LONDON SCHOOL OF ECONOMICS AND POLITICAL SCIENCE

STUDIES IN ECONOMICS AND COMMERCE

Edited by PROFESSOR A. PLANT, PROFESSOR L. ROBBINS, AND PROFESSOR A. J. SARGENT

Dhananjayarao Gadgil Library
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No. 5. Modern Production among Backward Peoples

Modern Production among Backward Peoples

Industrial Organization in India

by P. S. Lokanathan

No. 4 in the London School of Economics Series of Studies in Economics and Commerce

This work, the first scientific study of its subject, traces the origin, evolution, and features of the managing-agency system of industrial organization which is peculiar to India; examines the influence of this system on the growth and structure of industry; explains the differences in methods and organization between Indian and British managing-agency firms in India, and shows how administrative integration is secured under the system. The book also deals with the various factors which have influenced the structure and the localization of industry. An account of the prevalent methods of financing industry is followed by a thorough investigation of the problem of industrial finance. The book concludes with an examination of the efficiency of the Indian industrial worker in relation to wages and the standard of living

Modern Production among

Backward Peoples

by I. C. Greaves
M. A. McGill, Ph.D.(Econ.) London

London
George Allen & Unwin Ltd
Museum Street

FIRST PUBLISHED IN 1935

Thesis approved for the degree of Doctor of Philosophy in the University of London. And published with the aid of a grant from the Publication Fund of the University

> X:2. Y:42 G5

> > 10427

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PRINTED IN GREAT BRITAIN BY UNWIN BROTHERS LTD., WOKING

PREFACE

For modern civilization backward peoples take the place that barbarians had in the ancient world. But while the aims of that world ended with conquest, the aims of the modern world begin there, for at the present time trade is the most obtrusive form of triumph. The Jus Gentium of to-day is the law of economics, and the equity functions of the Praetor Peregrinus are discharged in the commodity markets.

It is a natural correlative of this situation that the governments of overseas dependencies should pay increasing attention to problems of production. There are special Departments in the territories of all the Powers for the improvement and regulation of production, and special provision in many for subsidizing it as well. In contrast with this, it might be said that one characteristic of Dominion status is full responsibility for the conditions of internal industry. And in the cause of progress the Dominions have set about achieving a state of self-sufficiency, while in the cause of civilization the Imperial Government is abolishing that state which it found in the dependencies. It is, however, only with the latter conditions that the investigation in this book is concerned. It is an analysis of the economic metamorphosis that accompanies the extension of imperial rule over hitherto remote and self-sufficing communities. And hence its inquiry is confined to the conditions that constitute change. The question of whether there ought to be such change, or of what changes would be better, is entirely beyond its scope. And it is indeed fortunate to be able to escape the difficulty. of explaining why barter between two tribes in Africa is deplorable backwardness which must be improved, while barter between two nations in Europe is a step forward in the methodology of civilization and to be encouraged.

The abundant literature on the subject has, however, dealt almost exclusively with its cultural aspects, and the present investigation has not had the benefit of any substantial precedents or models from the standpoint of economic analysis. Not only is primitive economy a field that the economist has largely ignored, but some of the contributions from other sources have treated it as the graveyard of economics. To reproduce all the assertions which science as well as sentiment in the sphere of backward society appears to have regarded as a lethal blow to economic theory would be both tedious and futile. Instead, I have endeavoured to subsume these societies under the same analytical technique as is applicable to those more advanced. And I hope that the relationship between the two, and the nature of the transition that is required of the backward, have been made clear enough to dispel such misapprehensions as to their essential and irreconcilable differences as are usually claimed to have an economic basis.

The survey of modern production has been based on contemporary agriculture in the tropics. It ought not to be necessary to point out that tropical products do not conform precisely to the geographical delimitation of these regions. In some places altitude offsets the effect of latitude, and in others rainfall is too low to produce the effect that might be expected of the temperature. One example of the variation of crop distribution will illustrate the effect of such climatic differences. The South-East of the United States has long been one of the most important cottonproducing areas, although cotton is a crop that grows practically everywhere in the tropics. On the other hand, although the best habitat of coffee is at the temperate altitudes of tropical areas, it has never been cultivated in the United States, in spite of this country being the largest consumer of the product. The reason for choosing agriculture as a basis instead of mining, which is sometimes regarded as the dominant type of modern production in backward regions, is that the latter industry is a wholly foreign enterprise imposed on indigenous economy, and not a stage of continuous internal development. Furthermore, probably because the foreign interests represented in mining have been well recognized, it is already the subject of an extensive literature, whereas agriculture has been relatively neglected. But if the plantation is an historical form of production, the peasant may well be called a prehistoric one; and the agricultural producer is of primary importance in the process of capitalization that is transforming primitive economy. If a stable exchange economy is to be established, the comparative costs of production of the plantation and the peasant is a matter of first importance. Under conditions of political freedom these costs will be practically the sole determinant of the course production will take. And even where complete freedom of choice does not exist, a proper estimate of cost conditions would seem to be necessary to a successful policy of regulating production.

Since the designation "native" has been used with a variety of connotations from the avowedly political to the obscurely scientific, it may prevent misunderstanding to state that the term is used here merely to describe the indigenous inhabitant of a particular area, and carries no qualitative implications.

It is obvious that the subject of investigation has bordered—in some opinions it may have trespassed—on many different fields of learning and particular departments of knowledge, and a bibliography that contained all possible references would be prohibitively extensive. It has been my object therefore to append in bibliographical form only such works as contain direct reference to forms of production, or the productive activities, of people conventionally comprised in the title category. Where similar publications of different dates are available, I have chosen the most

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recent I found. Where I have made use of particular information from other sources I hope it has been adequately acknowledged in the footnotes. But to find an individual citation for some of the more general opinions to which I have occasionally referred would be to discriminate unwarrantably between a large class of supporters.

The book was written while I held the Woman's Student-ship at the London School of Economics, and I am glad to have this chance of thanking the donor and committee for the opportunity of undertaking the investigation. To Professor Plant I am indebted for much generous attention and stimulating discussion; but to attribute responsibility to him on that account for all the views that follow would be unjust.

The Library of the Royal Empire Society was an exhaustive and incomparable source of material, and I am extremely grateful for the unfailing assistance I received there. At the Libraries of the Imperial Institute and the Colonial Office I also obtained useful information on various occasions.

I. C. GREAVES

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ABBREVIATIONS

D.O.T.: Department of Overseas Trade Report.

E.C.G.R.: Empire Cotton Growing Review.

E.M.B.: Empire Marketing Board.

I.C.I.: Institut Colonial International.

I.L.O.: International Labour Office.

I.L.R.: International Labour Review.

I.Y.A.S.: International Yearbook of Agricultural Statistics.

J.A.S.: Journal of the African Society.

J.T.A.: Journal of Tropical Agriculture.

Y.C.C.D.: Yearbook of Compared Colonial Documentation.

APPENDIX A

RELATIVE DENSITY OF POPULATION OF THE MAIN REGIONS¹

- ¹ I.Y.A.S. for 1932. The ratios are derived from official records of the area and population of the respective countries for the date nearest 1931.
 - 70.2 per square kilometre in Europe.
 - 40.0 per square kilometre in Asia.
 - 7.4 per square kilometre in North and Central America.
 - 4.8 per square kilometre in Africa.
 - 4.6 per square kilometre in South America.
 - 1.2 per square kilometre in Oceania.

APPENDIX B

AREAS ALIENATED TO FOREIGN HOLDERS IN FREE-HOLD OR LONG LEASEHOLD, AND AREAS RESERVED FOR NATIVE OCCUPANCY WHERE THE IMPERIAL GOVERN-MENT HAS ASSUMED OWNERSHIP OF ALL LAND

TERRITORY	TOTAL AREA (SQUARE MILES)	ALIENATED (ACRES)	RESERVED (ACRES)
BELGIAN CONGO	920,000	3,718,440 (hectares)	
FRENCH WEST AFRICA	1,604,000	147,193 (hectares)	
KENYA MOZAMBIQUE	225,000* 426,000	7,750,000 52,056† (square miles)	106,000,000
NYASALAND	48,000	4,000,300	-
NORTHERN RHODESIA SOUTHERN RHODESIA	279,000 150,340	12,000,000 32,000,000‡	21,411,157 in perpetuity, 7,000,000 for sale to natives only
TANGANYIKA	373,490	2,000,000 (776,668 free- hold)	
UGANDA	94,204	6,394,141 to natives, 108,000 to Europeans, 27,000 to Indians	

[•] Of which only 40,000 miles are estimated to be suitable for cultivation and 30,000 for grazing.

[†] The Territory administered by the Mozambique Company under charter. In 1929 the Government resumed the 73,500 square miles held by the Niassa Company. There are besides several smaller concessions for which figures do not appear to be published.

[‡] With a further 3,500,000 acres in process of alienation in 1931. This land is chiefly for farming, while that in Northern Rhodesia is mainly for mining.

APPENDIX

APPENDIX B—continued

TERRITORY	TOTAL AREA (SQUARE MILES)	ALIENATED (ACRES)	reserved
CEYLON FEDERATED MALAY STATES STRAITS SETTLEMENTS FIJI	25,330 27,430 1,531 7,000	2,196,788* 2,829,450* 725,000* 532,605 freehold, 305,869 leased from natives	
NETHERLANDS INDIES	_:	-0	
Java and Madura	51,000	987,000 (hectares)†	
Outer Provinces	204,000	1,608,773 (hectares)	_
NEW GUINEA	93,000	272,375	_
(Mandated Territory)]	(hectares)	,
PAPUA	90,540	245,500 700,000 vacant Crown lands	_

[•] In all these territories there are several small and large holdings which are non-European. In Ceylon they are held predominantly by Singalese, in Malaya by Chinese. These figures do not include the area which the Government regarded as being in effective native occupation when it assumed jurisdiction.

[†] From the I.T.A.S. This figure does not include the short leases from natives under the law that foreign leases of native land must not amount to more than eighteen months in three years.

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