain to quit India. No doubt if the world's peace is menaced by an attempt on the part of India to secure complete independence, it has jurisdiction to interfere but it has also another essential principle to follow at the same time, viz., international justice according to the Covenant; and the Covenant having deliberately limited its activities on well-expressed principles, the League would not and could not assist us if we try to secure absolute independence. On the other hand, if we decline to accept its recommendations in view to conciliation it would leave us severely alone, or perhaps it may use all the powers it possesses to restrain us in our attempt in view to the world's peace. In the second place I believe most conscientiously, as I have ever believed all my life, that it is undesirable in our own interests and perilous too to aim at absolute independence for our country now.

K.—Surely you may be right as regards your view that the League cannot entertain our appeal for total independence, but I am simply surprised that you maintain the extraordinary position that our independence is undesirable in our own interest. How can it be? Would you be against our independence even if Great Britain withdraws or if we can win it by peaceful means?

C. V.—I have no hesitation in answering your questions in the affirmative. The first contingency would never happen, and the latter hypothesis won't arise at all; we shall not be able to win independence by peaceful means, or by bloodshed even. In the next place Dominion Status has in substance all the advantages of absolute independence without its disadvantages. You must remember that from very ancient times one of the chief factors of lasting political independence of a country has been

powerful and loyal allies. Isolated independence is precarious and is becoming more and more so. The late war could not have been won but for the association of very powerful allies. Dominion Status means that India has several allies who are bound to stand by her in case of external danger just as India is bound to stand by them all in such an emergency. It is impossible to exaggerate the value of this vital aspect of the entire question.

K.—I fear that you attach undue importance to the system of Government called 'Dominion Status'. Prof. Keith says that the Dominions are after all dependencies of Great Britain. Yet you seem to think that such a Dominion Status is even better than thorough independence. It is quite a new form of Government. Is it not?

C. V.—I admit I am partial to this kind of political status for our country. I fear that there is considerable misapprehension as to the nature and capacity for sound development of this form of Government. Its history should inspire confidence in us although it is quite true that it is a very modern institution, and unknown to political philosophy. The idea and the word 'Dominion' in this sense are of Canadian origin. They were taken from the 8th verse of Psalm No. 72, "He shall have dominion also from sea to sea". The British Parliament accepted the word and the doctrine, and the British North America Act of 1867 was framed in accordance thereof. The Imperial Conference of 1907 appreciated the new political conception and extended the use of the appellation to all the other self-governing colonies of the Empire. This modern polity is as elastic in its evolution on sound lines as it is unique in origin, due chiefly to the successful rebellion of the thirteen United States of America. The self-governing Dominions of the British Empire are content and prosperous and Canada is even proud of her status and is most happy in inventing and developing conventions in the way of national prestige and national advancement. Canada is in substance as independent as the United States of America and with much less responsibility and expenditure for the defences of the country. If we would but compose our domestic quarrels arising from religion or caste and adopt the wisest course as Canada did, we shall also have our dominion from sea to sea and from sea to mountain and become as free and as prosperous and as proud too as Canada.

I may here invite attention to the very melancholy state of affairs in

China and Afghanistan. Both are independent countries, and political reform there should be easy of achievement. Yet what do we find? Instead of hailing King Amanullah as another Peter the Great, not only the unthinking masses and tribes and ignorant priests but also the chiefs and several of the upper classes are unrelentingly opposing the great Prince. God alone knows whether he will succeed in establishing a lasting free constitution. In China, the noble attempt of the patriots to convert the ancient regime into a free and modern Government has been opposed by the Governors of the huge provinces from personal ambition and under the selfish abetment of the foreign exploiters. Let us remember, too, that these two independent countries cannot become self-governing Dominions. But India can; and thereby escape the dangers that are sure to overtake us so soon as we set up independence. And India is more apt than Afghanistan or China to cause disturbances in our way. Its innumerable tributary princes and religious and racial sections would all be exploited to oppose the national patriots. No British-India should not at this crisis think of absolute independence, whatever the provocation given to us by Great Britain. The establishment of a sound constitution as a self-governing Dominion within the Empire under the auspices of the League of Nations with its organs for the continued protection of the rights of minorities is by far the best instrument for effecting and progressively maintaining our constitutional freedom. Let us not forget that the bittered relations between minorities and ruling Powers in Europe brought on the Great War, as the Rt. Hon. Sir W. Dickinson says,

ADVANTAGES OF DOMINION STATUS

K.—Well, be it so. But even in that case, we shall have to fight and win Dominion Status by non-co-operation as Great Britain won't let us have it peacefully. What becomes of the ultimatum of the Congress resolution then?

C. V.—Yes. Nothing should provoke us into a rebellion, even a peaceful rebellion for the sake of technical independence. It would be really perilous. While Dominion Status would be much more easily won by us even if we fail to secure the intervention of the League of Nations, as I have already explained, it is best for our country. I am not one of those men who believe and assert that we cannot defend ourselves

against foreign aggression. Besides the advantage just mentioned of being associated with Great Britain and her Dominions for purposes of defence against external aggression, there are two other very great advantages in our becoming a Dominion, and that with the assistance of the League of Nations. Let us not forget that as soon as we become a Swarajya nation, whether as a Dominion or as an absolutely independent State, financially we shall be on the brink of national ruin. The story is too long and painful to tell. India is fast losing international credit. The appalling and growing poverty of the people tells the same dismal tale. So we need the assistance of the League of Nations to save us from this ruin as she saved Austria soon after the War. But for her lead and assistance, the ruin, financially and economically, of Austria would have been certain and complete several years ago. So we should do everything in our power to secure and retain the League's sympathy in working out our salvation both politically and economically. With her assistance alone can we hope to make our rupee as stable as the Australian crown now is.

The next advantage is that we require for many a long year the co-operation of Englishmen in the services, civil and military (including aerial and naval). It is best to be frank and honest in the eternal interests of ourselves. Long, long ago, say, a thousand years ago, we lost our capacity and disciplined habits for running a free government with all its necessary institutions while the Englishmen have been these eight hundred years developing all the qualities of head and heart which are most necessary for progressively maintaining free institutions. We sadly but imperatively need their association with us in maintaining and developing our newly-won free institutions on the soundest practical principles tested by their long experience.

K.—But we have all along been crying against the bureaucracy and have wished to get rid of them.

C. V.—There has been confusion of thought in this particular. The present English bureaucracy in India have all along been our political rulers as well, charged by law and conventions to run and maintain the most selfish autocracy solely in the interests of Great Britain and even her possessions beyond the seas. Stripped of all their present political and other special powers and privileges, they would be most valuable merely as constituting a definite and

appreciable portion of the great services of the new regime along with our own countrymen, I believe that it is far more difficult to preserve internal peace and carry on the administration in and by every department satisfactorily than to ordain our defence against external aggression.

ANOTHER POSSIBLE ENGLISH OBJECTION

K.—One more question and I have done. Would not, in case of our appeal to the League of Nations now, Great Britain urge that the intervention of the League would be premature at this time as the Parliament is considering the whole question of Indian Reform?

C. V.—It may. But it won't hold. On the one hand, the reform undertaken by Parliament is limited and narrow in aim and scope, and does not include economic and financial reform, without which the political reform even if Dominion Status is established, would be most inadequate and unsatisfactory. Great Britain would by no means reduce the huge and costly services civil and military, nor adopt the soundest financial policies in every direction solely in the interest of India. It is the League of Nations alone that can, with the assistance of disinterested experts, tackle with all the aspects of the complex political problem of our country in a satisfactory way. Again, if this objection should be entertained then after the disposal of the question by the Parliament, the objection would be that the intervention is too soon and that the reform effected should be allowed a chance.

K.—If the League of Nations intervenes now then the labours of the Simon Commission and all the associated committees would all go in vain.

C. V.—Yes, they would. I am not quite sure that the Commission and the Committees, I mean the personnel of them, would not warmly thank the League of Nations and ourselves too in that event. And I imagine that their thanks would be the warmer, the sooner we enter this path for achieving our national salvation.

K.—So let us prayerfully aim and work.

C. V.—I think I can most appropriately close our talk with an apt quotation from the speech of His Gracious Majesty the King-Emperor, whose recovery from his dangerous illness has filled the hearts of the teeming millions of India with joy and gratitude to Providence, delivered on December 22, 1927, proroguing Parliament:

"I have watched with profound sympathy and satisfaction the steady growth in influence of the League of Nations and the increasing part which it plays in composing international differences and preserving peace. The recent meeting of the Council at Geneva marked a further stage in this progress. My Government will continue to base its policy on loyal co-operation with the League."

Let us mark and inwardly digest the ideas embodied, in this passage especially in the last sentence and do prayerfully hope as we go to perform our duty.

APPENDIX A.

THE COVENANT OF THE
LEAGUE OF NATIONS

THE PREAMBLE

The High Contracting Parties in order to promote international co-operation and to achieve international peace and security;

by the acceptance of obligations not to resort to war;

by the prescription of open, just and honourable relations between nations;

by the firm establishment of the understandings of international law as the actual rule of conduct among Governments; and

by the maintenance of justice and a scrupulous respect for all treaty obligations in the dealings of organised peoples with one another

Agree to this Covenant of the League of Nations.

ARTICLE 1

MEMBERSHIP

The Original Members of the League of Nations shall be those of the Signatories which are named in the Annex to this Covenant, and also such of those other States named in the Annex as shall accede without reservation to this Covenant. Such accession shall be effected by a Declaration deposited with the Secretariat within two months of the coming into force of the Covenant. Notice thereof shall be sent to all other Members of the League.

Any fully self-governing State, Dominion or Colony not named in the Annex may become a Member of the League if its admission is agreed to by two-thirds of the Assembly, provided that it shall give effective guarantees of its sincere intention to observe its international obligations, and shall accept such regulations as may be prescribed by the League in regard to its military, naval and air forces and armaments.

Any Member of the League may, after two years' notice of its intention so to do, withdraw from the League provided that all its international obligations and all its obligations under this Covenant shall have been fulfilled at the time of its withdrawal.

ARTICLE 2

EXECUTIVE MACHINERY

The action of the League under this Covenant shall be effected through the

instrumentality of an Assembly and of a Council, with a permanent Secretariat.

ARTICLE 3

ASSEMBLY

The Assembly shall consist of representatives of the Members of the League.

The Assembly shall meet at stated intervals, and from time to time as occasion may require, at the Seat of the League, or at such other place as may be decided upon.

The Assembly may deal at its meetings with any matter within the sphere of action of the League, or affecting the peace of the world.

At meetings of the Assembly, each Member of the League shall have one vote, and may have not more than three representatives.

ARTICLE 4

COUNCIL

The Council shall consist of representatives of the Principal Allied and Associated Powers, together with Representatives of four other Members of the League. These four Members of the League shall be selected by the Assembly from time to time in its discretion. Until the appointment of the Representatives of the four members of the League first selected by the Assembly, Representatives of Belgium, Brazil, Spain and Greece shall be members of the Council.

With the approval of the majority of the Assembly, the Council may name additional members of the League whose representatives shall always be members of the Council; the Council with like approval may increase the number of members of the League to be selected by the Assembly for representation on the Council.

The Council shall meet from time to time as occasion may require and at least once a year, at the seat of the League, or such other place as may be decided upon.

The Council may deal at its meetings with any matter within the sphere of action of the League or affecting the peace of the world.

Any member of the League not represented on the Council shall be invited to send a representative to sit as a member at any meeting of the Council during the consideration of matters especially affecting the interests of that member of the League.

At meetings of the Council each member of the League represented on

the Council shall have one vote and may have not more than one representative.

ARTICLE 5

VOTING AND PROCEDURE

Except where otherwise expressly provided in this Covenant or by the terms of the present treaty, decisions at any meeting of the Assembly or of the Council shall require the agreement of all the members of the League represented at the meeting.

All matters of procedure at meetings of the Assembly or of the Council including the appointment of committee to investigate particular matters shall be regulated by the Assembly or by the Council and may be decided by a majority of the members of the League represented at the meeting.

The first meeting of the Assembly and the first meeting of the Council shall be summoned by the President of the United States of America.

ARTICLE 6

SECRETARIAT

The permanent secretariat shall be established at the seat of the League. The Secretariat shall comprise a Secretary-General and such secretaries and staff as may be required.

The first Secretary-General shall be the person named in the Annex; thereafter the Secretary-General shall be appointed by the Council with the approval of the majority of the Assembly.

The Secretaries and staff of the Secretariat shall be appointed by the Secretary-General with the approval of the Council.

The Secretary-General shall act in that capacity at all meetings of the Assembly and of the Council.

The expenses of the Secretariat shall be borne by the Members of the League in accordance with the apportionment of the expenses of the International Bureau of the Universal Postal Union.

ARTICLE 7

SEAT, QUALIFICATIONS FOR OFFICIALS, IMMUNITIES

The seat of the League is established at Geneva.

The Council may at any time decide that the seat of the League shall be established elsewhere.

All positions under or in connection with the League, including the Secretariat, shall be open equally to men and women.

Representatives of the Members of the League and officials of the League when

engaged on the business of the League shall enjoy diplomatic privileges and immunities.

The buildings and other property occupied by the League or its officials or by Representatives attending its meetings shall be inviolable.

ARTICLE 8

REDUCTION OF ARMAMENTS

The Members of the League recognise that the maintenance of peace requires the reduction of national armaments to the lowest point consistent with national safety and the enforcement by common action of international obligations.

The Council, taking account of the geographical situation and circumstances of each State, shall formulate plans for such reduction for the consideration and action of the several Governments.

Such plans shall be subject to reconsideration and revision at least every ten year.

After these plans shall have been adopted by the several Governments, the limits of armaments therein fixed shall not be exceeded without the concurrence of the Council.

The Members of the League agree that the manufacture by private enterprise of munitions and implements of war is open to grave objections. The Council shall advise how the evil effects attendant upon such manufacture can be prevented, due regard being had to the necessities of those Members of the League which are not able to manufacture the munitions and implements of war necessary for their safety.

The Members of the League undertake to interchange full and frank information as to the scale of their armaments, their military, naval and air programmes and the condition of such of their industries as are adaptable to warlike purposes.

ARTICLE 9

PERMANENT MILITARY COMMISSION

A permanent Commission shall be constituted to advise the Council on the execution of the provisions of Articles I, and VIII, and on military, and naval and air questions generally.

ARTICLE 10

GUARANTEES AGAINST AGGRESSION

The Members of the League undertake to respect and preserve as against external aggression the territorial integrity and existing political independence of all Members of the League. In case of any such aggression or in case of any threat or danger of such aggression the Council shall advise upon the means by which this obligation shall be fulfilled.

ARTICLE 11
ACTION IN CASE OF WAR OR DANGER
OF WAR

Any war or threat of war, whether immediately affecting any of the Members of the League or not, is hereby declared a matter of concern to the whole League, and the League shall take any action that may be deemed wise and effectual to safeguard the peace of nations. In case any such emergency should arise the Secretary-General shall on the request of any Member of the League forthwith summon a meeting of the Council.

It is also declared to be the friendly right of each Member of the League to bring to the attention of the Assembly or of the Council any circumstance whatever affecting international relations which threatens to disturb international peace or the good understanding between nations upon which peace depends.

ARTICLE 12
DISPUTES TO BE SUBMITTED TO
ARBITRATION OR INQUIRY

The Members of the League agree that if there should arise between them any dispute likely to lead to a rupture, they will submit the matter either to arbitration or to inquiry by the Council, and they agree in no case to resort to war until three months after the award by the arbitrators or the report by the Council.

In any case under this article the award of the arbitrators shall be made within a reasonable time, and the report of the Council shall be made within six months after the submission of the dispute.

ARTICLE 13
ARBITRATION OF DISPUTES

The Members of the League agree that whenever any dispute shall arise between them which they recognise to be suitably for submission for arbitration and which cannot be satisfactorily settled by diplomacy, they will submit the whole subject-matter to arbitration.

Disputes as to the interpretation of a treaty, as to any question of international law, as to the existence of any fact which if established would constitute a breach of any international obligation, or as to the extent and nature of the reparation to be made for any such breach, are declared to be among those which are generally suitable for submission to arbitration.

For the consideration of any such dispute the Court of Arbitration to which

agreed on by the parties to the dispute or stipulated in any convention existing between them.

The Members of the League agree that they will carry out in full good faith any award that may be rendered, and that they will not resort to war against any Member of the League which complies therewith. In the event of any failure to carry out such an award, the Council shall propose what steps should be taken to give effect thereto.

ARTICLE 14
PERMANENT COURT OF
INTERNATIONAL JUSTICE

The Council shall formulate and submit to the Members of the League for adoption plans for the establishment of a Permanent Court of International Justice. The Court shall be competent to hear and determine any dispute of an international character which the parties thereto submit to it. The Court may also give an advisory opinion upon any dispute or question referred to it by the Council or by the Assembly.

ARTICLE 15
DISPUTES NOT SUBMITTED TO
ARBITRATION

If there should arise between Members of the League any dispute likely to lead to a rupture, which is not submitted to arbitration in accordance with Article 13, the Members of the League agree that they will submit the matter to the Council. Any party to the dispute may effect such submission by giving notice of the existence of the dispute to the Secretary-General, who will make all necessary arrangements for a full investigation and consideration thereof.

For this purpose the parties to the dispute will communicate to the Secretary-General, as promptly as possible, statements of their case, with all the relevant facts and papers, and the Council may forthwith direct the publication thereof.

The Council shall endeavour to effect a settlement of the dispute, and if such efforts are successful, a statement shall be made public giving such facts and explanations regarding the dispute and the terms of settlement thereof as the Council may deem appropriate.

If the dispute is not thus settled, the Council either unanimously or by a majority vote shall make and publish a report containing a statement of the facts of the dispute and the recommendations which are just and deemed proper in regard thereto.

Any Member of the League represented

statement of the facts of the dispute and of its conclusions regarding the same.

If a report by the Council is unanimously agreed to by the members thereof other than the representatives of one of more of the parties to the dispute, the Members of the League agree that they will not go to war with any party to the dispute which complies with the recommendations of the report.

If the Council fails to reach a report which is unanimously agreed to by the members thereof, other than the representatives, of one or more of the parties to the dispute, the Members of the League reserve to themselves the right to take such action as they shall consider necessary for the maintenance of right and justice.

If the dispute between the parties is claimed by one of them, and is found by the Council to arise out of a matter which by international law is solely within the domestic jurisdiction of that party, the Council shall so report, and shall make no recommendation as to its settlement.

The Council may in any case under this Article refer the dispute to the Assembly. The dispute shall be so referred at the request of either party to the dispute, provided that such request be made within fourteen days after the submission of the dispute to the Council.

In any case referred to the Assembly, all the provisions of this Article and of Article XII, relating to the action and powers of the Council, shall apply to the action and powers of the Assembly, provided that a report made by the Assembly, if concurred in by the Representatives of those Members of the League represented on the Council and of a majority of the other Members of the League, exclusive in each case of the representatives of the parties to the dispute, shall have the same force as a report by the Council concurred in by all the Members thereof other than the representatives of one or more of the parties to the dispute.

ARTICLE 16

"SANCTION" OF THE LEAGUE

Should any Member of the League resort to war, in disregard of its covenants under Article XII, XIII, or XV, it shall *ipso facto* be deemed to have committed an act of war against all other Members of the League, which hereby undertake immediately to subject it to the severance of all trade or financial relations, the prohibition of all intercourse between their nationals and the nationals of the Covenant-breaking State, and the prevention of all financial, commercial, or personal intercourse between the nationals of the

Covenant breaking State and the nationals of any other State, whether a Member of the League or not.

It shall be the duty of the Council in such case to recommend to the several Governments concerned what effective military, naval or air force the Members of the League shall severally contribute to the armed forces to be used to protect the Covenant of the League.

The Members of the League agree, further, that they will mutually support one another in the financial and economic measures which are taken under this Article, in order to minimise the loss and inconveniences resulting from the above measures, and that they will mutually support one another in resisting any special measures aimed at one of their number by the Covenant-breaking State, and that they will take the necessary steps to afford passage through their territory to the forces of any of the Members of the League which are co-operating to protect the Covenant of the League.

Any Member of the League which has violated any Covenant of the League may be declared to be no longer a Member of the League by a vote of the Council concerned in by the representatives of all the other Members of the League represented thereon.

ARTICLE 17

DISPUTES WITH NON-MEMBERS

In the event of a dispute between a Member of the League and a State which is not a Member of the League, or between States not Members of the League, the State or States not Members of the League shall be invited to accept the obligation of membership in the League for the purposes of such dispute, upon such conditions as the Council may deem just. If such invitation is accepted, the provision of Articles XII to XVI, inclusive shall be applied with such modifications as may be deemed necessary by the Council.

Upon such invitation being given the Council shall immediately institute an enquiry into the circumstances of the dispute and recommend such action as may seem best and most effectual in the circumstances.

If a State so invited shall refuse to accept the obligations of membership in the League for the purposes of such dispute, and shall resort to war against a Member of the League, the provisions of Article XVI, shall be applicable as against the State taking such action.

If both parties to the dispute when so invited refuse to accept the obligations of membership in the League for

the purposes of such dispute, the Council may take such measures and make such recommendations as will prevent hostilities and will result in the settlement of the dispute.

ARTICLE 18

REGISTRATION AND PUBLICATION OF ALL FUTURE TREATIES

Every treaty or international engagement entered into hereafter by any Member of the League shall be forthwith registered with the Secretariat and shall as soon as possible be published by it. No such treaty or international engagement shall be binding until so registered.

ARTICLE 19

REVIEW OF TREATIES

The Assembly may from time to time advise the reconsideration by Members of the League of treaties which have become inapplicable and the consideration of international conditions whose continuance might endanger the peace of the world.

ARTICLE 20

ABROGATION OF INCONSISTENT OBLIGATIONS

The Members of the League severally agree that this Covenant is accepted as abrogating all obligations or understandings *inter se* which are inconsistent with the terms thereof, and solemnly undertake that they will not hereafter enter into any engagements inconsistent with the terms thereof.

In case any Member of the League shall, before becoming a Member of the League, have undertaken any obligations inconsistent with the terms of this Covenant, it shall be the duty of such Member to take immediate steps to procure its release from such obligations.

ARTICLE 21

ENGAGEMENTS THAT REMAIN VALID

Nothing in this Covenant shall be deemed to affect the validity of international engagements, such as treaties of arbitration or regional understandings like the Monroe Doctrine, for securing the maintenance of peace.

ARTICLE 22

MANDATORIES' CONTROL OF COLONIES AND TERRITORIES

To those colonies and territories which as a consequence of the late war have ceased to be under the sovereignty of the States which formerly governed them and which are inhabited by peoples not yet able to stand by themselves under the strenuous conditions of the modern world, there should be applied the principle that the well-being and development of such peoples form a sacred trust

of civilisation and that securities for the performance of this trust should be embodied in this Covenant.

The best method of giving practical effect to this principle is that the tutelage of such peoples should be entrusted to advanced nations who, by reason of their resources, their experience or their geographical position can best undertake this responsibility, and who are willing to accept it, and that this tutelage should be exercised by them as Mandatories on behalf of the League.

The character of the mandate must differ according to the stage of the development of the people, the geographical situation of the territory, its economic conditions and other similar circumstances.

Certain communities formerly belonging to the Turkish Empire have reached a stage of development where their existence as independent nations can be provisionally recognised subject to the rendering of administrative advice and assistance by a Mandatory until such time as they are able to stand alone. The wishes of these communities must be a principal consideration in the selection of the Mandatory.

Other peoples, especially those of Central Africa, are at such a stage that the Mandatory must be responsible for the administration of the territory under conditions which will guarantee freedom of conscience and religion, subject only to the maintenance of public order and morals, the prohibition of abuses such as the slave trade, the arms traffic and the liquor traffic, and the prevention of the establishment of fortifications or military and naval bases and of military training of the natives for other than police purposes and the defence of territory, and will also secure equal opportunities for the trade and commerce of other Members of the League.

There are territories, such as South-West Africa and certain of the South Pacific Islands, which, owing to the sparseness of their population, or their small size, or their remoteness from the centres of civilisation, or their geographical contiguity to the territory of the Mandatory, and other circumstances, can be best administered under the laws of the Mandatory as integral portions of its territory, subject to the safeguards above-mentioned in the interests of the indigenous population.

In every case of mandate, the Mandatory shall render to the Council an annual report in reference to the territory committed to its charge.

The degree of authority, control, or administration to be exercised by the Mandatory shall, if not previously agreed

2.—FIRST SECRETARY-GENERAL OF THE LEAGUE OF NATIONS

THE HONOURABLE SIR JAMES ERIC
DRUMMOND, K. C. M. G., C. B.

The Covenant is embodied as Part I, in each of the Treaties of Peace—with Germany, Austria, Hungary, Bulgaria, and Turkey. It was signed originally at Versailles on June 28th, 1919, and took effect from January 10th, 1920, the date of the final ratification of the Treaty of Peace with Germany.

The text of the Labour Covenant of the League of Nations is also published by the League of Nations Union: Leaflet No. 8. Price 2d.

civilised nations of the world in a common renunciation of war as an instrument of their national policy;

Have decided to conclude a treaty, and for that purpose have appointed as their representative plenipotentiaries: . . . Who, having communicated to one another their full powers, found in good and due form, have agreed upon the following articles:—

Article I.—The High Contracting Parties solemnly declare, in the names of their respective peoples, that they condemn recourse to war for the solution of international controversies, and renounce it as an instrument of national policy in their relations with one another.

Article II.—The High Contracting Parties agree that the settlement or solution of all disputes or conflicts, of whatever nature or of whatever origin they may be, which may arise among them, shall never be sought except by pacific means.

Article III.—The present Treaty shall be ratified by the High Contracting Parties named in the preamble in accordance with their respective constitutional requirements, and shall take effect as between them as soon as all their several instruments of ratification shall have been deposited at

This Treaty shall, when it has come into effect as prescribed in the preceding paragraph, remain open as long as may be necessary for adherence by all the other Powers of the world. Every instrument evidencing the adherence of a Power shall be deposited at . . . and the Treaty shall, immediately upon such deposit, become effective as between the Power thus adhering and the other Powers parties thereto.

It shall be the duty of the Government of to furnish each Government named in the preamble, and every Government subsequently adhering to this Treaty, with a certified copy of the Treaty, and of every instrument of ratification or adherence. It shall also be the duty of the Government of telegraphically to notify such Governments immediately upon the deposit with it of each instrument of ratification or adherence.

In faith whereof the respective plenipotentiaries have signed this Treaty in the French and English languages, both texts having equal force, and hereunto affixed their seals.

Done at . . . the . . . day of . . . in the Year of Our Lord, one thousand nine hundred and twenty

APPENDIX B.

THE KELLOGG PACT OR THE PACT FOR THE RENUNCIATION OF WAR

The final text of the Pact signed in Paris on August 27 1928, is as follows:—

The President of the United States of America, the President of the French Republic, His Majesty the King of the Belgians, the President of the Czechoslovak Republic, His Majesty the King of Great Britain, Ireland, and the British Dominions beyond the Seas, Emperor of India, the President of the German Reich, His Majesty the King of Italy, His Majesty the Emperor of Japan, the President of the Republic of Poland.

Deeply sensible of their solemn duty to promote the welfare of mankind; persuaded that the time has come when a frank renunciation of war as an instrument of national policy should be made to the end that the peaceful and friendly relations now existing between their peoples may be perpetuated;

Convinced that all changes in their relations with one another should be sought only by pacific means and be the result of a peaceful and orderly process, and that any signatory Power which shall hereafter seek to promote its national interests by resort to war should be denied the benefits furnished by this Treaty;

Hopeful that, encouraged by their example, all the other nations of the world will join in this humane endeavour and, by adhering to the present Treaty as soon as it comes into force, bring their peoples within the scope of its beneficent provisions, thus unking the

APPENDIX C.

(*The Hindu*, March 2nd 1929)

We publish elsewhere the report of a conversation which Mr. C. Vijiaraghavachariar of Salem had with a friend on the present political situation in India. Mr. Achariar puts forward the proposal, with his accustomed ability and careful references to precedents, that India should present its case for Dominion Status to the League of Nations in order that it may make an investigation into political,

economic and social conditions in this country and decide the dispute between her and Great Britain. Incidentally, Mr. Achariar deals with a number of other topics of current interest with his patriotic warmth and great ability. We have no doubt that the views of Mr. Achariar will receive full attention, coming as they do from one who has made such a careful study of public questions and inspired as he has been with the noble desire to seek a peaceful solution of India's political problem.

