

The Equations of World-Economy

IN THEIR BEARINGS ON POST-WAR
RECONSTRUCTION

BENOY KUMAR SARKAR, M.A., Dr. h.c.

Post-Graduate Department in Economics, Calcutta University; Hony. Professor of Economics and sometime Rector, College of Engineering and Technology, Jadabpur, Calcutta; Member, *Société d'Economie Politique* (Paris), Royal Economic Society (London), *Hobbes-Gesellschaft* (Kiel), *Institut Oriental* (Prague), *Comitato Italiano sulla Popolazione* (Rome), *Institut International de Sociologie* (Paris), *Komisja Orientalistyczna* (Warsaw), Royal Asiatic Society (North China Branch, Shanghai), Editor, *Arbik Unnati* (Economic Progress)

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TO

SATIS CHANDRA MUKERJEE,

FOUNDER AND DIRECTOR OF THE

DAWN SOCIETY (1902-06)

and the *Dawn and the Dawn Society's Magazine*,

as well as Inspirer of Young Bengal in studies and investigations relating to Economics, Statistics, Anthropology, Politics, Sociology, Philosophy, and Culture-History.

PREFACE

I

The analysis of world-economic data and their comparison are two main purposes of the present study. In each chapter the topics discussed are diverse as well as the regions.

There is no attempt at dealing specifically with the applied economics or economic statesmanship of any single country or countries. Nor is economic history the subject matter. It should be observed also that no formula for India's economic salvation is an objective of this study. It seeks to place several countries in the perspective of one another in regard to certain items of economic development. England, Germany and the U.S.A. are treated here as examples of hyper-development in technocracy and industrialism (comprising agriculture and commerce). Capitalism, —of which socialism is in my judgment an integral part,—has its most adult representatives in these economies. India, like China, the Balkan Complex, Latin America, and many other regions politically free or unfree, in East and West, stands for the techno-economically underdeveloped type.

To this backward pattern belongs Russia. But the developments under *Gosplan* since October 1928, and especially her resistance to Germany during the three campaigns of 1941-43 have rendered Soviet Russia the most instructive specimen of economic theory and practice both to backwards and go-aheads.

This is why the shadow of Soviet Russia or communistic economy has fallen on every chapter. In my interpretations on the Soviet experiments and achievements, however, I have rejected, on the one hand, the ultra-conservative or classicist view-

point as exhibited in *Collectivist Economic Planning* (London, 1935) edited by von Hayek. On the other hand, it has not been possible for me to agree with Sidney and Beatrice Webb's *Soviet Russia A New Civilisation?* (London, 1936), which appears to be much too romantic and unrealistic. The strength and limitations of Stalinist communism, i.e., state-capitalism have been analyzed from fresh angles of vision.

Part of the sections on economic Russia used in this publication has already been utilized in my *Villages and Towns as Social Patterns* (1941). The material was originally published in journals. While making use of these data for the present work it happened to be overlooked, regrettably enough, that they had found place in the previous publication.

We have had to encounter in this study the Anglo-German as well as the Chinese-Indian economies. Some of the many intermediate economic patterns of capitalism-cum-socialism that lie in between have likewise had to be envisaged. But whether it be these capitalistic economies or whether it be the communistic, i.e., non-capitalistic or state-capitalistic socialism of Soviet Russia, the facts and figures are presented as but samples or illustrative data.

The grammar of economic development is realistically elucidated with the statistics of foreign capital as of exports and imports, of urbanization as of mechanized agriculture, of industrial wealth as of agricultural output, and of bank capitalism as of social insurance. The object in every instance is but to furnish concrete foundations for the theory of *arthik unnati* (economic progress). It may be observed *en passant* that *Arthik Unnati* is the title of the monthly economic journal in Bengali established by me in April 1926 with the support, among others, of Dr.

Narendra Nath Law, Managing Director, Bangeswari Cotton Mills Ltd.

II

The work has grown out of a number of public lectures. It derives its title from the topic of the lecture delivered at the University of Bombay on November 21, 1940.

At the Indian School of Mines, Dhanbad (Bihar), the subject was "Technology and Economics" (April 22, 1940). This was the subject also at the University Club, Benares (March 21, 1942).

On November 9, 1940 at the Insurance Field Workers' Conference (Calcutta), and on January 12, 1941 at the opening of the Hindusthan Rubber Works (Calcutta) the subject was "War-Economy and Indian Industrialism." "War and Social Economy" constituted the topic at the Aloke-chakra Club at Krishnagar (April 22, 1942). Two lectures at the Bangiya Dhana-Vijnan Parishat (Bengali Institute of Economics) dealt with "Inflation is Theory and Practice" and the "Economics of Inflation" (March 28, and April 11, 1943).

Commercial problems of the war-period formed the subject-matter of presidential speeches at the Jalpaiguri Electric Supply Co. Ltd. (September 28, 1940), Bangiya Byabasa Sammelan (Bengali Merchants' Conference, Nov. 30, 1940), the Associated Bank of India (January 7, 1941), the Bengal Exchange Bank (April 2, 1941) and the Paper Dealers' Conference convened by Bholanath Dutt & Sons (December 3, 1942). Insurance business during war-inflation was dealt with at the inauguration in Calcutta of the Chief Agency of the Warden Insurance Co. Ltd. of Bombay (Chimanlal Desai & Co.) on August 11, 1943.

Under the auspices of the All-Bengal Economic Conference two presidential addresses were delivered for the Economic Planning Section (April 27, 1941 and April 14, 1943). The second had special reference to post-war planning. Post-war world-economy was dealt with in a talk at the Rotary Club (July 24, 1941). Rural reconstruction was the subject of a presidential speech at the Calcutta University Institute (May 10, 1941), at which the problem was dealt with by the chief speaker, Mr. H. S. M. Ishaque, Director of the Rural Reconstruction Department of the Government of Bengal.

Topics of economic and social re-making were discussed at the Muslim Literary Society (November 16, 1941) and as a president at the Social Hygiene Conference of the Calcutta Corporation (May 13, 1943). With special reference to East Bengal they formed likewise the chief topics of addresses at the seventy first anniversary of the Tripura Hitasadhini Sabha (Calcutta, July, 25, 1943) as well as at the annual meeting of the Dacca Bandhab Samiti (Calcutta, August 22, 1943). The attention of the audience was drawn to roads, ports and population questions at the last two conferences.

Applied Statistics was the subject of the presidential address at a sectional meeting of the Sixth Indian Statistical Conference held at Calcutta on January 5, 1943. The establishment of the Economic Society of Ripon College (April 1, 1941), the Commercial College of Bharati Mahavidyalaya (August 14, 1941), as well as of the National Institute of Banking and Insurance (September 11, 1941) under the auspices of Calcutta National Bank offered occasions for presidential discussions on economic ideologies.

III.

Part of the material in this book has been published in diverse forms since 1940 in the *Calcutta Review*, the *Indian Journal of Economics* (Allahabad), *India and the World*, *Current Thought*, *Hindusthan Standard*, *India Tomorrow*, *Arthik Unnati* (Economic Progress), *Social Welfare* (Bombay) and the *Indian Journal of Political Science* (Allahabad).

The methods and conclusions are due in a great part to the constant habit of consulting the *Statistical Abstract for British India* along with the *Statistical Abstract of the United Kingdom*, *Statistisches Jahrbuch für das Deutsche Reich*, *Statistique Générale de la France*, *Annuario Statistico Italiano*, *Annuaire Statistique de la Société des Nations*, *Federal Reserve Bulletin* and the *Financial and Economic Annual of Japan* as well as the *International Labour Review* (Geneva and Montreal). Woytinsky's *Welt in Zahlen* (Berlin, 7 volumes) belongs to this group of constant contacts. Many of the international statistical data derived from these sources have been utilized in my previous works, e.g., *Economic Development* (Vol. I. 1926), Vol. II. (1932, 1938), *Comparative Birth, Death and Growth Rates* (1932), *Indian Currency and Reserve Bank Problems* (1933, 1934), *Imperial Preference vis-à-vis World-Economy* (1934) and *Social Insurance Legislation and Statistics* (1936).

These data have not been reproduced in the present study but have been referred to at times. Illustrative material has been exhibited from far and near in order to render the study realistic and somewhat comprehensive. The charts and equations of indices published in the works mentioned above furnish the foundations of the present book.

These studies have grown, as already indicated, out of

association with and the requirements of the economic and business institutions, cultural movements and academic life of the country. But they are not sponsored by any Government Department, commercial office or political organization. They do not, therefore, recommend any panaceas for immediate adoption. The suggestions are but personal attempts at thinking aloud. In spite of the intensely concrete and factual character of the contents the treatment is essentially analytical and frankly speculative or theoretical. It may not, therefore, hurt anybody materially. I am not interested in combating or promoting the party shibboleths of any denomination in India or abroad.

IV.

Some of the fundamental ideas of the present study are to be found in my previous publications in Europe, e.g., "Die Industrialisierung Indiens" (*Verein Deutscher Ingenieure Nachrichten*, Berlin, 1924), "Indiens Entwicklung im Vergleich zu Eur-Amerika" (*Deutsche Rundschau*, Berlin 1930), "Aspetti e Problemi della Moderna Economia Indiana", (*Annali di Economia*, Milan, 1930) *Die Entwicklung und weltwirtschaftliche Bedeutung des modernen Indien* (Stuttgart 1931), "Il Movimento Industriale e Commerciale dell'India ed i suoi rapporti internazionali" (*Commercio*, Rome, 1931), "Die weltwirtschaftliche Bedeutung der indischen Eisenbahnen im Rahmen der internationalen Eisenbahnstatistik" (*Allgemeines Statistisches Archiv*, Jena, 1931), "La Sociographie hindoue aux débuts du capitalisme moderne" (*Revue Internationale de Sociologie*, Paris, 1936), *La Situation démographique de l'Inde actuelle vis-à-vis les récoltes, les industries et les capitaux* (International Congress of Population, Paris, 1937).

Many of the facts and ideas published in this book were acquired during 1929-31 while travelling, for the second time, and making investigations in England, France, Germany, Czechoslovakia, Austria, Switzerland and Italy.¹ I should like once more to be able to enjoy the library facilities of those countries and make up-to-date my notes, some of which go back to the first contacts of 1914-25.

It was during this period that the main ideologies of the present work took a more or less precise form. On this theme two courses of lectures were delivered by me as *Gastprofessor* at the Technische Hochschule of Munich under the common title of *Wirtschaftliches und soziales Indien der Gegenwart im Rahmen der Weltwirtschaft*.² The lectures for the Summer Semester 1930 were 39 in number and were called *Die sozial-ökonomischen Verhältnissen Indiens*. In the Winter Semester 1930-31 there were 43 lectures and they were described as *Die technisch-wirtschaftlichen Strukturwandlungen des indischen Volkes*.

The equations of comparative industrialism and technocracy constituted the subject matter of lectures likewise at the Universities of Jena and Kiel (May 1930), the Technische Hochschule of Stuttgart (November 1930), the Landwirtschaft-

1 A part of these travels and investigations is described in B. K. Sarkar: "The Geneva Complex in World-Economy" (*Journal of the Bengal National Chamber of Commerce*, June 1931), "Contacts with Economic Italy" (*J.B.N.C.*, June and December 1931) and "Industrial Centres and Economic Institutions in Germany" (*J.B.N.C.*, September, 1931).

2 The titles of these eighty-two class lectures may be seen in English in the *Journal of the Bengal National Chamber of Commerce* for March, 1932, ("Economic and Social Developments in Modern India in the Perspective of World-Economy"), or in *The Social and Economic Ideas of Benoy Sarkar*, edited by Banerwar Dass (Calcutta, 1940) pp. 592-599.

liche Hochschule of Berlin (November 1930), the University of Innsbruck (November 1930), the Technische Hochschule of Karlsruhe (December 1930), the Handelshochschule of Nürnberg (December, 1930), the Universities of Würzburg and Leipzig (January and February, 1931), and the Technische Hochschule of Dresden (July, 1931) as well as at the Chambers of Commerce and Industry of Bielefeld (January 1931), Solingen (February 1931), and Augsburg (March 1931). The lectures were organized by the Deutsche Akademie of Munich.

On invitation from the University of Geneva two lectures on the world-economic aspects of economic India were delivered at the *Institut National Genevois*. The subject of the lecture delivered on November 27, 1929 was *Les Expériences politiques et économiques dans la civilisation hindoue*. On January 8, 1930 the lecture was given over to *La révolution industrielle et commerciale aux Indes actuelles*.

Under the auspices of the Serena Foundation of London the Università Bocconi of Milan held two lectures on the topics of the present publication. One was entitled *Lo Stato e l'Economia nell' Attività del Popolo Indù* (20 Feb. 1930). The title of my other lecture was *L'Industrialismo nell' India odierna* (21 Feb. 1930). The same lectures were repeated at the Royal University of Padua on February 24 and 25, 1930. The Royal University of Rome held a lecture on March 16, 1930. The subject was *Il Movimento Industriale e Commerciale dell' India ed i suoi Rapporti Internazionali*.

Population, public health and social questions have not been overlooked in the present work. Their place in the equations of world-economy is considerable and indeed very often decisive. The equations of comparative demography were

placed before the International Congress of Population held at Rome in September 1931. At that session the present author was one of the sectional presidents and read the paper on *I Quozienti di Natalità, di Mortalità e di Aumento Naturale nell' India attuale nel Quadro della Demografia Comparata*.³ The impact of these demographic equations is to be seen in the *tableau économique* for 1785-1940 on pp. 18-20 as well as in other sections.

V.

It is during a World-War that the present work has been planned and is being issued. War-economy and demobilization or post-war reconstruction have, therefore, automatically forced themselves upon the investigation as up-to-date topics. In any case it is obvious that military-naval-aerial equipment is to a very considerable extent but an aspect of agriculture, manufacture and commerce. It is mainly science, industrialism and technocracy that we encounter in war-organization and war effort. Comparative militarism becomes thereby just another field for the illustration of the theory of *arthik unnati* (economic progress) and of the equations of world-economy.

The techno-economic equations between Soviet Russia and Germany throw considerable light on their comparative military equipment. The Anglo-German militaristic equations have likewise to be elucidated as some of the items in their comparative techno-economic progress.

To the problem of such equations in world-militarism as an aspect of the equations of world-economy some attention

³ Available in English as "Comparative Birth, Death and Growth Rates" (*Journal of the Indian Medical Association Calcutta, 1932*).

has been drawn in this study. But care has been taken to point out that many non-technocratic and non-economic forces are also to be seen in war-preparedness as well as military organization. No exclusively techno-economic interpretation of war-fares, militarism or war equipment can be established as a reasonable proposition. The subject deserves a detailed and intensive analysis, which, however, the present work does not offer.

The book is dedicated to Sj. Satis Chandra Mukerjee, whose Dawn Society (1902-06) and *Dawn and Dawn Society's Magazine* served, among other things, to promote an interest in the *swadeshi* (indigenous) industrial movement as a factor in the Bengali revolution of 1905.

The index has been prepared by my wife, Mrs. Ida Sarkar *née* Stieler, to whom thanks are due.

BENOY KUMAR SARKAR

Calcutta,

October 4, 1943.

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CHAR T I
The Three Equations of Comparative
Technocracy and Industrialism
 See p. 4

1. $A(1940) = x B(1940)$
2. $A(1940) = y A(1905)$
3. $B(1940) = A(1885)$

The chart is not an exact illustration
 of the text but correctly indicates the
 equations explained there.

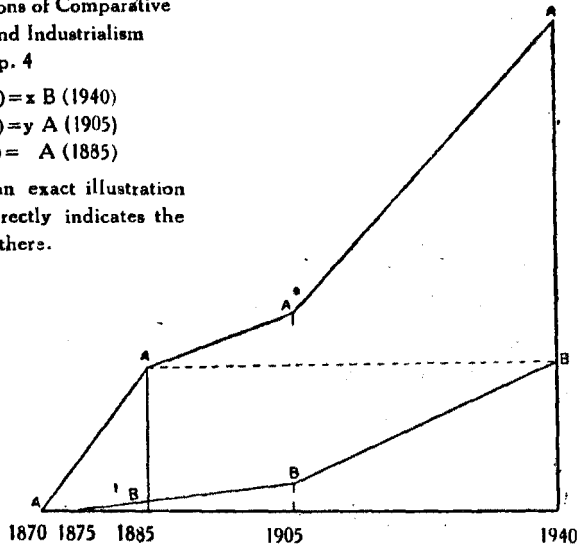


CHART II
Epochs of Technocracy and Industrialism
(c. B.C. 30,000—c. A.C. 1940)

See pp. 6-9.

	A. C. 1940			
IV. Metal	A.C. 1,000	} Metal	Steam-engine in Cotton Mill (1785)	
	B.C. 1,000		Vedic, Homeric.	
III. Neo-lithic	B.C. 3,000	} Metal	Mohenjodarian, Mycenaean.	
	B.C. 4,000		Neolithic.	
	B.C. 5,000			
			Dwellings on lake-rafts, and bones of dogs, fish hooks, cremation: <i>Azilian</i> (Bavaria).	
II. Palaeolithic	B.C. 8,000	} Upper Pal.	Bowdrill, ivory and bone as materials (replacing flint), huts improved, harpoons, arrow-heads spliced on to wooden shafts: <i>Magdalenian</i> (Bavaria).	
	Magdalenian			
	10,000			
	12,000			Bone-needles, borers, flint (improved), arrow-heads and lance-heads.
	Aurignacian	} Upper Pal.	Arrowheads of rhinoceros-horn, knives and gravers (flint), drawings and paintings, huts, shaft-straighteners ivory (mammoth's tusk) bracelet, perforated wolves teeth for necklace, bodkins for piercing skins: <i>Aurignacian</i> (England, South Wales, France).	
	13,000			
	14,000			
	15,000			
	Mousterian	} Lower Pal.	Flakes, sharp-pointed flints used as lance-heads. Sepulchre for burial: <i>Mousterian</i> (Neanderthal near Düsseldorf in Germany, Dordogne Valley in France).	
	19,000			
20,000				
22,000				
	28,000	} Lower Pal.	Handaxe thinner and with true edge: <i>Acheulean</i> (Heidelberg in Germany, France).	
	28,000			
	B.C. 30,000	} Lower Pal.	Handaxe (flint), scraper (flint), spear (wood hardened by fire), fire, produced by rubbing pieces of flint or wood against each other: <i>Strepyan</i> (Belgium and England).	

I. *Eolithic*.

N.B.—The material is based on C.H.B. Quennell: *Every Day Life in the Old Stone Age* (London).

Tons
2,700,000
2,000,008
1,000,000
600,000
200,000
100,000
17,350

CHART III
An Index of the "First" Industrial
Revolution in Great Britain
Pig iron manufactures
(1740-1852)
See pp. 214-216
The figures are adapted from Appendix
F. in Cunningham's *Growth of English
Industry and Commerce*. Vol. II, p. 930.

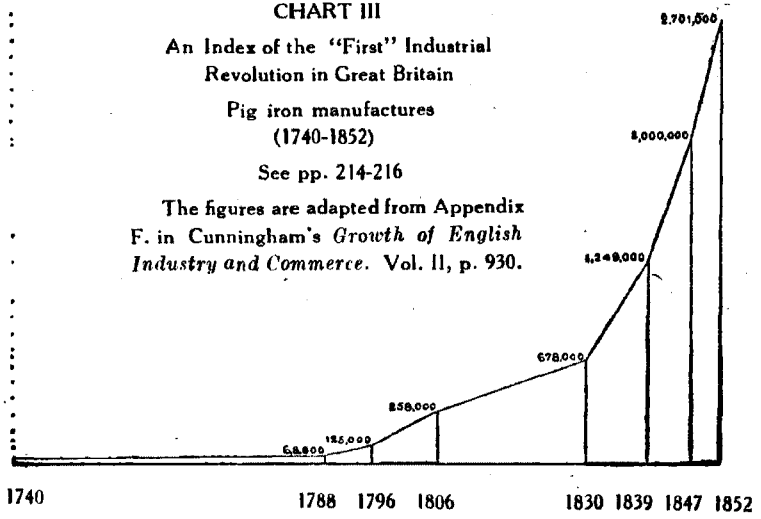
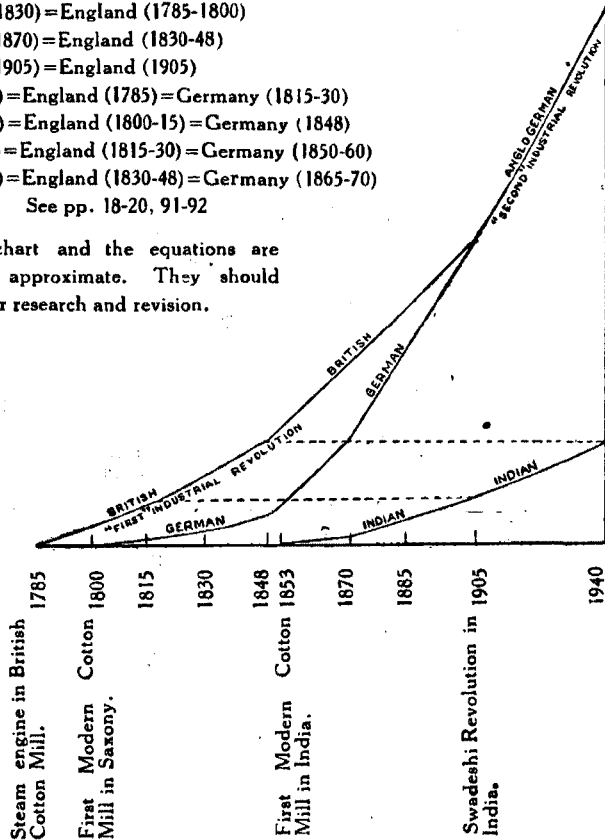


CHART IV
Indian Technocracy and Industrialism
(1853-1940)
 in Anglo-German Perspectives
 (1785-1940)
 See pp. 18-20, 91-92.
 Equations of the First and the Second
 Industrial Revolutions

- Germany (1830) = England (1785-1800)
 - Germany (1870) = England (1830-48)
 - Germany (1905) = England (1905)
 - India (1853) = England (1785) = Germany (1815-30)
 - India (1885) = England (1800-15) = Germany (1848)
 - India (1905) = England (1815-30) = Germany (1850-60)
 - India (1940) = England (1830-48) = Germany (1865-70)
- See pp. 18-20, 91-92

Both the chart and the equations are tentative and approximate. They should provoke further research and revision.



CHAPTER I

COMPARATIVE INDUSTRIALISM AND TECHNOCRACY

Indian Economic Thought Since Ranade

In 1890 was published the earliest of all the papers in Mahadeo Govind Ranade's *Essays in Indian Economics* (Bombay 1893). But for a quarter of a century the output from Indian professors or other academicians in economics was rather poor in quantity.¹ It is during the quarter of a century since the end of World-War I (1914-18) that Indian intellectuals have been somewhat in evidence as writers of economic essays, tracts or books. Virtually each one of these publications is a contribution to Indian economics. The treatment is, generally speaking, either descriptive or historical. The political bias is likewise almost universally patent. The entire output may be regarded scientifically as belonging to the field of applied economics. Exceptions to these general features of the economic literature produced by the economists of India are few and far between, as may be guessed from the articles in the *Indian Journal of Economics* (Allahabad) and at any rate are to be noticed only in very recent years.

The present author's approach to economic questions, Indian or non-Indian, theoretical or applied, has been from an angle rather different from that of Indian economists in gene-

¹ S. C. Dutt: *Conflicting Tendencies in Indian Economic Thought* (Calcutta, 1934). See the *Indian Journal of Economics* (Allahabad, January 1942). Papers by D. G. Karve ("Ranade and Economic Planning"), James Kellock ("Ranade and After"), B. Datta ("The Background of Ranade's Economics") and K. Anantaram ("Ranade the Economist").

ral. The interest of his economic studies has lain chiefly in the analysis of international problems and more or less universal topics in which economic India has her part. In a general manner it may be described as world-economic or comparative. The equations of world-economy may be regarded as some of the by-products, although not the least significant items, of these investigations.

The Methodology of Comparative Statistics

By way of introduction let us describe as briefly as possible and concretely illustrate the methods of analysis. We shall then proceed to very barely enumerate some of the conclusions. The mind should be left open to the modifications or exceptions such as may legitimately be considered worthwhile. The considerations that are likely to militate somewhat against the acceptance of the conclusions in the form in which they are presented are being overlooked for the time being. It is only the broad lines of argument that are being developed in a most general manner.

For the purposes of the present discussion we are avoiding the question as to how far the world is or has been a unified economic theatre for the play of economic forces, competition or co-operation in supply and demand, such as the concept of world-economy generally involves. Attention is being focussed on a comparative study of the economic structures and economic developments of the diverse regions of the world. We are interested in the inter-racial, inter-regional or inter-national analysis and comparison of economic creativities. Fundamentally speaking, these analyses should be quantitative, *i.e.*, statistical. But it so happens that for long, very long periods,

to be measured by thousands of years the comparisons are bound to be exclusively qualitative. It is only for the last two or three generations, nay, for the last half-century that figures are available and comparative statistics can be treated in a somewhat scientific manner. This consideration should be regarded as a chief limitation bearing on the study of the equations in world-economy. Not less important is the consideration that the figures brought together by the authorities of the different regions are often hardly comparable with one another because the components in each system of figures may not be identical.

In so far as figures are available and comparable, the methodology of comparative statistics may be indicated as follows. It is not enough to quote the quantitative data for whole regions. These are but "absolute" figures. For the present purpose they do not possess much significance. In order to be of real worth they have to be worked out per head of the population inhabiting the regions in question. Sometimes it may also be necessary to calculate the figures per square mile of the territory considered. It is the "relative" figures thus derived that are important in international comparisons. They furnish the economic indices that have to be placed in the perspectives of one another in the comparison of the regions whose values are under examination.

Economic indices as thus interpreted are to be worked out along the entire front of economic life.² A few items are being

² For some of the charts and indices see B. K. Sarkar: *Indian Currency and Reserve Bank Problems* (Calcutta, 1933, 1934), *Imperial Preference vis-à-vis World-Economy* (Calcutta, 1934), *Social Insurance Legislation and Statistics* (Calcutta, 1936), and *Economic Development*, Vol. I, (Madras, 1926), Vol. II, (Calcutta, 1932, 1938).

Some of the material of the present chapter is to be found in the author's

mentioned at random. Bank deposits and bank assets, notes and coins in circulation, clearing house transactions, insurance premia and insurance funds, passenger-miles and ton-miles, steam engines, dynamos, kilowatt-hours, automobiles and aeroplanes, radio sets, lathes and other machine-tools, expenses on primary education, sanitation budgets, housing subsidies, municipal areas and their inhabitants, infant mortality rates, maternity benefits, sickness premia, old-age pensions, occupational diseases, industrial accidents, agricultural loans, land mortgages, exports and imports, output and consumption of coal, oil and steel, acids and salts, output and consumption of sugar, eggs, fruits, etc., trade unions and their members, and such other items have all to be exhibited in *per capita* and *per square mile* values. The larger the number of items considered, the more adequate and scientific the basis for studies in comparative economics, technocracy or world-economy.³

By applying such economico-technocratic and socio-economic indices it is possible to detect three orders of parity, identity or equation existing between different regions, races and nations of the world, namely, the following:

1. $A (1940) = x B (1940)$
2. $A (1940) = x A (1905)$
3. $A (1940) = B (1905)$

German paper entitled *Die Entwicklung und weltwirtschaftliche Bedeutung des modernen Indiens* published in *Indien* (Technische Hochschule, Stuttgart, 1931).

3 Copious data of comparative industrialism and technocracy for the period 1925-28 are available in *Die wirtschaftlichen Kräfte der Welt 1930* (published by the Dresdner Bank, Berlin). See also the seven volumes of W. Woytinsky: *Die Welt in Zahlen* (Berlin) for historical statistics down to c. 1920-25. The *Annuaire Statistique de la Société des Nations* (Geneva) may be consulted for certain purposes.

The first equation of world-economy says that in 1940 the region A is x times the region B. This is to be understood item by item. According to the second equation the region A in 1940 is x times the same region in 1905. The region in question has gone ahead or down in economic indices. In the third equation we find the region A in 1940 equal to the region B as it was in 1905. That is, A is lagging behind B by 35 years in economic creativities. Each equation is evidently important in its own way for certain purposes.

In every instance the equation, identity or similarity is to be understood as approximate sameness or nearest approach.

Techno-Economic Ideologies

In my analysis technocracy is inseparably associated with economics. It may be roughly taken as equivalent to the applications of science, say, of mechanical, electrical and chemical engineering to material life or the creation of utilities. Industrialism is likewise a comprehensive category covering the entire field of economic creativities. In my treatment it includes agriculture as well as commerce, and does not exclusively imply manufacture. By economy, generally speaking, is to be understood the complex of technocracy and industrialism.

The relations between technology and economics have received prominent treatment in the works of the German economists, Sombart and Gottl-Ottlilienfeld. In Paul de Rousiers's *Les Grandes Industries Modernes* (Paris 1928) also technocracy has been dealt with at length. Waffenschmidt's *Technik und Wirtschaft* (Jena 1929) may be regarded as a work of fundamental value in the analysis of science and engineering in their bearings on *arthik unnati* (economic progress).

My general affiliation to the techno-economic ideologies of these authors as well as to works like Bonnet's *La Commercialisation de la Vie Française* (Paris 1929) and von Beckerath's *Der moderne Industrialismus* (Jena 1930) may be stated as a scientific fact. This does not imply any necessary agreement with them in regard to treatment, topics, comparisons or conclusions.

Palæolithic Technocracy and Economy

The equations of world-economy are palpable at the very outset. Mankind everywhere was economic and technocratic. The earliest specimens of the Pithecanthropus (Java) or the Heidelberg and the Neanderthal (Germany) races have been found to be experts in discoveries and inventions. Perhaps the very first or one of the first manifestations of man's spirituality, soul-force or the like consisted in the invention and application of tools, instruments and machines. Pragmatically considered, the most prehistoric men and women,—and of course, the Strepynans, the Chelleans, the Acheuleans and the Mousterians who may be singled out as some of the "great powers" of the Lower Palæolithic Age,—were hedonists, to use a modern category. That is, they were used to the calculus of pleasures and pains, gains and sacrifices, profits and losses. These ultramodern terms are of course to be interpreted in their orientations to the Palæolithic *Gestalt* or pattern. Maximum outturn with minimum sacrifice was the guiding principle of their materialistic-cum-spiritual creativity. They were used to the avoidance of pains, wastes, losses etc. Indeed, their daily life was the theatre of attempts at rationalization. In modern times economy or economic enterprise does not imply

any thing else. Labour-saving instincts and measures are no new marks of modern mankind. They go back to the Palæoliths.

We are then to understand from the records of tools and implements that economic creativity is as old as mankind. So also is technocracy. The first human beings were self-conscious materialistic agents. Nay, they were "capitalistic" too in so far as they were used to save and plan for the future. They were planners and futurists. Economic policy or "planification" was in their very breath. The time-sense was thus an integral part of their economic *psyche* or spiritual logic. In the second place, they were users of tools and implements. They understood the value of economizing labour and appreciated the emergence of, nay, researches into, labour-saving appliances. They were perpetually bent, perhaps no less consciously than unconsciously, on making changes in the tools and implements, thereby consummating a large number of "industrial revolutions" from epoch to epoch. Inventiveness was the very *differentium* of man as a zoological being. Technocracy and economics are the two most characteristic distinctions of the human animal. ✕

The underlying ideas of Waffenschmidt's *Technik und Wirtschaft* (Jena 1929) ought to be treated as valid for all the epochs of human creativity or spirituality. The historical data furnished by him serve, indeed, to verify and confirm these ideas as universal and eternal in the ideology of *arbhik unnati* (economic progress).

The most fundamental equation for all the races of Palæolithic men, no matter how they were geographically distributed, can then be delivered in two formulæ as follows:

I. The Equation of Materialism—

1. No economics, no man.
2. No planning, no man.

II. The Equation of Inventiveness—

1. No technocracy, no man.
2. No rationalization, no man.

It is not yet safe to enter into a quantitative examination of the materialistic and technocratic achievements of the diverse peoples of the Palæolithic age. Indeed, it is hardly worth while to establish a synchronism between them or attempt anything more than a rough chronology. Evidently, although the spirit or soul of man was materialistic and inventive in all the races of those millennia there were the differences in degrees or grades between them not only in different epochs of evolution but in the same epoch as well. The distinction between the superiors or go-aheads and the inferiors or backwards cannot be overlooked in the analysis of these equations of materialism and inventiveness as the very foundation of human creativity. The problem of "lags" is as old as the Palæoliths.

From millennium to millennium it is possible to detect changes, improvements, transformations or progress in tools and implements. But during each successive stage some sort of qualitative equations and differentiations between the diverse Palæolithic races appears to have been a fact of technocracy.

By employing modern terms to primitive and prehistoric phenomena we are to understand, of course, that the phenomena of today are coeval with mankind. The techno-economic continuity of man is an historic fact. But at the same time it is implied that the phenomenon has not remained identical all through the ages, but that from epoch to epoch it has

changed its contents and substances. These considerations are to be duly weighed while evaluating, for instance, the many "industrial revolutions" of the Palæolithic Age. The forms of tools and material life were varied.

In this work as in others the present author rejects as unrealistic the categories, pre-capitalistic, pre-industrial, pre-technical, pre-scientific, pre-logical, etc. employed by Sombart in *Der Bourgeois* (Munich, 1923) and elsewhere as well as by Levy-Bruhl in *La Mentalité Primitive* (Paris, 1925) and *La Mythologie Primitive* (Paris, 1935) to describe certain phases of human culture. Virtually everything human is continuous, although not without breaks, gaps, digressions, deviations or set-backs. Technocracy, industrialism, capitalism, socialism, planning, rationalization and such other human phenomena are being taken in this work as in the main continuous. Only, every age or stage of economic life since the Palæolithic has its own form, pattern or system of technocracy, capitalism or planning. There are industrialisms and industrialisms just as there are plannings and plannings. Each one of these categories requires a clear definition wherever it is used.

The capitalisms of the Neolithic ages are not to be treated as identical in contents with those of the eighteenth century. Nor likewise should the socialisms of the twentieth century be equated or identified with those of medieval Eur-Asian Hindu, Muslim or Christian charities. In order to avoid confusion the types of these technocracies, industrialisms etc. have to be sharply distinguished from one another. From this standpoint Sombart's differentiation between the bourgeois of the 14th-18th century and the bourgeois of the nineteenth century in *Der Bourgeois* (pp. 194-240) is quite acceptable.

Eur-Asian Parities

For certain purposes it is the convention among scholars to divide the world-economy (as world-culture generally) into two halves, eastern and western. This is scientifically open to question. These two halves cannot by any means be demonstrated to represent two qualitatively distinct economies or economic ideologies. The prehistoric, *i.e.*, the lower and the upper Palæolithic stages of technocracy and economy exhibit, as we have seen, the basic similarity between the races in regard to *psyche* and attainments. We encounter here the fundamental equation of world-economy.

So far as the world-economy of the earliest historical periods is concerned, we may place it in the Neolithic or Chalcolithic age, say, somewhere between 3500 B.C. and 1500 B.C. About this time it is possible to detect, in a general manner, the following economico-technocratic equation:

Mohenjodarian-Assyro-Babylonian economy (East)
= Egyptian-Cretan-Mycenean economy (West).

It is implied that in Mohenjodarian times Indian economy and Western economy were more or less identical. The distinction between East and West did not exist in materialism or the spirituality that is automatically involved in economic-creativity and technocracy. Economic and technocratic parity was the fact of Eur-Asia on the threshold of history. This is another fundamental equation of world-economy.

For subsequent periods the more or less approximate materialistic and technocratic parities, identities or similarities may be roughly indicated as follows:⁴

4 B. K. Sarkar: *The Positive Background of Hindu Sociology* 4 Vols. (Allahabad, 1914-1937), *Hindu Achievements in Exact Science* (New York,

(1) East (c. B.C. 700-c. A.C. 1300)=West (c. B.C. 700-c. A.C. 1300) institutionally as well as ideologically.

(2) Renaissance in the East (c. 1450-1600)=Renaissance in the West (c. 1450-1600).

(3) c. 1600-1750. The new physical or positive sciences in the West constitute a special feature of the European Renaissance. The Asian Renaissance produces fine arts but no new positive science worth mentioning. All the same, no genuine economic or materialistic differentiations of substantial importance between East and West are perceptible as yet. We may then institute the following equations:

(a) Asia in positive science (c. 1600-1750)=Europe in positive science (c. 1450-1600).

(b) Asia in socio-economic life (c. 1600-1750)=Europe in socio-economic life (c. 1600-1750).

(4) c. 1750-1850. Industrial Revolution in the West creates a new civilization, the "modern world". East and West differ substantially for the first time. Thus, Asia (c. 1850)=Europe (c. 1750).

The "industrial revolution" referred to here is but one of the many industrial revolutions of economic history since the earliest epochs of the Palæolithic Age.

About 1850 the "East" is behind the "West" by nearly a century,—in technocracy, economic institutions and general culture.

1918), *The Political Institutions and Theories of the Hindus* (Leipzig, 1922, Calcutta, 1939). *The Sociology of Races, Cultures and Human Progress* (Berlin, 1922, Calcutta, 1939).

See also J. Kulischer: *Allgemeine Wirtschaftsgeschichte des Mittelalters und der Neuzeit* (Munich, 1928-29), Vol. II., pp. 475-478 and W. Sombart: *Der Bourgeois* (Munich, 1923), pp. 172-193, 194-211, 212-240.

It is to be understood that scientific discoveries or technical inventions by themselves do not constitute the substantial difference between East and West. It is only when the arts or methods of production, transportation, marketing etc. are more or less transformed on account of the application of these discoveries and inventions to material life that an industrial or economic revolution worth the name is consummated. Not before that consummation is it possible to speak of a genuine and palpable difference between East and West. Works like Sombart's *Der moderne Kapitalismus* (4 volumes, 1902-16) have need to be supplemented with intensive investigations into East-West questions regarding the ancient and medieval history of agriculture, manufacture and commerce.

Asia and Eur-America

Notwithstanding the divergences of latitude and longitude and notwithstanding the differences in the make-up of the blood among different races, economic anthropology as well as the history of inventions furnish us with what may be described as parities, equations or identities and at any rate similarities in the ideals as well as technical and other attainments of the diverse races of the world.

It should be observed at the same time that technocracy is not, as Spengler believes, entirely soulless. The pessimistic philosophy of life propagated by him in *Der Mensch und die Technik* (Munich, 1931) cannot be the verdict of the factual and realistic history of mankind from the earliest times until today. It is not possible to agree with him about the relations between techno-economic development and other phases of "culture" or "civilization" in regard to any period of objective

history. Nor are there any sensible evidences to bear out his prophecy that the age of *Technik* or machinism is declining and almost coming to a catastrophic close. Technocracy is not rendering mankind as soulless or unspiritual as he suspects.

It is necessary at this stage of world-reconstruction to focus the attention of scholars on some of the parities or equations in the field of economic structure and materialistic civilization. In the place of the traditional ideas regarding racial and geographical differences in the so-called types of culture we are presented with differences or distances, *i.e.*, "lags" in time only. The fundamental features of world-economy, pragmatically considered, are found to be the same in the different peoples. It is only proceeding step by step or rather stage by stage from epoch to epoch: the differences between the peoples are in the main but differences in the stage or epoch. The equations that can be established reveal but the distinctions between earlier and later, go-ahead and backward peoples. The same economico-technocratic features are appearing today in one race or region, tomorrow in a second, and the day after tomorrow in a third.

These facts of parity are the causes of Spengler's pessimism in *Der Mensch und die Technik*. He finds that Japan, Russia, the Far East, India, and Latin America have started on the career of modern technocracy, capitalism and industrial expansion. These backward races are competing with his Vikings and Nordics. Albinocracy, the doctrine of white superiority, has been getting a series of tremendous shocks.

The "curves" of life in economic theory and practice as manifest in the modern East are more or less similar to those in the modern West. If one were to plot out these curves dia-

grammatically one would notice that the Asian series ran almost parallel to the Eur-American. The "trends" of economic evolution would appear to be nearly identical in the most significant particulars and incidents of thought and experience.

The exactnesses of the mathematical and "positive" sciences, are, however, not to be expected in the human and moral disciplines. But certain "equations" may still be discovered in a comparative estimate of East and West in modern times. By placing the Asian curve in the perspective of the Eur-American one might establish a number of identities for the modern period—although, of course, not without "buts" and "ifs".

But, in any case, taking Asia as a whole one would come to the conclusion that the economic endeavours in the different regions of the Orient are mainly but repetitions of modern Eur-American developments in their earlier stages. The following economico-technocratic equations may be established on the strength of positive data:

- (1) New Asia (c. 1880-1890) = modern Eur-America (c. 1785-1830).
- (2) Young India (c. 1935-1940) = Eur-America (c. 1848-70).

In the first equation, Asia comprises Turkey and Egypt, indicating that the entire Orient from Tokyo to Cairo was witnessing a technical and social transformation roughly corresponding to the re-making of the West during the epoch of the "Industrial Revolution" as defined in the previous section.

1785 is generally taken by me as the year I of the industrial revolution. It was in this year that the steam-engine was first employed in the cotton weaving mill at Papplewick

in Nottinghamshire (England). The industrial revolution thus initiated is described in my writings as the "first" industrial revolution of modern times. In reality it is the last of numerous industrial revolutions that preceded it since the Palæolithic times.

The second equation has special reference to India, indicating that Japan and Turkey as well as China, Iran and Egypt will have to be comprehended by separate, perhaps, five different equations. There are likewise to be separate equations not only for Hedjaz, Palestine, Syria and Iraq but also for Afghanistan which has for some time been enjoying lime-light as a somewhat serious and sincere youngster attempting the alphabet of modernism in technocracy and economic life. Siberia can have its own equation. Separate equations are to be seen for Burma, Thailand (Siam), Indo-China, the Philippines, and Indonesia.

The modern East is about two generations behind the modern West in technocracy and socio-economic polity. In the birth of New Asia one force has been contact with and example of modern Western progress. The second force is to be found in the cultivation of science and industrialization, however slow and halting. Antipathy to foreign domination, intervention or concession has been one of the most profound formative forces.

The inspiration derived from the economic, political and cultural achievements of ancient and medieval Asia is another formative force in the New Orient. This "romantic" appreciation of the past is, however, intimately associated with modern historical, archæological and anthropological scholarship. Nationalism, in so far as it is an aspect of romanticism, is thus ultimately to be traced, therefore, in the main to Western education. This began to bear fruit among the pioneers of the

new life and thought in Asia between 1850 and 1886 and has been more or less democratized filtering down to the masses since then.

The process of Asia's rebirth may be said to have begun c. 1850 and taken about one generation or so, thus:—

1. Western Asia (Turkey, Egypt and Iran): 1857 (Crimean War) to 1876, 1882, 1890.
2. Southern Asia (India): 1857 (Mutiny) to 1886.
3. Japan: 1853 (Commodore Perry) to 1867-1889.
4. China: 1842 (Nanking Treaty) to 1898.

Economico-technocratic modernization was already in evidence on the Asian continent at different points more or less simultaneously during the decade from 1880 to 1890. But the rate of growth for different regions since then has been different.

For instance, the distance or lag of some 50 years that existed between Japan and Eur-America (p. 14), say, about 1886, has been made up to a very considerable extent; so that the approximate economic equation of world-economy at the present moment would perhaps be indicated by the following statement:

Japan (c. 1935-40) = Eur-America (c. 1910).

That is, while India continues still to be some two generations or so behind the modern West in industrialism and its allied philosophies, the distance that existed during the decade 1880-1890, Japan has succeeded in catching up with the go-aheads by more than a generation. And to that extent Japan today is ahead of contemporary India.

It is already clear that in techno-economic development Asia is not one or uniform. There are many Asias. In Eur-America also, techno-economically, there is no unity or uni-

formity. The developments are diverse and point to different stages of growth. There are many Europes and many Americas even today. (*Infra*, p. 23).

Indian Economy and West-European Economy

It is not the place here to go into details about the technocratic and economic transformations of the modern world. But those transformations may be indicated in four successive periods beginning with the new conquests of technocracy, in which England commenced pioneering the world about 1760-85. The following scheme exhibits the West-European Economy and the Indian Economy in four periods of transformation, which, however, from the nature of the case cannot be synchronous or identical. In regard to West-European Economy the British-German equations are being shown for each of these periods. The French equations with Germany or with England are being given for the first two periods only. In regard to India it is the equations with Germany as a "relatively late" comer and with England as the pioneer in the domain of modern technocracy and industrial revolution that are chiefly pointed out while the relations with France are indicated only incidentally. It is to be observed that the categories, "industrialization," "first industrial revolution" and "second industrial revolution" have reference to different degrees in the intensity and extensity of the socio-economic transformation as measured by *per capita* or *per sq. mile* values. In any case, they are arbitrary and scientifically anything but definite. International statistics, besides, are very incomplete and very uncomparable, and therefore, must not be made too much of. And yet some amount of precision for general purposes can be obtained,—provided we take care

to guard ourselves against the monistic economic determinism of Karl Marx,—from an examination of the equations of comparative industrialism and technocracy.

Be it observed, however, for scientific clarity that a comprehensive work dealing with the statistical indices, as explained above (pp. 3-4), and comprising the diverse countries of Asia and Eur-America for the world-economy since *c.* 1785 is a great desideratum. It is but a small number of equations that the present author has been able to establish in his previous publications. Regrettably enough, it may not be possible to produce the desired work of the strength of library facilities available in India.

The epochs of technocratic and economic transformation for modern times are exhibited in the following table:⁵

I	I
West-European Economy 1785-1830.	Indian Economy 1793-1853.
The first "Industrial Revolution" of modern times is consummated in England. The age of mill in	From the Permanent Settlement in Bengal to the first cotton mill in Bombay. "Commercial

5 Cf. H. Hauser: *Les Débuts du Capitalisme* (Paris, 1931), pp. 42-44, 309-323, where the terms "industry," "revolution," "capitalism," etc. have been subjected to careful sociological criticism. The strength and weakness of the economic interpretation of history have been examined at length in R. Michels: *Corso di Sociologia Politica* (Milan, 1927), pp. 15-17, 47-52, 81-85.

For earlier stages in the modern economic development of Germany see A. S. Waltershausen: *Deutsche Wirtschaftsgeschichte 1815-1914* (Jena, 1923), pp. 80-105 and F. Zahn: *Bayerns Entwicklung Seit 1840* (Munich, 1915), pp. 2-14, 41-54. The more or less primitive conditions of Italy in the second half of the nineteenth century may be seen in V. Porri: *L'Evoluzione Economica Italiana dell'ultimo Cinquantennio* (Turin, 1926) and R. Morandi: *Storia della Grande Industria Italiana* (Bari, 1932). For corresponding conditions in France see Levasseur: *Questions ouvrières et industrielles en France sous la troisième république* (Paris, 1907) und Meuriot: *Des Agglomérations urbaines dans l'Europe Contemporaine* (Paris, 1897).

modern technocracy commences its career. But France (1830) and Germany (1830)=England (1785-1800).

revolution" in India on account of contacts with Europe through England. No new "industries." India (1853)=England (1785)
 = ~~almost~~ France
 (~~1815-30~~).
 = ~~almost~~ Germany
 (1815-30).

II

1830-70.

The first Industrial Revolution progresses in France and somewhat later in Germany. But Germany (1870)=England (1830-48).

Rising birth-rate in the West-European economy (1841-80).

II

1853-85.

"Industrialization" (but not industrial revolution) commences slowly and in a weak manner.

India (1885)=France (1848).
 =Germany (1848).
 =England (1800-15).

III

1870-1905.

In modern technocracy Germany (1905)=England (1905). The epoch of "world-economy" in its most pronounced phases commences with the opening of the Suez Canal (1869).

The decline commences in the birth-rate (1881-90).

III

1885-1905.

Industrialization continues at a slow rate. The *intelligentsia* is growing self-conscious and wants to achieve a veritable industrial "revolution" of the modern pattern. The economic sentiments of the Congress (1886) led to the Boycott-Swadeshi-Swaraj -- revolution of the Bengali people (1905). India (1905)=Germany (1850-60).
 =England (1815-30).

Rising birth-rate in India (1881-1910).

IV

1905-40.

The "second" Industrial Revolution of modern times progresses in Germany, England, (the U.S.A. and some other countries). "Rationalization" and Technocracy of the latest patterns paramount.⁶

The epoch of world-economy intensified, among other factors, by the opening of the Panama Canal (1915).

The decline in birth-rate continues. But anti-birth control movement commences in France and Germany (c. 1920-30) and England (c. 1935).

IV

1905-40.

Industrialization somewhat accentuated on account of the *Swadeshi*-Movement and World-War I (1914-18) as well as World-War II (1939-) to a certain extent. But it yet hardly constitutes an industrial "revolution" of the modern West-European pattern in terms of *per capita* or per sq. mile values.

In technocracy and industrialism

India (1940)

=Germany (c. 1865-70).

=England (c. 1830-48).

The decline in the birth-rate commences (1910-30).

In the above *tableau économique* the processes of transformation are identical on both sides, the West-European and the Indian. The chronological backwardness or sociocultural lag of certain regions in the West-European economy in relation to England the pioneer is quite clear. Equally clear also is the chronological backwardness of economic India in relation not only to England but to the West-European economy as a whole.

Equations in Birth-Rates

In technocracy and industrialism India at 1905, *i.e.*, when the *Swadeshi* revolution of the Bengali people commences, is

⁶ Hirsch: *Die Bedeutung der Rationalisierung für das deutsche Wirtschaftsleben* (Berlin, 1928), pp. 370-408. See also *Organisatorischer Aufbau des Reichsverbands der deutschen Industrie* (Berlin, 1920), pp. 100-184.

about 45-55 years behind Germany and about 75-90 years behind England. The general economic and social conditions of the Indian people, as well as their material standard of life and efficiency, are at this time on more or less the same level,—allowing for the differences in climate and manners,—as in these West-European countries between 1815 and 1860. There is nothing extraordinary, therefore, that the birth-rate tendencies, namely, in the direction of ascent, which prevailed in these regions in those earlier years should manifest themselves along general lines in the Indian economy during this period (1881-1910). It is under the more or less identical conditions of “temperature and pressure,” to use a phrase from physics, that the more or less identical birth-phenomena, namely, the rising birth-rates have taken place. Only, the periods of time during which the conditions have developed are some three decades apart from each other, the third period of the Indian Economy corresponding with the second period of the West-European.

The next phase in both these economies is a declining birth-rate. The decline commences in the West-European in the third period but in the Indian in the fourth period. This decline, is, however, quite a curious phenomenon.

The third and fourth periods of the West-European Economy are, if any thing, but continuations of the previous two periods in technocracy, industrial revolution, etc. We have here indeed the beginnings of real “world-economy” and what may be called the “second” industrial revolution of modern times, altogether an expansion and intensification of the economic prosperity which commenced about 1760-1830. And so far as the Indian Economy is concerned, the fourth period has like-

wise witnessed nothing but the accentuation of all the technical and financial forces which operated in the third. The progress of industrialization in India has certainly embodied itself during this period in such productive enterprises and items of consumption as sharply distinguish it from the third as moving on a higher plane. Material prosperity has grown in India as in Western Europe, although undoubtedly at different rates, in recent years.

Should the growing economic prosperity be a concomitant factor with the rising birth-rate in certain periods of West-European and Indian life-history, the birth-rate ought to continue to rise during succeeding periods which witness the continuity, nay, expansion of the economic prosperity. But the actual facts of international vital statistics happen to be the exact opposite of what is logically expected. Instead of the birth-rate rising higher or at any rate maintaining a higher level with the larger doses of industrialization, technocracy, world-economy, and material prosperity, it has actually fallen and has been going down lower and lower. And the decline is patent as much in the West-European Economy as, although not substantially, in the Indian.⁷ The results of the anti-birth control movement are not yet mentionable.

Western Europe and the Balkan Complex

Within the limitations to which all economico-technocratic equations as attempts at measuring magnitudes bearing on "un-

7 The present author's *Quozienti di Natalità, di Mortalità e di Aumento Naturale nell'India Attuale nel Quadro della Demografia Comparata* in the Proceedings of the International Congress for the study of Population (Rome, 1931); "The Trend of Indian Birth Rates" (in the *Indian Journal of Economics*, Allahabad, April and July 1934).

exact" sciences are bound to be subject it should be equally possible to indicate, for the purposes of comparative statistics, the rates of growth in the line of modernization for different regions of Eur-America as well. France and Italy do not exhibit the same pattern of technocracy in contemporary Europe as the Anglo-German economies. In a general manner we may speak of a dichotomy in Europe as regards technical and industrial developments. The entire West is not one in industrialism, technocracy, economic planning, socialism or the corresponding philosophies. There are Europes and Europes as there are Americas and Americas. (p. 17). To take one instance, that of Germany, we should find the following equations (p. 19):

(1) Germany (c. 1870) = Great Britain (c. 1830-48).

but (2) Germany (c. 1905) = Great Britain (c. 1905).

The first equation says that about 1870 Germany was tremendously behind Great Britain, say, by a whole generation. But by 1905, *i.e.*, in 35 years, she, first, made up the distance, and secondly, caught up to the latter. She was indeed on the point of crossing the equation-limit. World-War I, *i.e.*, the war of 1914-18 should appear socio-philosophically to be nothing more than the dramatic demonstration of this disturbance of the economico-technocratic equation or societal equilibrium in the international field. World-War II, *i.e.*, the war of 1939— is but a continuation of the same armageddon of the twentieth century constituting its second round.

While discussing the capitalistic developments in England Sombart observes in *Der Bourgeois* (Munich, 1923) that towards the end of the nineteenth century England was showing signs of decline. This is not an acceptable position. One should rather point out that, relatively to England, industrial

and capitalistic Germany was rising. This does not, however, imply that there was an *absolute* fall in England.

An important landmark in the technocratic and industrial progress of modern Germany is furnished in *Soziale, Kultur und Volkswohlfabrt* (Social, Cultural and National Welfare) published at Berlin in 1913 to commemorate the first 25 years of the reign of Wilhelm II. In this volume there is a paper on *Die Entwicklung des Volkswohlstandes* (The Evolution of National Prosperity) by Karl Helfferich. The paper may be singled out as a contribution of substantial value on the relations between technocracy and economics and the estimates of national wealth and income.

In 1919 the *Repport général sur l'industrie française* was published by the French Government in order to present a survey of French industries at the end of World-War I. The picture is not as imposing as that of Germany 1886-1911 exhibited by Helfferich and others. Wygodzinski's *Wandlungen der deutschen Volkswirtschaft im neunzehnten Jahrhundert* (Cologne, 1907) and Schumacher's *Wanderungen der Grossindustrie in Deutschland und insbesondere in den Vereinigten Staaten* (published in *Schmollers Jahrbuch*, Leipzig, 1910) could not be written about industrial France. In the perspective of Lippincott's *Economic Development of the United States* (New York, 1924) also French economy of the techno-industrial type would appear to be at a considerable lag. Italy's techno-industrial transformations are later than France's and *arthik unnati* (economic progress) in the modern sense slower. Italian lags *vis-à-vis* France and of course Germany, the U.S.A. and England are manifest in the pictures of lingering primitivism or semi-medievalism as furnished in certain

sections by Morandi in *Storia della Grande Industria Italiana* (Bari, 1932) and Porri in *L'Evoluzione Economica Italiana dell' Ultimo Cinquantennio* (Turin, 1926).

The equations discussed here involve two fundamental considerations in the problem of *arthik unnati* (economic progress). The first has reference to the fact that during historic and even pre-historic periods the evolution of mankind has been continuous, although not without ups and downs, cuts and breaks. And the second invites us to note that the development has been in the main along uniform lines, although not without diversities in regional and racial context.

An analysis of economic life in the Balkans⁸ would lead to the result that Jugoslavia, Rumania, Bulgaria, Greece, Turkey, etc. represent almost the same stages in technological evolution in which India finds herself at the present day. Almost each one of the states that lies between the German and Russian spheres and between the Baltic Sea and the Eastern Mediterranean is an India in miniature. Economically speaking, each of these states as well as Soviet Russia embody the efforts of semi-developed and more or less chiefly agricultural peoples at imbibing the culture of the more advanced Western Europe and America. They represent the processes of "acculturation" by which Eastern Europe is finally tending to bid adieu to the lingering vestiges of the feudal-agrarian system,—the mediæval economic organization and technique,—which disappeared more

8 For more or less similar ideas about the economic dichotomy of Europe see Delaisi: *Les deux Europes* (Paris, 1929); W. Woytinsky: *Die Tatsachen und Zahlen Europas* (Vienna, 1930); A. Reithinger: *Das wirtschaftliche Gesicht Europas* (Stuttgart, 1936), and E. Wagemann: *Der neue Balkan* (Hamburg, 1939).

or less partially in England, the U.S., France, and Germany between 1750 and 1850.

In point of industrialization, technocracy and capitalism the British, German and American standard is the highest in the world. Nearly two-thirds of the European continent are in the more or less undeveloped and mediæval conditions of Spain. That is why the people of India should make it a point to study the methods and achievements of Spain, the Balkan Complex and other second-rate and third-rate countries of Eur-America. It would be a wrong policy for Young India or Young China always to talk of England, Germany and America while organizing industrial and other economic movements or planning the post-war reconstruction of India or China. (Cf. Fong: *Post-war Industrialization of China*, Washington, 1942).

Modern economy has been advancing from the West to the East. There is no region today more significant for the development of India or China than the Balkans, Central-Eastern Europe, the Baltic states and Russia. The problems that are being fought over and settled in these territories,—generally described as the “Balkan Complex” by the present author,—are identical in many ways with the problems that await solution and are challenging the industrial experts and social workers of India as of China and other backward regions.

Giants and Pigmies in Machinism

Here it may be worth while to furnish a realistic illustration of the grades of industrialism and technocracy from the contemporary world-economy. There are technocratic giants and there are technocratic pigmies in the world today. On the

strength of reliable statistics it is possible to divide the industrial nations into higher and lower groups. In the analysis of the theory of *arithik unnati* (economic progress) and the equations of world-economy this, indeed, is a main item. Let us take machinism as the index.

The consumption of machines is the most basic element in technocracy and industrialism. In 1925 the world's consumption of machineries of all sorts is geographically distributed mainly as follows: 9

Group I.		
Regions	Value of Machineries Consumed in Million Marks.	Percentage of World-consumption
1. U.S.A.	11,475	52.0
2. U.K.	2,375	10.7
3. Germany	2,264	10.3
Group II.		
4. Canada	877	4.0
5. France	563	2.5
6. Russia	561	2.5
7. Italy	387	1.8
8. Japan	324	1.5
9. Australia	292	1.3
10. India	225	1.0
Group III.		
11. South Africa	99	0.4
12. China	54	0.2
13. New Zealand	46	0.2

Per head of population in each region the consumption of machinery works out as follows in 1925:

9 *Die wirtschaftlichen Kräfte der Welt* (Berlin, 1930).

Group I.		Group II.	
Regions	Values in Marks	Regions	Values in Marks
1. U.S.A.	99·4	7. France	14·5
2. Canada	98·5	8. S. Africa	14·1
3. Australia	48·7	9. Italy	9·9
4. U.K.	42·8	10. Japan	5·4
5. Germany	36·2	11. Russia	4·3
6. New Zealand	32·9		
		Group III.	
	12. India		0·7
	13. China		0·15

The second table is more important for the purposes of comparative industrialism and technocracy. Per head of population India consumes only 0·7 Mark (say Re. 0-8-0) worth of machineries. China's position in this respect is worse as she consumes 0·15 Mark worth. China and India are then the greatest pigmies by the standard of machine consumption.

It is interesting to see that Russia, Japan and Italy are among the last in Group II, being somewhat ahead of India. The *Gosplan* was not yet started in Soviet Russia in 1925. Her primitive character is quite palpable in the 4·3 Mark worth of machine consumption. Equally manifest are the backward conditions of industrialization in Japan and Italy. (*Infra*, pp. 39-40).

The backwardnesses of Russia and Japan in the consumption of machineries at 1925 convey a special meaning today in the *milieu* of World-War II. By December 1941—April 1942, i.e., in the course of some sixteen years, Japanese machinism grew so powerful as to suspend the American Empire in the Philippines, the Dutch Empire in Indonesia and the British Empire in Burma and to command half the Pacific. Evidently machinistic backwardness need not be everlasting and can be

corrected within a very short period of time. Similar is the message of Russia's backwardness. The first five-year plan was introduced in October 1928. But in the course of some twelve years Soviet Russia succeeded in digesting enough machineries to be able to halt the supermachinistic Germany's advances in two successive winters (1941-43). It does not take centuries or generations to get machinized and technocratized. Not less noteworthy is another lesson of the technocratic developments in Russia and Japan since 1925. The Japanese machinistic and industrial planning is capitalistic or bourgeois whereas the Russian is communistic. Evidently, technocratic advances can be consummated under any auspices, capitalistic or non-capitalistic. The chief desideratum is the patriotic and effective will to industrialization (*Infra*, pp. 37-38).

Japanese and Russian Uniformities

We shall now turn our eyes to some other aspects of the equations. The uniformities in the process of modern socio-economic transformation can be well illustrated from two fundamentally different regions. One is Japan with her old Asian background. The other is Soviet Russia which has embarked on modernization after doing away with the world-wide capitalistic system. And yet each is following identical techniques, for instance, in housing economy.

In the social processes bearing on house-planning or housing reform Japan has had no specific patent. In 1920 a Government investigation established the fact throughout Japan that there was a shortage of 122,000 houses. The Japanese Government has been encouraging public bodies since 1918 with low interest loans (4.8 per cent.) in order to enable them to

undertake the construction of cheap and sanitary houses. These house-building societies have been provided with timber from state forests at low prices. The freight charges for the transportation of building materials to be used by such bodies have also been reduced. By December, 1932, there were 261 public housing associations of diverse categories in Japan including the municipalities of Osaka, Yokohama, Tokyo and other cities. They built altogether 33,500 houses at the total cost of 43,420,000 yens.¹⁰

By the Public Utility Societies of Housing Act, 1921, Japan brought into existence a number of associations with the object of enabling their members to possess their own houses through self-help. They were endowed with privileges in regard to taxation, acquisition of land, etc. Loans from the state were likewise rendered available to this class of societies. By the end of 1932 there were 2700 societies of this category with 30,000 members and they spent altogether 67,000,000 yens in building schemes.

In 1925 as the result of a country-wide investigation 217 slum quarters were discovered with 72,600 families and 309,000 inhabitants. The quarters were found to be damp by nature, the roads narrow, intricate and unpleasant, the houses small but not all compact, and of course lacking in light and ventilation. The Slum Clearance Act was passed in 1927. Down to 1932 the amount of subsidies received by public slum clearance bodies in Tokyo, Osaka, Nagoya, Yokohama and Kobe amounted to 3,500,000 yens. In accordance with the provisions of the Act the state subsidy is somewhat less than

¹⁰ *Social Work in Japan* (Bureau of Social Affairs, Tokyo, 1934), pp. 44-48. Cf. *European Housing Problems* (Geneva, 1924).

half the expenses.¹¹ British or German state socialism is thus being followed in Japan.

Be it observed, incidentally, that the U.S.A. happens still to be in the main a follower of *laissez faire* in housing policy. It thus differs fundamentally from other Western countries as well as from Japan.

As for the social processes involved in housing reform or urban reconstruction generally, Soviet Russia can hardly show anything different from any bourgeois country. Between 1926 and 1930 the tramways were extended by 60 per cent., canalization by 40 per cent. and electric lighting by 34 per cent. throughout Russia. During the same period 29,000,000 square metres (1 metre is a little longer than a yard) of houses were built for the working classes. Housing provision was thereby made for 1,000,000 industrial workers.

Previous to 1918 clay huts were the rule among workers.¹² In Ukraina 40 per cent. of the workers used to live in such huts. The first Five Year Plan changed the housing conditions in this region as in others. In the republics of non-Russian nationalities housing improvements were likewise effected as shown by the amounts spent. The following figures embody the new accommodation in the regions mentioned against them:

Regions	Housing Expenses
1. Uzbekistan	... 48.8 million roubles
2. Tadjik Republic	... 16.5 " "
3. Turkoman "	... 17.8 " "

¹¹ *Social Work in Japan* (Tokyo, 1934), pp. 49-51. For American housing policy as contrasted with the European see Edith Wood's paper in the *Encyclopædia of the Social Sciences*, Vol. VII, (New York, 1932), pp. 511-517.

¹² *Summary of the Fulfilment of the First Five Year Plan* (Moscow, 1933), p. 202.

The Russian monetary system is not at all comparable with that of the bourgeois economies. It is entirely arbitrary and thoroughly elastic, managed by the government according to its own conception of the people's requirements. The prices of the Sovietic economy are likewise not to be understood in terms of the quantitative theory of money. They have no *liaison* with competition in demand or supply. The economy is totally non-competitive in every sphere, being regulated exclusively by the state in accordance with its plan or programme of the welfare of diverse classes. Hence no attempt should be made to interpret the roubles in terms of the foreign currencies and prices. (See Ch. IV, the section on "The Non-competitive Economy of Soviet Russia").

Dozens of new towns grew up in these republics of non-Russian nationalities and along with them new houses of varied types.

During the period of the *Gosplan* I. (1928-32) housing accommodation was being provided in Soviet Russia in the manner indicated in the following schedule:¹³

Year	Area built
1928	... 162 million square metres
1929	... 167 " " "
1930	... 173 " " "
1931	... 178 " " "
1932	... 185 " " "
Total	... <u>865</u> " " "

The total building area comprised 865 million sq. metres. Over 4,000,000,000 roubles was spent on housing.

¹³ *Summary*, etc., p. 201. See also Pribram's paper in the *Enycl. Soc. Sc.*, New York, Vol. VII., *loc. cit.*

The new housing spaces provided in the mammoth cities during the same period were as follows :

1. Moscow	...	2.0 million sq. metres
2. Leningrad	...	1.5 " " "
3. Kharkow		503,000 " "
4. Gorky		456,000 " "

The housing area in the Donbas region, a new industrial area, was doubled. Another new industrial area, the Urals, got 2½ times the housing it had previous to 1928.

The housing budget of Moscow in 1931 was fixed at 80,000,000 roubles. Between 1926 and 1930 nearly 2,000,000 square metres (1 metre is a little longer than a yard) of housing was provided. The number of residential buildings thus created was 5,000. The reconstruction of Moscow during this period comprised, among other things, the establishment of 5 mechanical bakeries, 15 laundryhouses, the extension of electricity and heating arrangements, and the extension of streets. The plastering of streets covered 575,000 square km. (1 km. = 5/8 mile). The operations of the Improvement Trusts in Calcutta and Bombay may be noted while watching the Bolshevik reconstruction of Moscow in order to visualize the identity of technical processes involved in the two regions. The identity is to be understood only in the formal pattern and not in the numerical or quantitative proportions which cannot be properly compared for want of total figures from the different centres in the two areas concerned.

Identities in Public Health Planning

The uniformities between Japan and Russia in housing policy are but samples of uniformity in modernization between any two regions of the world-economy. Housing is allied to pub-

lic health and nutrition questions. In this latter field also laggards employ the same methods and techniques as go-aheads. The subject has been dealt with at length in the present author's *Villages and Towns as Social Patterns* (Calcutta, 1942). Identities in public health planning are manifest as much between Germany and Japan, as between England and France or Italy and India. The differences are noticeable chiefly in the finance invested in public health and the tempo of sanitary progress,¹⁴ as embodied in the improvement of the expectation of life, the control of diseases, decline in mortality etc.

One item is being singled out to indicate the present position of the health patterns of mankind. The expectation of life (at o age) in twentyfive regions of the world is indicated in three groups (for males, the female index being somewhat higher). The *Annuaire Statistique de la Société des Nations* (Geneva, 1937-38, pp. 48-50) gives the indices as follows:

Group I.

Above 50 years

1. New Zealand	65.0 (1931)	8. Great Britain	60.13 (1936)
2. Australia	63.48 (1932-34)	9. Germany	59.86 (1932-34)
3. Denmark	62.0 (1931-35)	10. Switzerland	59.25 (1929-32)
4. Holland	61.9 (1921-30)	11. Canada	58.96 (1930-32)
5. Sweden	61.19 (1926-30)	12. South Africa	57.78 (1925-27)
6. Norway	60.98 (1921-31)	13. Ireland	57.37 (1925-27)
7. U.S.A.	60.72 (1935)	14. Belgium	56.0 (1928-32)

¹⁴ A. C. Chatterji: *Problem of Rural Reconstruction Work* (Calcutta, 1938), *Bengal Public Health Report 1939* (Calcutta, 1941), *Problem of Malaria in Bengal* (Calcutta, 1939); A. C. Ukil: *Some Aspects of Public Health in India* (Presidential Address before the Medical and Veterinary Research Section of the Indian Science Congress held at Benares, 2-8 January 1941); J. B. Grant: *The Health of India* (Oxford Pamphlet, Calcutta, 1943).

For the sanitation budgets of modern states see the *Annuaire Sanitaire International* (Geneva, 1928); Germany, pp. 66-69, France, pp. 413-423, Italy, p. 537, Japan, p. 554, England and Wales, p. 825.

15. Latvia	55.39 (1934-36)	18. Esthonia	53.12 (1932-34)
16. France	54.30 (1928-33)	19. Czechoslovakia	51.92 (1929-32)
17. Italy	53.76 (1930-32)	20. Finland	50.68 (1921-30)

Group II.

Between 40-50 years

21. Bulgaria	45.92 (1925-28)
22. Japan	44.82 (1926-30)
23. Russia	41.93 (1926-27)

Group III.

Between 20-40 years

24. Egypt	31.0 (1917-27)
25. India	26.91 (1931)
	22.59 (1911)

From New Zealand's expectation of life at 65 to India's at 26.9 the scale is quite extensive. Anglo-German-American parity is interesting, as also the Franco-Italian. The Russo-Japanese near-parity cannot fail to arrest the attention. A great deal of the divergences in the expectation of life is to be explained by the doses of finance placed at the disposal of the people by the state. The "planification" of a high expectation of life or adequate "nutritional minimum" is to a considerable extent a function of socialism in public health administration.

Rationalization in Backward Economies

The existence of economico-technocratic or socio-economic "lags" does not imply the comprehensive or totalitarian backwardness of an economic region in every field of activity or every item. Some of the most uptodate features of technocracy, industrialism, capitalism or socialism are not out of the question in regions of relatively primitive or backward development. The Tata Iron and Steel Co. and the Burma Oil Company of India may be cited as prominent instances of super-modernization in business organization and rationalization in technique although economic India as a whole is something like two generations behind the adults of the modern world.¹⁵ (Page 20).

¹⁵ See the chapter on "Traces of Rationalization in Indian Industry, Commerce and Agriculture" in B. K. Sarkar: *Economic Development Vol. II*,

Neither in finance-capitalism nor in labour-power or socialism is the Japanese economy per head of population as highly developed as the American, British or German. Yet in rationalization Japanese economy is in certain items on a par with, nay, superior to these ultra-modern economies.

In the mixing section of Japan's textile industry raw cotton comes out automatically.¹⁶ Today one operative performs the work that used to be done by several a few years ago. The blowing section now knows only one process in the place of previous two. In coarse roving the Japanese-invented Simplex fly-frame has succeeded in eliminating one process. Costs have been reduced to 80 per cent on account of high draught system combined with Simplex. Then there are the automatic looms. Japanese working men operate 8 ordinary looms and 30-40 automatic looms per head. A specimen of recent improvement in efficiency is furnished by the following table:

Period	Requirements per 10,000 spindles			Index
	Male worker	Female worker	Daily wages in Yen	
June 1929	61.2	218.9	362.93	100
March 1934	26.1	163.7	174.29	48

In the course of nearly five years wage costs have been reduced to 48 per cent.

Rationalization is no less in evidence in the railway works of Japan. The overhauling of steam locomotives takes place today once in three years as formerly. But whereas in 1916 it

(Calcutta, 1932, 1938). Cf. Hirsch: *Die Bedeutung der Rationalisierung für das deutsche Wirtschaftsleben* (Berlin, 1928).

¹⁶ I. Asahi: *The Secret of Japan's Trade Expansion* (Tokyo, 1934), pp. 28, 31. See also Kamisaka: *The Cotton Industry of Japan* (Osaka, 1934).

took 30 days, in 1932 it did not take more than 5 days. This implied 400 man-days in the place of previous 900 man-days. Again, electric locomotive overhauling of the Omiya railway works used to take 14 days in 1922 involving 523 man-days. In 1932 it came down to 8 days (283 man-days). The costs were reduced by 57 per cent.¹⁷

While examining the equations of world-economy it should not be reasonable to look for a metaphysical determinism or a mechanistic rigidity in the economic structures. Patches of modernism are likely to coexist everywhere with large areas of diverse types of primitivism or medievalism in technique and organization.

The relatively high industrial and technocratic backwardness even of Japan as of India can be envisaged from the following consideration. The percentage of industrial workers to the total population of a country is an objective test of its industrial power. In India (1921-31) it is 1.4 only and in Japan (1922-31) it is as low as 2.5-3.0. On the other hand, the British figure (1927) is 10.7 while the German (1925) as high as 15.5.¹⁸

Japanese victories since December 1941 in Burma, Malaya, Indonesia, the Philippines, New Guinea, the South-west Pacific and the North-east Australian waters have been achieved in spite of this relative industrial backwardness. Similarly the military triumphs of Soviet Russia in the defensive war against

17 Asahi, *The Secret etc.*, p. 41. See also G. B. Sansom: *Economic Conditions in Japan* (London, 1933).

18 B. K. Sarkar: *Social Insurance Legislation and Statistics* (Calcutta, 1936), p. 18. See also the *Jahrbuch der Berufsverbände in Deutschland 1927* (*Reichsarbeitsblatt*, 36. Sonderheft, Berlin) for the comparative statistics of trade-unions.

Germany during 1941-43 must not blind one to the relative industrial backwardness of the Russian people as judged by the Anglo-German standard. The equations of comparative industrialism or technocracy do not compel one to admit any symmetrical, systematic or all-round backwardness, "lag," parity or go-aheadness in the relations between any two regions. Uniformity of development along all fronts of economic activity in any region is not the assumption underlying these equations.¹⁹ (*Supra*, pp. 28-29).

The analysis of the achievements as well as socio-economic lags of Soviet Russia as suggested in this study may be confirmed to a considerable extent by the recent first-hand investigation of the American author, Wallace Carroll, during the third five-year period (1938-42). In the chapter on "Soviet Aims and Hopes" in his *We're in this with Russia* (Boston, 1942), Carroll exhibits the Russian lags *vis-à-vis* the U.S.A. Not before 1960 or even 1970 can the U.S.S.R. catch up to the American *per capita* output of 1929, says he (pp. 219, 229). This American study appears to be an objective investigation and should be contrasted with *Soviet Communism A New Civilization?* by Sidney and Beatrice Webb (London, 1936), whose appreciation is more idealistic.

Incidentally, be it observed that Russia is treated by Spengler in his *Der Mensch und die Technik* (Munich, 1931) as a non-white, colonial or barbarian functioning on the same level as Japan, India, China, Latin America and other laggards. Spengler considers it a most criminal offence on the part of the "whites" (West-Europe and America), a treachery to albino-

¹⁹ Cf. *Industrial Labour in Japan* (Geneva, 1933) and *Factors in Japanese Competition 1924-32* (Manchester, 1933).

cracy that they initiated Russia and the other inferiors into the mysteries of engineering, science and industrialism. It is interesting that he does not hate technocracy, after all. He is upset simply because the backwards have become masters of this *gupta-vidya* (hidden science, or scientific patent) of the superior races. He would not have been pessimistic if this knowledge,—science and art,—had eternally remained the monopoly of his Vikings and Nordics, a permanent “trade secret” with them. In the context of this ideology his philosophy of *Der Untergang des Abendlandes* (Munich, 1917-22) acquires a fresh orientation. The absolutist spiritualitarianism of that book does not appear to have been maintained in the later publication.

*Economic Turkey's Equations in Relation to
Political Independence*

The equations of world-economy are not to be understood as possessing any direct and necessary bearings on a region's political independence. Most of the regions in the two hemispheres are economico-technocratically primitive, undeveloped or underdeveloped. And yet very many of them happen to be politically independent *de jure* of other powers. The regions of the Balkan Complex, Poland, the Baltic Complex and so forth in Europe are socio-economically almost as primitive as many of the regions in Asia. And yet all of them formally possess an independent political status in the international world. Some of them are republican states. A few are democratic and virtually every one is socialistic. Even in Asia not every technoeconomically undeveloped region is formally subject to a foreign power. China is one example, Iran is another, Afghanistan a third. Last but not least, Turkey's political independence has

won the admiration of millions in the four quarters of the globe on account of the heroic military exploits of Kemal Ataturk against Greece (1920-22). Military-political achievements can, then, go hand in hand with economic and cultural backwardness. (*Supra*, pp. 28-29, 37-38).

Let us exhibit here a few data about Turkish economic conditions²⁰ Turkey's equations in world-economy today are those of a primitive economy,—by the German as by the Anglo-American standard. In spite of the military and political achievements Turkey continues to be a predominantly *Agrarstaat*. Her economy is almost exclusively agricultural. The maximum potential of the Karabuk steel works is known to be 200,000 tons a year. But in the third quarter of 1942 it was near about 50,000 tons only. Be it observed, however, that no non-Turk is employed in these works. The concern is 100% *swadeshi*. In the Saharia river valley iron ore has been recently discovered and the first metallurgical plant was erected in 1941. Not before 1940 was copper mined at Ergen. The total output of this mine as well as of that at Kuvashan was some 8,500 tons. At Eshischir the manganese output is not more than 800 tons *p.a.* The oil fields of Turkey remain as yet unworked on account of the difficulty of importing drills, compressors and machines. In any case the total output, if and when the fields are in working order, cannot render her autarchic in oil. Her oil requirements at the present stage amount to 150,000 tons *p.a.* In regard to coal the output in 1941 at the Zonguldak coalfields was somewhat above 3,000,000 tons. Chrome output was 182,330 tons.

²⁰ "Turkey Since 1940" (*Bulletin of International News*, London 19 September, 1942). See also B. Ward: *Turkey* (London, 1942).

As regards agricultural resources, Turkey may become autarchic in tea sugar in a few years. But she has a shortage in wheat. The output in 1940 was 5,200,000 tons. In world-trade Turkey is known for her exports of tobacco and cotton. In 1940 the tobacco export amounted to 34,000,000 kilogrammes (1 kg. = 2 lbs.) and cotton export to 300,000 bales.

Even such an economy can be the basis of political independence. Evidently nationality, freedom, sovereignty, statehood etc. is not a function of the equations of world-economy. It depends in the main on the kind and degree of international rivalries and on the power to utilize the *vishva-shakti* (world-forces) in one's interest.²¹ The Marxist doctrine of *advaita* (monistic) economic interpretation or economic determinism fails in the field of political independence as in many other fields.

21 B. K. Sarkar: *The Science of History and the Hope of Mankind* (London, 1912). Re. Turkey's manœuvres in international conjuncture see H. Kohn: *Revolutions and Dictatorships* (Cambridge, Mass., 1939).

CHAPTER II

WORLD-ECONOMIC GO-AHEADS, LAGGARDS AND PEERS

Techno-Industrial Great Powers

It would have been somewhat obvious that the name of industrial-technocratic giants is not legion. They are just a few in number. We have watched the consumption of machines by different peoples. Let us now take note of the more significant creativity, namely, the production of machines. In this respect also the world furnishes us with a very short list of what may be called industrial-technocratic great powers. (*Supra*, pp. 26-29).

In 1928 the production of machineries was distributed as follows (in millions of Marks):¹

Group I.		Group II.		Group III.	
Countries	Value	Countries	Value	Countries	Value
1. U.S.A.	17,126	4. France	620	7. Japan	240
2. Germany	4,000	5. Switzerland	330	8. Sweden	215
3. U.K.	3,100	6. Italy	260	9. Australia & New Zealand	167

In the above table Group II is so far below Group I. that hardly any comparison is worth while. Even France may be considered as a pigmy, *i.e.*, as hardly any power in the presence of the United Kingdom, so far as the production of machineries is concerned. The "big three", namely, America, Germany and England, are the only worthwhile great powers in this regard. In 1928 Russia is not yet a machine-power.

¹ W. Woytinsky: *Die Tatsachen und Zahlen Europas* (Vienna, 1930), pp. 157-160. For recent figures see the *Annuaire Statistique* (Geneva).

Another index of leadership in technocracy and industrialism may be seen in the power to export machineries to foreign countries. In this field world-economy exhibited the following picture in 1928 (in million Marks):

Group I.		Group II.		Group III.	
Countries	Value	Country	Value	Countries	Value
1. U.S.A.	1,688	4. France	250	5. Canada	85
2. Germany	1,169			6. Italy	35
3. United Kingdom	1,025			7. Japan	17
				8. Australia	9

The "big three" among the exporters of machines are identical with the same among producers and in the same order. The others are virtually nowhere. Naturally, a very large number of countries have no place on the map of machine-exporters.

In the export of electric goods we find the following values for 1928 (in million Marks):

Group I.		Group II.	
Countries	Value	Country	Value
1. Germany	487	4. France	5
2. U.S.A.	437		
3. U.K.	251		

The above table gives the figures for net exports, *i.e.*, after deducting imports from total exports. Germany, America and England, again, appear as the dominants.

The "great powers" in the net export of chemicals can be seen in the following table for 1928 (in million Marks):

Group I.		Group II.		Group III.	
Countries	Value	Country	Value	Countries	Value
1. Germany	800	5. Italy	85	6. Belgium	10
2. Chile	450			7. U.S.A.	5
3. France	240				
4. U.K.	200				

Germany tops the list, France and England are far behind her. Italy's place is about as much behind England as England's behind Germany's.

In the net export of dyes the great powers can be placed in the following order:

Group I.		Group II		Group III.	
Countries	Tons	Countries	Tons	Country	Tons
1. Germany	42,600	3. Switzerland	8,700	5. France	2,100
2. U.S.A.	11,700	4. U.K.	8,300		

It is noticeable that powers, politically not very important, e.g., Chile and Switzerland, can figure on the export-map in chemicals and dyes.

Aviation is one of the greatest indices of industrial-technocratic might. Indeed, it is a powerful *differentium* between the "second industrial revolution" of today and the "first industrial revolution" of yesterday and day before yesterday. For 1928 the air-powers of the world may be exhibited as follows:²

A. In Passengers		B. In Freights and Post	
Countries	Number	Countries	Tons
1. Germany	120,711	1. U.S.A.	2,622
2. U.S.A.	52,934	2. Germany	2,514
3. U.K.	29,500	3. France	1,287
4. Australia	23,896 (½ year)	4. U.K.	663
5. France	19,698		

C. In Kilometers flown	
Countries	Km.
1. U.S.A.	.. 16,853,000
2. Germany	... 11,450,000
3. France	... 7,297,000
4. U.K.	... 2,135,000

² The figures for the air-traffic (1930-37) relating to Soviet Russia and other countries may be seen in the *Annuaire Statistique* (Geneva, 1938), pp. 203-206.

In 1928 the great powers in aviation are, then, the U.S.A. and Germany. In 1934 Germany is beaten by Soviet Russia in kilometers flown.

We are convinced that the number of techno-industrial go-aheads is very small. The economic world is essentially a theatre of pigmies, juniors and backwards. This fact should furnish a suggestive perspective in the study of the equations of world-economy and the theory of *arthik unnati*.

Soviet Urbanization through Indian Eyes

One or two items of social economics will now arrest our attention. For countries like India the distinction between municipalized and non-municipalized populations is a real one from the standpoint of numbers. The reason may not be obvious to scholars working on the economic statistics of highly developed countries. As a rule, social scientists are likely to take municipalization and urbanization as synonyms or convertible terms. But in India municipalization is not implied as a matter of course in urbanization. The lag between urbanization and municipalization, so far as India is concerned, can be seen in the following table for 1937:³

1. Total Population	352,837,778 (say, 353 millions)
2. Urban Population (living in settlements with 2,000 and above)	99,654,091 (say, 100 millions)
3. Municipalized Population	22,818,015 (say, 23 millions)
4. Proportion of 2 to 1	35.0 per cent.
5. Proportion of 3 to 2	22.8 per cent.
6. Proportion of 3 to 1	6.4 per cent.

³ *Statistical Abstract for British India, 1927-28 to 1935-1937* (Delhi, 1939), p. 76.

We understand that nearly 100 millions are town-dwellers while not more than 23 millions are municipalized. From the standpoint of interhuman relations we notice that 35 per cent. of the total population is used to the urban morphology in so far as the settlement with 2,000 and more inhabitants is to be described as a town. But not more than 22.8 per cent of these urbanized men and women happens to be used to the municipal morphology. And in the background of the total Indian population the municipalized pattern works out at 6.4 per cent. only.

The relations between the urbanized units and the municipalized units can be seen as follows for 1937:

Categories	Number	Total Population
1. Towns (with 2,000 and more inhabitants)	22,171	99,654,091
2. Municipalities	812	22,818,015

The figures indicate that there are 812 municipalities while the number of urban complexes is 22,171. This yields 3.6 as the percentage. Municipalization has then hardly touched even the fringes of urban formations. Once more is India's socio-economic backwardness rendered palpable in considerable proportions.

The dynamics of municipalization can be exhibited for what it is worth in the following scheme:

Items	1917-18	1926-27	1935-36
1. Number of Municipalities	725	771	813
2. Municipalized Population	17,353,273	19,062,813	22,818,016
3. Committee Members of Municipalities	9,875	12,586	13,180

Municipal progress in 19 years from 1917-18 to 1935-36 yields the following equations:

1. In the number of municipalities, India (1935-36) 813=1.1 India (1917-18) 725.
2. In municipalized population, India (1935-36) 22.8 millions=1.3 India (1917-18) 17.3 millions.
3. In committee members, India (1935-36) 13,180=1.3 India (1917-18) 9,875.

All the three equations belong to the formula of Equation II, namely $A(1940) = xA(1905)$ (*Supra*, p. 4).

The progress is statistically palpable but by all means very low. Both absolutely as well as relatively, then, municipalism as a social pattern in India is almost insignificant. The index of municipalism being what it is, it is always expedient for India to take interest in the world's differential municipalism in order to watch and get ready for the "next higher" flights.

The process involved in the transformation of social patterns on a large scale is visible in Soviet Russia in the re-making of rural-urban relations within a short period of time. The rural regions got acculturated to the industrial workingmen in large numbers. The reconstruction of villages, because of this acculturation to the industrial proletariat, was consummated in much higher proportions than that of towns and cities.

The picture of Russian rural reconstruction in the perspective of urban transformations from 1929 to 1931 on account of the influx of industrial workers is exhibited below:⁴

4 *Summary of the Fulfilment of the First Five-Year Plan* (Moscow, 1933), pp. 187-88. For comparative labour statistics with special reference to India see B. K. Sarkar: *Social Insurance Legislation and Statistics* (Calcutta, 1936), pp. 14-19.

For comparative statistics relating to the organized workers of the world see the *Jahrbuch der Berufsverbände in Deutschland 1927* (Berlin, *Reichsarbeitsblatt*, 36. Sonderheft).

Regions	1929	1931	Index (1929=100)
1. Ural-Kuzbas (Urals, Bashkira, Kazakstan, Western Siberia)	1,452,800	2,639,500	181.7
2. Central Asia (Turkmenistan, Tadjikistan, Uzbekistan)	286,800	534,300	186.3
3. Eastern Regions (Far Eastern, Eastern-Siberia, Yakutia)	360,700	593,100	164.4
4. Old Industrial Regions (Moscow, Leningrad, Gorky Territory, Ivanovo Region)	4,104,800	5,897,500	143.7
5. Entire Russia	12,167,900	18,750,500	154.1

The above table indicates that the rural reconstruction consummated in the first three regions involved a much larger influx of workingmen into the village areas than the urban transformation in the fourth region. In each of the three rural regions the percentage of increase in industrial population was higher than that in the old industrial regions. The industrialization of the countryside may be taken to have been consummated on a substantial scale. The total industrial workers of U.S.S.R. increased from 12,167,900 in 1929 to 18,750,500 in 1931, the rate of increase being 54.1 per cent. In 1931 India with population more than double that of Russia had hardly 5,000,000 industrial workers in organized business. In Indian estimation Soviet Russia is certainly a go-ahead of considerable importance. (*Supra*, pp. 28-29, 35, 38-39).

This industrialization and urbanization of the villages in Soviet Russia is to be taken as an item of the municipal complex. The index of municipalism in Russia is not yet very high by the "adult" Eur-American standard. So far as differential municipalism is concerned, India should, therefore, exchange notes with Soviet Russia and not with the countries of "adult"

urbanism and super-municipalism. But to what extent communism or state-capitalism is a transferable commodity is an open question (*Infra*, the section on "The Prospects of Communism in Backward Economies").

The Meaning of Soviet Russia's Economic Indices

In the economic, political and sociological discussions on Soviet Russia the general tendency among scholars is to ascertain and examine the communistic or socialistic achievements of the Bolshevik regime. How far the communism or socialism as consummated by this regime differs from or agrees with the "scientific socialism" expounded by Marx-Engels as well as the Marxism that has been in evolution since 1848 independently of Marx is the topic that chiefly concerns the theorist. Another topic of interest is the question as to whether and the extent to which capitalism, profit-seeking, the quest of the surplus value, private property, individual savings and such other items of the bourgeois economy have been abolished or modified by Leninism I (1918-1921), and the New Economic Policy, *i.e.*, Leninism II (1922-24), which is being managed by Stalin through the *Gosplans* (1928-). Equally important to general economists, political philosophers, and sociologists is the technique of public finance, price-control, currency-management, etc., by which it has been possible to abolish or restrict private savings, individual capitalism, personal profits and so forth, in so far as these abolitions or restrictions are facts. (Ch. IV. The Economic Riddle of Communistic Socialism).

There are some other topics to which the attention of scholars ought equally to be drawn. In the first place, the problem is to assess and appraise the total amount of transfor-

mations of all types achieved since 1918 by the Soviet regime in the villages and towns of Russia. Secondly, the question may be asked as to whether the processes and forms of inter-human relations involved in these Sovietic transformations are substantially different from the transformations that have been going on in the non-Sovietic regions of the world.

Let us take up the second question, first, namely, that about the nature, quality or variety of the processes and forms underlying the transformations. We are convinced that it is almost impossible to find anything new in Soviet Russia (excepting of course the special brand of Leninistic-Trotskyan-Stalinistic communism in theory and practice) in addition to those concrete items with which the "adult" regions have made the world familiar during the previous two or three generations. And as for the countries of "infant" modernism, industrialization and technocracy (India, China, etc.), they also would perhaps find hardly any new processes or forms of interhuman relations in addition to those to which they themselves have been getting acculturated although not in as big doses as Soviet Russia. The processes and patterns of economic transformation, progress or metabolism are universal, human, and uniform. (*Supra*, Japanese and Russian Uniformities, pp. 29, 31).

So far as the first item is concerned, the study is chiefly quantitative and has bearings on the theory of *arithik unnati* (economic progress). We have to place the Russian indices in the perspective of international statistics. In regard to the interpretation of the data one should have to be particularly careful. The hundred per cent or two hundred per cent increments of coefficients in Soviet Russia in the course of three or five year periods must not mislead the shrewd statistician. In

primitive countries, indeed, in all new or young movements,—the “relative progress” from month to month or year to year is bound to appear extraordinarily high because the transformation commences at a very low level. A rise which is very slight by the “absolute” standard, should look under these conditions to be very great, say, 200 or 300 per cent. But those regions or movements which have been acculturated to the same transformation for half a generation or a generation or two may in very many instances have reached the saturation point, so to say, so far as the particular lines or forms of reconstruction and transformation are concerned. It is not possible for these countries or movements at such a high stage of absolute development to exhibit relatively high indices of dynamic movements. (*Infra*, von Hayek’s “Rational Economics”).

In regard to the spread of elementary education, industrialization, urbanization, etc., the work done in Czarist Russia down to 1917 was so little and so primitive when viewed in the light of the total population and the area of the country that, compared to Germany, England, U.S.A. and other regions of adult industrialism and urbanism, Bolshevik Russia was almost in the kindergarten stage, so to say, about 1918-28. Naturally, therefore, from the British, German and American standpoints of absolute industrialization-urbanization complex the achievement of Bolshevik Russia down to 1943, however high relatively by the Czarist standard of 1913-17, may not appear extraordinary, although by all means they are profoundly interesting as evidences of the might of a planned industrial-cum-technocratic revolution. But on the other hand, the viewpoint of countries like India, China, Indonesia (Java, Sumatra, etc.), Indo-China, Thailand, Iran, Turkey, and many of the

regions in the Balkan Complex and Latin America cannot be identical with that of these hyperindustrialized and super-modernized adults like England, Germany and the U.S.A. Countries like India were in 1913-18 more or less in the primitive, feudalistic, agrarian and semi-industrialized conditions of Czarist Russia. These regions of infant industrialization are bound to gaze at the transformation of the socio-economic pattern by Soviet Russia as embodied in the statistical indices with awe and romantic wonder. The statistical magnitudes representing the Russian transformations are then to be appraised in two different ways by two different orders of peoples. (*Supra*, pp. 28-29, 35, 38-39, *Infra*, von Hayek).

Soviet Russia by the "Great Power" Standard

The differences in the viewpoint between the great powers and the "colonial" countries like the Balkan Complex, etc., may be seen in the manner in which the Soviet achievements appear to the former. Let us visualize the sociography of Russia in the economic sphere.

In the perspective of the year 1913 (= 100) the Russian output of 1932 yielded the following indices in regard to the articles mentioned against them:

1. Electric Current	674	9. Superphosphates	1,113
2. Coal	223	10. Cotton Goods	113
3. Naphtha	240	11. Woollen Goods	96
4. Peat (coal)	869	12. Sugar	64
5. Agricultural Machines	658	13. Corn	86
6. Iron Ore	133	14. Raw Cotton	171
7. Pig Iron	148	15. Flax	110
8. Soda	187	16. Beet (sugar)	61

This is the position of production in Soviet Russia at the end of the first *Gosplan*.

In the above table one can notice the diminution in woollen goods, sugar, corn and beet. But otherwise the index-increases in the perspective of 1913 ranged from 110 to 1,113. In regard to these extraordinary increases Leontief rightly observes in *Die Erfüllung des russischen Fünfjahrplanes*⁵ that several items belong to those branches of industry which are entirely new for Russia. In 1913 many articles were imported from foreign countries and the *swadeshi* (home) manufactures fell far short of the requirements. The figures of 1932 indicated that in those particular branches the *swadeshi* movement had made remarkable progress, but that in other lines the progress was by all means noteworthy although not so striking.

"In the Soviet economy," says Brutzkus in *Das Problem der sowjetrussischen Planwirtschaft*,⁶ "we have the greatest economic paradox that has ever been noticed. The world is amazed by the modern industrial works of colossal dimensions which are rising in a poor and backward country in the quickest tempo. In the same period, however, millions of men are dying of hunger in the country which shortly before exported large quantities of corn to foreign countries and has not yet ceased to export them." (*Infra*, von Hayek's "Rational Economics").

Brutzkus is a Russian. But he has offered a judgment from the standpoint of "great powers," the industrial and commercial "adults" of the modern economy. In the estimation of real adults or veteran go-aheads Soviet Russia's lags or backwardnesses are still profound. The American author,

5 Article in *Weltwirtschaftliches Archiv*, Jena, May, 1934, pp. 512-18.

6 A paper in the *Festschrift* for the tenth anniversary of the *Weltwirtschaftsinstitut* of the *Handelshochschule* (Leipzig, 1934). See also W. Carroll: *We're in this with Russia* (Boston, 1942), pp. 219, 229.

Carroll, visiting Russia in 1941-42, as a representative of her allies, maintains likewise that she is behind the U.S. by 25-30 years (*Supra*, p. 38, *Infra*, "The Meaning of *Arthik Unnati*").

Latin American and Balkan Standard of Living

Evidently the high standard of achievements by which the great powers examine the developments in Soviet Russia cannot be the one employed by economically poorer and politically subordinate countries. The standard of living of these countries is unspeakably low. Let us refer to Latin America.

There is a socio-economic equation between India, China, Iran or the "Balkan Complex" on the one hand and the Latin American states on the other. This is testified to by the fact that the economic planning in these countries is not conducted along the lines of Italy, Germany and Japan, as says Kutschera,⁷ but along those of "colonies," *i.e.*, dependencies. Latin America is economically and financially dependent on foreign countries although politically independent. Besides, it is in the last quarter of the nineteenth century that the economy began to be modernized in technique and organization. The social metabolism in these parts of the New Hemisphere is then more or less akin to that of those regions of the world which are young or infantile in modern capitalism. It must be observed, however, that the techno-industrial and capitalistic-socialistic status of the "A. B. C." States (Argentina, Brazil and Chile) is

⁷ "Planwirtschaftliche Tendenzen in Iberoamerika" (*Zeitschrift für Geopolitik*, Heidelberg, March, 1939, pp. 229, 234). The general socio-economic conditions of Latin America may be envisaged in the summary of the proceedings of the Inter-American Conference on Social Security at Santiago published in the *International Labour Review* (Montreal, December, 1942).

somewhat higher than that of the average Latin American standard.

In the paper on "Social Medicine in Chile" (*International Labour Review*, Montreal, January, 1942) Salvador observes that the "greater part of wages is devoted to food and housing, leaving only a small margin for clothing and other necessities." It is also stated that "general health conditions have not improved to any important extent in the last thirty years."

No less poor and elementary is the standard of living of the Serbs, Croats and Slovenes of Yugoslavia. The social pattern of these races is the farthest removed from that of England. "They seem able to live upon the smell of garlic and a crust of bread," says an English journalist.⁸

In Rumania, as reported by Swiss travellers, whose general standard, as is well known, is Anglo-German in level, the masses live on maize *bolenta* as the staple. And the place of the "smell of garlic" is said to be taken by that of herring. *Bolenta* is made into a pulp boiled out of maize flour with water and salt only but without butter.

The socio-economic antithesis between the "Balkan Complex" (*Osteuropa* and *Südosteuropa* comprising Poland, Rumania, Yugoslavia and Bulgaria) and "Western Europe" is described in part as follows by Reithinger in *Das wirtschaftliche Gesicht Europas*.⁹ From west to east and from north to south

8 Report of Reuter's diplomatic correspondent from Belgrade on the eve of Germany's declaration of war against Yugoslavia, cabled from London on April 6, 1941, to the *Statesman*, Calcutta, April 7, p. 9.

9 Stuttgart, 1936, pp. 21-24. See also his *Wirtschaftsbeobachtung und Wirtschaftsordnung* (Leipzig, 1936), pp. 97-99. About the socio-economic pattern of the Slavs *vis-à-vis* the Asians, see B. K. Sarkar: *The Sociology of Races, Cultures and Human Progress* (Calcutta, 1939).

the employment of capital in economic enterprises is on the descending grade. The average standard of life also sinks. In Western Europe the density of agricultural population on farm-areas is between 40 and 60 per square kilometer (1 km. = 5/8 mile) according to climate and soil. But in Eastern Europe it is between 70 and 100. Down to 1900 emigration to towns was not very effective because of the absence of industries nor to foreign countries on account of the absence of political or diplomatic facilities. The peasants were therefore mostly *schollengebunden*, i.e., bound to their clod. Even at the present moment the intensity and technique of agricultural operations are relatively low and the output necessarily small. By calculating the total corn, fruits and animal products in terms of food-value one finds that, area for area, the output in the Balkan Complex is 50 per cent or even 33 per cent of that in Central and Western Europe. Now, since the density of population per square kilometer is larger in Eastern Europe than in Central and Western Europe the agricultural output in the former area is 25 per cent or 16 per cent of that in the latter area.

The "Balkan" standard of living is, therefore, not higher than 1/6th or 1/4th of the "Western-European." The purchasing power of the peasants in Poland, Rumania, Jugoslavia and Bulgaria is likewise 1/6th or 1/4th of that among the cultivating classes in Germany, France, Holland, England, Scandinavia, etc., says Reithinger in conclusion. This is the message also of Delaisi's *Les deux Europes* (Paris, 1929) and Wagemann's *Der neue Balkan* (Hamburg, 1939). The distinction between these two Europes ought to be a postulate of socio-economic thought.

It is natural, therefore, that Soviet Russia's transformations should be treated as exceptionally inspiring by the economists

and patriots of the third-rate or fourth-rate countries in Europe and America as in Asia and Africa. (*Supra*, pp. 52-53).

The Socio-Economic Structure of Poland

Modern Poland was opened up to me, so to say, twenty-four years ago during my American days. At that time was published the five-volume book entitled *The Polish Peasant in Europe and America* by W. I. Thomas and F. Znaniecki (New York 1918-20). It was while investigating in the Carnegie Library at New York the immigration problems of the U.S. and the place of Asia in Americanization with a view to the publication of *The Futurism of Young Asia* (Leipzig, 1922, now known as *The Sociology of Races, Cultures and Human Progress*, Calcutta 1939) that the Polish sociologist Znaniecki's name and work caught my attention. The psycho-social and institutional data furnished by him were helpful in the interpretation of the relations between East and West in which I was interested at the time.

The economic and social data of modern India could be placed in the sociological *milieu* of Znaniecki's studies about Poland as of other works relating to the "Balkan Complex" and Eastern Europe. And it was possible for me to guess as well as to suggest that in the peasants of Poland might be found some of the comrades, cousins, duplicates and analogues of Bengali and other Indian peasants. In comparative economics and comparative sociology the equations or parities between India and Balkan-Eastern Europe were hardly talked of in those days and are not yet quite well known. But these socio-economic equations are significant as theoretical contributions to the analysis of *arthik unnati* (economic progress). Besides,

they have deep practical values as well in regard to economic statesmanship and societal planning with special reference to semi-developed regions.

The analysis and comparison may be carried on item by item. For instance, in regard to the relations between foreign and indigenous credit institutions Poland should not appear to be in a condition different from that of Bengal or, for that matter, of India in so far as bank-capitalism and bank administration are concerned. In 1929 there were 281 banks functioning in Poland.¹⁰ The total deposits amounted to 2,710 million zloties (Rs. 32 = zl. 100). Not more than 33 per cent of the deposits was to be found in the indigenous banks. "Private" joint stock banking was not an important factor in the financial structure of the Polish people. And in this, again, the foreign element was substantial. The *Bank Dyskontowy Warszawski* (Discount Bank of Warsaw) was dominated by the Oesterreichische Creditanstalt of Vienna. The Harriman & Co. of New-York, the Banca Commerciale Italiana of Milan, the Hambros Bank of London, and other foreign institutions were the shareholders of the *Bank Handlowy* (Bank of Commerce), Warsaw. And so on. The purely foreign banks of Poland are of course to be counted extra. The problem of *swadeshi* (indigenous) finance *vs.* external capital is no less acute than in India. The chief feature of Polish sociography is furnished by the fact that the deposits of the Polish people are commanded by such indigenous banks as are under foreign

¹⁰ *Europäische Banken* 1931 (Prag), pp. 140-149. See the chapter on the bank-capitalism of Young Bengal in B. K. Sarkar: *Economic Development* Vol. II. (Calcutta, 1932, 1938).

control.¹¹ The financial structure of India and, of course, of provinces like Bengal also is similar, if not identical.

In 1935 the total capital of joint stock industrial concerns in Poland was 340 million zł. More than 42 per cent of this was of foreign origin. In the oil industry foreign capital represented 87 per cent, in electrical power 85 per cent, in the mining and iron industry 75 per cent, and in the chemical, timber, leather, textile and paper industries, 25 per cent each. All this is easily assimilable to the Indian sociography in which the rôle of foreign, especially British, finance, is the dominant feature of business organization and technocracy.

The occupational structure and the social stratification of Poland exhibit features to which the Indian population is well "acculturated." For instance, in percentage of the total earners or gainfully employed persons the agriculturally active or occupied in 1931 were as follows:

1. Poland	:	76.2
2. India	:	66.5

Demographically Poland was more agricultural than India. But the differences were perhaps hardly noticeable.

In industrial and mining occupations Poland had 11.2 per cent of her total population. This was a little higher than India's 10.6 per cent. The Polish-Bengali or Polish-Indian identities or similarities were too palpable to be missed.

In that year, again, nearly 80 per cent of the total population of Poland lived in smaller towns or villages with less than 10,000 inhabitants. India's percentage was about 92. The

¹¹ B. K. Sarkar: *Economic Development*, Vol. II. (Calcutta, 1932, 1938), pp. 95-99.

rural-urban stratification was then more or less of the same type in the two spheres.

These and other equations of the socio-economic order have enabled me to employ the category, *Bharata-vasir mashi-badi* (The aunt's home of the Indian people) about Poland and other Eur-American countries of the same niveau in my books entitled *Naya Banglar Goda-Pattan* (The Foundations of a New Bengal, 2 vols. 1932) and *Badtir Pathe Bangali* (Bengalis in Progress, 1934). Poland has been a substantial feeder of my economics and sociology in which the distinction between the "Balkan standard" and the "Great Power standard" is a fundamental plank.

Social thought in Poland has naturally been responsive to her actual socio-economic and political conditions. Applied sociology is a chief branch of social science cultivated by her scholars. And in this, again, rural reconstruction plays perhaps the most leading part.

The State Institute of Rural Culture was established at Warsaw in 1936 as a result of the conference of some 500 persons well versed in rural conditions held previously during the same year. The Institute had a thoroughly practical aim. It was to co-operate with the ministry of agriculture as well as the ministry of education. The aim set before the Institute was to study and improve rural conditions, in other words, to combat and control the crying poverty of the rural population. It may indeed be described as a noteworthy Institute of Rural Reconstruction. It is superfluous to add that no category is more popular in Indian National Congress ideology as well as in Indian administrative parlance than rural reconstruction. This is but another instance of Indo-Polish parity.

Agricultural Credit Warrants in France

While in the sphere of rural and agricultural economy we may focus our attention on France as a region qualitatively far removed from India as well as Poland. But the French economic structure is more agricultural than industrial. By the Anglo-German standard France is, so to say, an *Agrarstaat*.

In France advances are made by the State on the security of produce. To make such advances possible it is above all necessary to construct store-houses, barns, silos, refrigerating plants and, in general, whatever is necessary for the storing and conservation of produce. The resources necessary for the financing of crops often reach a very high figure, especially because, as is frequently the case, the basic products in question are considerable not only in quantity but also in value.

Dealings for the financing of crops are highly developed in France. Especially as regards measures for the defence of the wheat and wine markets, the organization of this type of credit is of quite special interest. But in Indian economy these items constitute a tremendous *ultima thule*. In France the funds are placed by the State at the disposal of the mutual agricultural credit institutions (cooperatives). The business organization in regard to this type of agricultural credit remains to be seriously studied for employment in Indian conditions. By the French standard the Indian Cooperative Act is yet in the kindergarten stage.

The agriculturist who desires an advance on his crop generally signs a hand-note (*bundi*) or a warrant of a local agricultural credit society which discounts it at the regional bank. The regional bank in its turn has the warrant or hand-note discounted by the *Caisse Nationale de Credit Agricole* or

the *Banque de France*. These French credit societies and regional banks are cooperatives of different grades.

The warrant is a document of a special type; it states the amount of the loan, the date of repayment and the nature of the security. The Act of April 30, 1906 rendered it a true credit instrument, assuring its circulation and its payment on the date stated. Hence the warrant is transferable by endorsement, and those who have signed or endorsed a warrant are jointly and separately liable. On the other hand, the holder may sell the security under easy and quick conditions failing payment of the warrant by the borrower on the stipulated date. Article 12 of the above-mentioned Act allows the holder of the warrant precedence as against almost all the privileged creditors. If the price does not suffice to satisfy his claims, article 13 gives him subsidiary rights against the endorsers and the borrower. A decree-law of September 28, 1935 has enlarged the area within which agricultural warrants may be used, and has thus helped to increase the credit facilities at the disposal of the agriculturists.

Some recent figures have been placed at my disposal by M. Dubois, Consul General for France at Calcutta. From 1906 to 1937, 283,400 agricultural warrants were issued on securities valued at 7,966,000,000 francs to cover loans totalling 3,527,000,000 francs. The French system of cooperative credit in agriculture furnishes one of the goals towards which Indian economic legislation¹² regarding co-operatives ought by now to commence starting. India's lag in agricultural finance is to be appraised as very damaging in the French perspective, as would

¹² The poverty and primitivism of agricultural finance in India may be seen in J. P. Niyogi: *Co-operative Movement in Bengal* (London, 1940).

appear from Souchon's *Le Credit agricole en France* (Paris, 1920). This lag is, indeed, as great as that in social insurance.

Italian Control of Unemployment

So far as India is concerned, a no less inspiring go-ahead is Italy.¹³ In the matter of unemployment control Italian measures (1931-33), like the German, have been furnishing some guidance to other go-ahead regions.

The directors of the "syndical" organization of persons engaged in commercial houses have combined with those of other branches of the "categories" of workers. In regard to the campaign against unemployment they have laid down the following general principles:

1. In firms where the number and frequency of periods of overtime are such as to constitute a conspicuous fraction of the total hours worked, provision should be made whereby overtime working is abolished or reduced to a minimum, so as to make it possible for additional staff to be engaged.

2. Employers are required, except in cases of absolute necessity, to suspend every kind of dismissal.

3. In addition to effecting a reduction in overtime, firms shall be required strictly to abide by the terms of the regulations and of the law on holidays and the weekly day of rest, having constantly in view the possibility of giving work to persons at present unemployed.

4. Wherever it becomes necessary to substitute existing staff by other workers giving a higher output, the possibility of replacing women's labour and the labour of persons in receipt

13 M. Moulik: *Italian Economy and Culture* (Calcutta, 1940).

of pensions—who are not absolutely under compulsion to continue working—by unemployed males, should always be borne in mind.

India's lag in the campaign against unemployment cannot be easily assessed because unemployment statistics are imperfect. Besides, in so far as industrialization is not highly developed, unemployment itself as an economic phenomenon is not very acute. Be it observed, however, *en passant* that underemployment is in any case a tremendous socio-economic reality. That belongs to the fundamental problem of India's poverty.

Modern Bank Capitalism

Those who have to handle the *Statistical Tables relating to Banks in India* (Bombay, 1941) are aware that the data about 2074 banking offices are too simple and modest for comparison with the facts and figures in the *Federal Reserve Bulletin* of the U.S.A. The bank statistics of India today reflect somewhat the conditions described in the earlier chapters of Normand's *Les Sociétés de Credit et Banques à Succursales en France* (Paris, 1924) or Riesser's *Entwicklungsgeschichte der deutschen Grossbanken* (Jena, 1905). In the present author's *Economic Development*, Vol. I. (Madras, 1926) the parity has been established on this basis.

The conclusion from an examination of the earlier stages of "modern" banking in France and Germany on the realistic basis of comparative bank-statistics is significant with reference to the equations that are being discussed here. When one studies the European figures with special reference to Indian conditions one should suspect that in banking, as in other branches of economic and social (political and cultural) deve-

lopment, India has yet to commence mastering the ideas of 1870 or thereabouts and traverse the ground covered by the moderns since then.

The banking situation in India (c. 1940), to take an instance of current interest, can be aptly described in the words of the National Monetary Commission (1908), which sat to examine and report on the defects in the financial organization of the U.S.A. In 1911, we are told, the Americans exported about \$650,000,000 in value of cotton. It was largely financed by 60 or 90 day bills drawn on Liverpool, London, Paris or Berlin. And this business was "practically all done by foreign banks or bankers." In regard to domestic trade also the American methods were "crude, expensive and unworthy an intelligent people." The Commission observed as follows: "The man who raises cotton in Mississippi or cattle in Texas, or the farmer who raises wheat in the North-West cannot readily find a market in Chicago, New York or London for the obligations arising out of the transactions connected with the growth and movement of his products because the bankers of these cities have no knowledge of his character and responsibility."

Factually, perhaps, from the standpoint of comparative development, in spite of the modest language of the Commission the American conditions three decades ago were not literally as "crude" and "disgraceful" or "young" as the Indian conditions today.¹⁴ But "generally" speaking, the two conditions are similar, if not identical. And Indian bank-reformers have, there-

¹⁴ American conditions may be compared with Indian in B. K. Sarkar: "Types and Tendencies in American Banking" (*Journal of the Bengal National Chamber of Commerce* 1927) and "The Bank Capitalism of Young Bengal" in *Economic Development* Vol. II, (1938).

fore, more to learn of pre-1914 than of post-1914 America or the Rooseveltian "New Deal" of more recent years. We should have to begin at, say, the American stage of 1908. It is to be observed, however, in the interest of precision that the American economic indices of 1908 or thereabouts were already much too high, as representing quite an "adult" phenomenon, for the Indian indices of 1935-40. Statistically, there are indeed reasons to believe that for all practical purposes, the present Indian conditions hardly register anything beyond the Western-European or American growth of the 70's of the last century. (Cf. Bogart or Lippincott). Altogether, when we in India speak of pre-1914 Eur-America as a general guide for our present purposes we should really have in our mind the second half or rather the third quarter of the nineteenth century.

Lags in the Socialistic Complex

Socialism is the obverse of capitalism both in the medieval and the modern phases of this phenomenon. Factory legislation, labour movement, trade unionism, protection of workingmen and such other forms of state intervention as constitute the essence of modern socialism are virtually as old as the modern steam-engine, machinery, and workshop. The comparative appraisal of industrial-cum-capitalism in and through the equations of economic indices furnishes likewise almost automatically the comparative evaluation of socialism. For instance, the strength of the trade-union movement in an economic region is an index as much to the power of its capitalistic as of its socialistic economy. The equations of world-economy are, therefore, to be taken as valid for the entire capitalistic-socialistic complex in every region, Asian, African or Eur-American.

One of the latest forms of positive or constructive socialism is embodied in the Beveridge Plan for Social Security announced in December 1942. The British people is heading towards a comprehensive and unified social insurance under state auspices. Freedom from want is to be the slogan for everybody. All citizens are to be covered irrespective of the highest income and occupational status. Benefits are to be enjoyed by all without reference to private means. Over fifty per cent of the costs of this totalitarian social insurance are to be covered by grants from the Government. (*Infra*, Chapter VI, the section on the Beveridge Plan).

The language of this type of freedom from want cannot be understood by countries like China and India. They are not yet initiated into the national (health and unemployment) insurance ideology of Lloyd George (1911). Nay, the A.B.C. of the Bismarckian *Sozialversicherung* legislation (1883-86),—the parent of social security or social insurance throughout the world,—remains yet to be introduced into their economic systems.¹⁵ In these aspects of factual socialism economic India 1943 is still an *entire encyclopædia* behind Germany 1883.

The cumulative effect of all these investigations may be embodied in the following futuristic equation:—Whatever has happened in the economic sphere in Eur-America during the past half-century is tending also to happen more or less on similar and even identical lines in Asia and, of course, in India during the next two generations or so. The problem before applied economics or economic statesmanship, so far as India is concerned, consists in envisaging and hastening the working out of the

¹⁵ B. K. Sarkar: *Social Insurance Legislation and Statistics* (Calcutta, 1936), p. 143; Epstein: *Insecurity* (New York, 1933).

“next stages” in technical progress as well as capitalism and socialism. Economic planning, rightly considered, cannot mean anything else for India.

Economists and statesmen of backward or underdeveloped nations are likely to have sentimental repugnance to the idea that it is impossible for a laggard to attempt introducing the Beveridge Plan in countries like India or China. But contact with realities is the greatest teacher of objectivity. In India, for instance, industrial labour power is almost minimal (*Supra*, p. 37). As for unionized workingmen, perhaps the highest number ever attained was that of 1927, namely, 407,000. Even now the number of subscription-paying members of trade unions is microscopic. Accurate figures are not available. On the basis of the 1927 figures it is obvious that unionized workingmen per 10,000 inhabitants were 13 in India as against 38 in Japan, 594 in Russia, 1051 in the U.K. and 1295 in Germany.¹⁶ India is at present acculturated, further, to some slight doses of Maternity Benefit Acts and the Workmen’s Compensation Act. With such socio-economic organization India cannot possibly dream of a totalitarian centralization of social security comprising the entire population as the Beveridge Plan envisages. India’s economic *Realpolitik* compels her stoutest publicists to consult the Anglo-German socio-legislative history of the earlier and more modest stages. Soviet Russia’s extraordinary success in attempts at “catching up” is an exceptional case. (See *Infra*, “The Prospects of Communism in Backward Economies”).

¹⁶ The international statistics of trade unions can be seen in *Reichsarbeitsblatt*, 36. *Sonderheft* (Berlin, 1927). See also *Social Insurance* etc. pp. 46-63 (Labour-India und World-Economy, Shortcomings of the Trade Union Movement in India).

The economic planners of China, India, Iran, Latin American states and their peers should be well advised not to talk glibly of the Soviet Russian experiments or attainments.

Youngsters vis-à-vis Adults in World-Economy

The practical significance of the equations of world economy with reference to "economic planning" is not to be overlooked. Comparative industrialism discovers that in orientations to the "world-economy" economic India exhibits the features of an economically young, undeveloped or semi-developed people *vis-à-vis* the industrial "adults" of the day. In the interest of economic legislation and other aids to economic developments, it may perhaps be quite one's worth-while in India to try to cultivate up-to-dateness in the world-statistics, the world-techniques, and the world-ideals of economics. But for the more "practical" considerations of "realizable" ideals and methods of economic statesmanship India will have to devote special attention to assimilating intensively the achievements in theory and practice such as the economic adults were contributing to the world, say, a generation or two ago. It is easier for a certain number or rather a handful of intellectuals, considered as individuals, to advance "ideologically" than for an entire race or some substantially large sections of the population to grow in terms of institutions and get used to new techniques, habits and usages. (~~As in~~ the Section on "~~Planned Industrialization for India~~").

That is why, with a view to the pressing requirements of Indian commerce, manufacture, agriculture, labour and economic legislation bearing on these practical aspects of life, *i.e.*, on "economic planning" as known today, we should often be at

liberty to overlook or ignore the latest developments in the Western world. Indian studies relating to the twentieth century and especially the post-1914 phases of Euro-American experience—rationalization, trustification, planification, planned economy—are mainly to be evaluated as academic investigations into the possibilities of mankind's *arbhik unnati*. They are but scientific researches into the "next stages" of the world's development in technical and national lines. To that extent such investigations would possess indeed a dynamic value of no mean order, fraught, as they are likely to be, with suggestions of a practical character.

On the other hand, the methods and policies of economic India today should appear to be almost akin to, nay, identical with, those of the other economic youngsters of the world—in Southern or Eastern Europe, Latin America, Asia and Africa. The industrialization of India and other young regions can be appreciated at its proper worth—technocratic, commercial, social and political—only by those who are prepared not to overlook or minimize the importance of the new industrial and commercial revolution through which the adults have been passing for the last four decades, especially during and since World-War I (1914-18). This "second industrial revolution" has been intensifying the lags between the hyperdeveloped and the backward economies. The techno-economic distances between the seniors and the juniors are becoming greater and greater. It is becoming more and more out of the question for the youngsters to catch up with, nay, approach the adults in this age of internal combustion engines, aeroplanes and tanks. Once these perspectives of international economic life and the new world-order were grasped in their due proportions, it might

perhaps be possible to discover the proper scientific approaches to the regulation of the economic frictions and other conflicts between the "young ambitions" and the "vested interests."

The world-economy as patent today is the system of economic institutions and ideologies prominent since, say, 1920. In a concrete manner they may be said to be embodied in organizations like the League of Nations, the International Bureau of Labour, the International Chamber of Commerce, International Cartels, "planned economy," etc. It is clear that India is already a part of this complex and willy-nilly has been trying to rise up to the methodology and technique of the new world-order. But the discrepancies lie no less on the surface. These consist in the attempts of a junior that is furnished, as it evolutionally is, with somewhat semi-medieval paraphernalia, but is compelled none the less to observe and follow the up-to-date standard of the comparatively advanced members in the society of nations. This compulsion perpetually to aim at the highest and attitudinize oneself to the socio-economic *mores* and codes of the seniors or go-aheads may to a certain extent undoubtedly hasten the developmental processes in the juniors or backwards. But the frictions due to actual maladjustment and absence of natural harmony in the economic *Realpolitik* cannot fail to be the source of internationally tragic situations. The lack of adaptation between the economics of youngsters and those of adults constitutes the greatest stumbling-block, technically considered, to international concord in the epoch of world-economy and the second industrial revolution.¹⁷ (*Infra*, the section on "India's Lag Increasing by the Anglo-German Standard").

17 See the discussion on the relation between the "second" and the "first" Industrial Revolutions—the "adults" and the "youngsters"—in connection with

The Ranking of Germany as an Industrial Adult

The position of Germany today as an "adult" in comparative technocracy and industrialism may be seen in some of the figures published by the *Institut für Konjunkturforschung* (Berlin, June 29, 1939).¹⁸

For 1937-38 the rank of certain industrial countries in basic material production (23 items) is indicated below :

	Year	1st place	2nd place	3rd place	4th place
Coal	1938	U. S. A.	Great Britain	Germany	Russia
Lignite	1938	Germany	Czechoslovakia	Russia	Hungary
Petroleum	1938	U. S. A.	Russia	Venezuela	Iran
Pig iron	1938	U. S. A.	Germany	Russia	Great Britain
Steel ingots	1938	U. S. A.	Germany	Russia	Great Britain
Rolling mill products	1937	U. S. A.	Germany	Russia	Great Britain
Copper	1937	U. S. A.	Chile	Germany	North-Rhodesia
Zinc	1937	U. S. A.	Belgium	Germany	Canada
Lead	1937	U. S. A.	Australia	Mexico	Canada
Aluminium	1938	Germany	U. S. A.	Canada	Russia
Coke (in coke works)	1937	U. S. A.	Germany	Russia	Great Britain
Coal Briquettes	1937	France	Germany	Belgium	Holland
Potash manure	1937	Germany	France	U. S. A.	Poland
Cement	1937	U. S. A.	Germany	Great Britain	Russia
Thomas slag	1937	Germany	France	Belgium	Luxemburg
Calcium cyanamide	1937	Germany	Japan	Italy	Canada
Electric power	1937	U. S. A.	Germany	Russia	Canada
Artificial silk	1938	U. S. A.	Japan	Germany	Great Britain
Staple fibre	1938	Germany	Japan	Italy	Great Britain
Chemical wood pulp	1937	U. S. A.	Sweden	Finland	Germany
Mechanical wood pulp	1937	Canada	U. S. A.	Germany	Sweden
Paper	1937	U. S. A.	Canada	Germany	Finland
Cardboard	1937	U. S. A.	Germany	Canada	Holland

the analysis of the world-economic depression in Sarkar's *Economic Development* Vol. II. (Calcutta, 1932, 1938).

See also P. K. Mukherjee: *Labour Legislation in British India* (Calcutta, 1938).

¹⁸ See also the *Annuaire Statistique de la Société des Nations* (Geneva, 1938), Tables 59-104.

The above schedule is based on total production quantities, i.e., on absolute figures for each country as a whole. In the present study, however, the more valuable figures have been considered to be those of "relative statistics." (*Supra*, p. 3). It is only in *per capita* values that the real techno-industrial efficiency of a people can be found. The relative figures will be brought out while we discuss the claims of the U.S.A., Germany and England as the techno-industrial *doyen* of the world-economy. (*Infra*, pp. 77-80).

The actual amounts of basic material production (the same 23 items as above) are given below:

Basic Material	Year	Unit	Germany*	U.S.A.	Great Britain	France	Soviet Russia	
Coal ...	1938	} 1,000 tons	186,179	352,326	231,874	46,501	132,900	
Lignite ...	1938		194,980	...	...	1,057	...
Petroleum ...	1938		552	163,229	...	72	28,859	
Pig Iron ...	1938		18,044	19,468	6,871	6,049	14,992	
Steel ingots ...	1938		22,661	28,285	10,560	6,174	18,447	
Rolling mill products	1937		14,118	37,356	9,928	5,202	13,010	
Copper (refined) ...	1937		270.4	1,140.8	130.0	18.0	110.0	
Zinc (for smelting purposes) ...	1937		163.3	595.2	62.9	60.4	70.0	
Lead (for smelting purposes) ...	1937		162.4	432.0	12.1	27.5	55.0	
Aluminium ...	1938		161.3	130.1	22.5	45.3	48.0	
Coke (in coke works)	1937†		40,921	47,502	15,171	7,802	19,883	
Coal briquettes ...	1937		6,786	903	827	7,957	...	
Potash manure ...	1937		14,460	441	...	2,884	...	
Cement ...	1937†		12,605	19,814	7,417	4,272	5,605	
Thomas slag ...	1937		2,312	...	410	1,217	...	
Calcium cyanamide	1937†		603	...	...	197	...
Electric power ...	1937		Mill. Kilo-watts	48,969	120,990	24,315	18,000	40,500
Artificial silk ...	1938		65.0	117.0	48.3	29.0	...	
Staple fibre ...	1938		155.0	13.5	15.4	7.4	...	
Chemical wood pulp	1937†		1,430	4,350	161	...	321	
Mechanical wood pulp ...	1937†		1,134	1,404	130	...	380	
Paper ...	1937†		2,836	6,200	...	...	764
Cardboard ...	1937†		733	5,200	...	...	78

Old territory.

† Parity 1936.

Germany's rank in the world's basic material production (1936-38) can be seen in the following table:

Countries	Position held by countries in the 23 basic materials indicated above			
	1st place times	2nd place times	3rd place times	4th place times
United States of America ...	15	2	1	—
Germany ...	6	8	6	1
Great Britain ...	—	1	1	6
Soviet Russia ...	—	1	6	3
France ...	1	2	—	—
Other countries ...	1	9	9	13

The industrial production values of Germany *vis-à-vis* U. S.A. and Great Britain are indicated below:

Countries	Year	Net production value
Germany ...	1935	29.4 billion <i>RM.</i> *
United States of America ...	1935	22.4 billion \$†
Great Britain ...	1935	1.7 billion £

[* Net value excl. write-offs, etc. = 27.0 billion R.M. Since the other figures included write-offs, etc., there was added to the basic number a percentage of 8.9.

† Incl. value of mining production for which only gross values are available. As net value was taken 80% of gross value.]

The above values are given in Reichsmarks as follows:

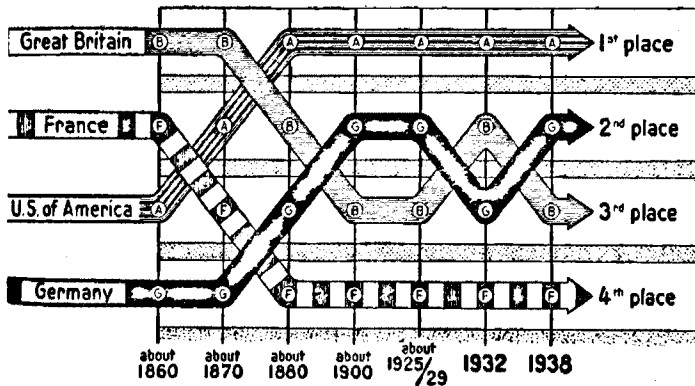
Countries	Exchange rate used	Net production	
		Billion <i>RM</i>	Germany = 100
Germany ...	—	29.4	100
Great Britain ...	£1 = 17.08 <i>RM</i>	29.0	99
United States of America ...	\$1 = 3.65 <i>RM</i>	81.8	278

Increasing German share in the world's industrial production is manifest in the following statement:

Countries	Net production value		German production = 100		Changes 1935/38 billion <i>R.M.</i>
	1935 billion <i>R.M.</i>	1938 ¹ billion <i>R.M.</i>	1935	1938	
Germany ...	29.4	38.3	100	100	+8.9
Great Britain ...	29.0	31.8	99	83	+2.8
United States of America ...	81.8	78.2	278	204	-3.6

¹In 1935 prices

The rank of four important industrial countries (U.S.A., Germany, Great Britain and France) as based on net production values will be apparent in the following historical chart:



From the above chart the rank of U.S.A., Germany, Great Britain and France based on net production values comes out as follows:

Rank	about					1932	1938
	1860	1870	1880	1900	1925/29		
1st place ...	G. B.	G. B.	U. S. A.	U. S. A.	U. S. A.	U. S. A.	U. S. A.
2nd ,, ...	France	U. S. A.	G. B.	Germany	Germany	G. B.	Germany
3rd ,, ..	U. S. A.	France	Germany	G. B.	G. B.	Germany	G. B.
4th ,, ...	Germany	Germany	France	France	France	France	France

Germany's industrial production on the eve of World-War II may be compared with that on the eve of World-War I. The following statement gives German industrial production at 1913 and at 1938:

Period	Volume		Net production value billion RM ¹
	1913 = 100		
1913 Former territory	100
1938 Old Reich	127
1938 Greater Germany	44*

¹ In 1935 prices. ^{*} Rough estimate.

President Wagemann of the *Institut* concludes as follows:

"Greater German industry in 1938 probably produced almost 50% more industrial goods than pre-war Germany. Also in a comparison with the United States and with Great Britain Germany comes off the winner. From 1913 to 1938 there were the following increases in the volume of industrial production: Great Britain 15%, United States 23%, old Reich 27%.

"Therefore, the old Reich, to say nothing of Greater Germany, is today a far greater industrial power than pre-war Germany."

The figures given in the above tables are all *absolute*. They indicate the total position for entire countries. Wagemann's rankings or valuations of the U.S.A., England, France, Germany and other countries cannot therefore be accepted as valid for the purposes of comparative economics. We should have to reduce the figures to *per capita* values in order to assess the real technocratic-industrial strength of every region. (*Supra*, p. 3). In *relative statistics* thus calculated, the U.S.A. would not invariably be in the first place, because her population is extensive. In Wagemann's chart the U.S.A. has been the *doyen* of the techno-economic world since 1880. This is hardly concedable when we think of the output per head of population. Similarly, as between Germany and England, the former may not very often be able to beat the latter. (*Supra*, p. 23). In terms of technocracy and industrialism *per capita* Germany and England would as a rule top the list. The very first place may not often be denied to England. Indeed, Anglo-German parity may to all intents and purposes be taken as an established fact. The relations between England and Germany have been exhibited at some length in the present author's *Social Insurance*

Legislation and Statistics (Calcutta, 1936) as well as other publications. (Footnotes to pp. 3, 22).

*The Claims of U.S.A., Germany and U.K.
as Techno-Industrial Doyen*

We shall now analyze some of the indices about the industrial great powers in order to ascertain the comparative "rating" to be assigned to each.¹⁹ This has important bearings on the theory of *arthik unnati* (economic progress).

In 1928 the U.S.A. was not invariably topping the list of the three industrial great powers in terms of *per capita* values. At that time the U.S.A. had 120 million inhabitants, Germany 64 mill. and the U.K. 44 mill. (all in round numbers). In many items American position *per capita* was lower than that of Germany and the U.K., although absolutely considered it was higher in the same fields. We may recall the survey of techno-industrial great powers made at the commencement of this chapter, and apply the *per capita* analysis to the absolute figures given there. (*Supra*, pp. 42-45).

In machinery output per head of population (1928) the order of precedence in values is as follows:

1. U.S.A.	143 M.
2. U.K.	70 M.
3. Germany	63 M.

As for the export of machineries the per head situation can be seen below:

1. U.K.	23 M.
2. Germany	18 M.
3. U.S.A.	14 M.

¹⁹ *Supra*, the sections on "Giants and Pigmies in Machinism" and "Techno-Industrial Great Powers," *Infra*, Ch. V., the section on "Techno-Economic India between World-War I and World-War II."

In neither of these two items is Germany in the first place. The U.K. is ahead of Germany in both, although in absolute values the position is reversed. The U.S.A. is at the top in machinery output but at the bottom in machinery export. In absolute values, as we have seen (pp. 42-43) the U.S.A. is at the top in both. With the object of assessing the comparative strength we should have to accept the findings of *relative* and not absolute statistics. (*Supra*, p. 3).

The scale of the great powers in the output of chemicals per head of population is indicated below:

1. U.K.	8 M.
2. Germany	7.6 M.
3. U.S.A.	4 M.

In the export of chemicals *p.b.* the same three countries are placed in the following order:

1. Germany	12.5 M.
2. U.K.	4.5 M.
3. U.S.A.	0.4 M.

The map of dye exports *p.b.* shows the following picture:

1. Germany	666 tons
2. U.K.	189 tons
3. U.S.A.	98 tons

The U.S.A. is at the bottom in the output and export of chemicals as well as in the export of dyes. The U.K. is slightly ahead of or rather almost equal to Germany in the output of chemicals. As exporter of chemicals as well as of dyes Germany is at the top.

Some of the absolute figures furnished by Wagemann for 1937-38 may now be analyzed for the purposes of *relative statistics*. (P. 73). We take the estimated population at 1936. In

round figures the U.S.A. had 129 millions, Germany 68 mill. and the U.K. 47 mill.

In the output of coal per head of population the rating of the three industrial adults would be as follows (*Supra*, p. 73):

1. U.K.	:	4934 tons
2. Germany	:	2738 tons
3. U.S.A.	:	2731 tons

The U.K. tops the list. Germany and the U.S.A. are at par.

The pig iron ratings per head would give the following result:

1. Germany	:	0.265 tons
2. U.S.A.	:	0.151 "
3. U.K.	:	0.146 "

The first place is occupied by Germany. U.K. and U.S.A. are almost at par.

As steel producers per head the three countries are to be placed in the following order:

1. Germany	:	0.333 tons
2. U.K.	:	0.225 "
3. U.S.A.	:	0.219 "

In steel output, again, Germany is at the top. U.K. and U.S.A. are almost at par, although they change places in reference to pig iron output.

The generation of electric power per head finds the three countries as ranked below:

1. U.S.A.	:	0.938 Kilowatts
2. Germany	:	0.720 "
3. U.K.	:	0.517 "

The U.S.A. is in the first place, Germany is in the second and U.K. in the third. The differences are substantial.

The ranking of the three countries in the manufacture of cement per head is seen below:

1. Germany	:	0.185
2. U.S.A.	:	0.160
3. U.K.	:	0.158

In cement output Germany is at the top. U.S.A. and U.K. are almost at par.

The differences in rating due to differences in the methods of computation are considerable. In *relative statistics* which is more valuable than absolute statistics for the purposes of comparative technocracy and industrialism the U.S.A.'s position as *doyen* cannot be accepted as a first postulate. In regard to all the five items considered (coal, pig iron, steel, electric power, and cement) the U.S.A. is, however, the first in *absolute statistics*. Wagemann's ratings are then not dependable for the purposes of the present study.

In Wagemann's ratings, based as they are on absolute statistics, the U.S.A. should appear to be the *doyen* of the techno-economic world on the eve of World-War II, nay, since 1880.²⁰ But in relative statistics this claim cannot be substantiated. In case substantial value is to be attached to absolute statistics India can be demonstrated to be a "great" techno-industrial "power". Indeed, in the *milieu* of the League of Nations India is invariably described as the eighth industrial region of the

20 I. Lippincott and H. Tucker: *Economic and Social History of the U.S.A.* (New York, 1927), the chapters on "Manufactures" (pp. 455-465) and "Great American Industries" (pp. 468-484); I. Lippincott: *Economic Development of the U.S.* (New York, 1924); E. L. Bogart: *Economic History of the U.S.* (London, 1908), the chapters on "The Application of Machinery to Agriculture (1840-60)" pp. 238-242 and "Agriculture as a Business" (1880-1906), pp. 286-301.

world. This ranking is fallacious. In the comparative statistics of railways examined in *Economic Development* Vol. II. (1932, 1938, pp. 197-210) it has been shown that India, absolutely considered, is by all means one of the greatest railway powers. But in *per capita* and per square mile values she is in a very low and backward position. To rank the U.S.A., as Wagemann does, as the first power of the world-economy in 1880-1938 belongs to the same order of fallacy as the League of Nations conception of 1925-28 about India as the eighth great industrial region of the world. The claims of Germany and the U.K. are to be treated as more reasonable. (*Supra*, pp. 23, 77).

Comparative Insurance Indices

Insurance is a line of economic activity in which nearly 66 per cent of the world's business is done by the U.S.A. Something like 10 per cent is done in England. The place of Canada and Australia is also very high. It is noteworthy that Germany and France are rather very low in this particular form of capitalism.

India's position is that of the kindergarten child.²¹ In 1929 the total number of life policies was 656,000 only in a population of nearly 350 millions. The sum total of their values was Rs. 1,420,000,000. This may be placed in the background of American total \$65,780,000,000 (say Rs. 191,340,000,000 approximately). Be it noted that the life policy per head in India was Rs. 4.

²¹ B. K. Sarkar: "Entwicklungstendenzen im Privatversicherungswesen des indischen Volkes" (*Neumanns Zeitschrift für Versicherungswesen*, Berlin, Feb. 1931); "Insurance as Indian Business" in his *Political Philosophies Since 1905* (Lahore, 1942. Vol. II, Part II, pp. 16-19).

The latest figures may be seen in the *Assekuranz-Jahrbuch* (Vienna) which has been utilized in *Economic Development* Vol. II. (1932, 1938). For the present we shall be content with the comparative statistics of some time ago. President Holland of the National Life Insurance Co. of the U.S.A. furnished the following figures (in million dollars) as the total values of policies in diverse countries (1924):

Countries	Million Dollars.	Countries	Million Dollars.
1. U.S.A.	63,780	8. Germany	713
2. U.K.	9,537	9. France	702
3. Canada	3,285	10. Brazil	427
4. Japan	2,405	11. Switzerland	398
5. Australia	1,708	12. Denmark	393
6. Holland	961	13. Norway	392
7. Sweden	864	14. Italy	337

These are absolute figures, i.e., the total values of the entire population in each country. Per head of population the insurance policy of some nineteen countries was as follows about 1925-29 (in Marks or Shillings):

Group I.		Group III.	
Countries	Marks	Countries	Marks
1. U.S.A.	1978	10. Japan	133
2. Canada	1264	11. Finland	126
3. Australia	1033	12. Germany	101
4. England	1020		
		13. France	90
		14. Italy	45
		15. Spain	19
		16. Bulgaria	12
		17. Rumania	6
		18. India	6
		19. Russia	1

These comparative insurance indices exhibit India, first, in her primitive economy so far as the people's appreciation of personal security is concerned. In the second place, they point to India's extraordinary poverty. Last but not least, in terms of capitalistic finance and techno-economic development, India's backwardness is embodied in these indices in a most palpable manner. Since 1929 there has been some progress in insurance as in banking, industry and culture. But her equations in world-economy have not been shifted to appreciable heights. *Vis-à-vis* Germany, England, or the U.S.A., India (1940) has hardly moved away from the relative position of backwardness that she had, say, in 1930. In case India 1930 was near about Germany 1865, India 1940 has hardly gone beyond Germany 1866. This is only by way of illustration.

The oldest life office of England was established in the middle of the eighteenth century. In Germany there was no life office previous to 1827. It is not before 1901 that the German Empire cared to enact comprehensive insurance legislation. In Manes's *Versicherungswesen* (three volumes, Leipzig, 1930) it will not be difficult to feel that in insurance as in other modern capitalistic enterprises, India is much further from England than from Germany. Contemporary India's equations with Germany are to be located somewhere in the seventh decade and with England in the third or fourth decade of the nineteenth century. (*Supra*, pp. 19-20).

Two of the oldest dates in the history of *swadeshi* (indigenous) Indian insurance are 1872 when the Hindu Family Annuity Fund was established at Calcutta and 1874 the Oriental Government Security Life Assurance Co. at Bombay. But it is since the Bengali revolution of 1905 that insurance like other

forms of modern techno-industrial capitalism has been asserting itself in India. The infantile character is obvious.

Not the least characteristic mark of backwardness in economic development is the kind of investment more or less popular among Indian insurance men. In other countries industrial and commercial properties absorb the majority of insurance funds. On the contrary, it is the Government securities which are sought in large proportions as the safest investment by the insurance companies of India.

As long as technocracy, machine industry, overseas trade, shipping, and organized business generally continue to be infantile, insurance-capitalism cannot afford to take risks in non-Government investments. Indeed, the little progress that India has been able to show in insurance business is due in a large measure to the recent advances, however poor and slow, in the industrialization-complex.

In the *Indian Insurance Year Book 1941* (Delhi, 1942, p. 9) the assets of *swadeshi* Indian insurance companies at December 1940 are described as being worth Rs. 758,700,000. Of this sum 55 per cent (Rs. 415,200,000) is invested in Indian Government securities, the securities of Indian states as well as British, Colonial and Foreign Government securities. The next important investment (Rs. 71,700,000) is in "loans on policies within their surrender values." The Municipal, Port and Improvement Trust securities command Rs. 59,700,000 while the shares in Indian companies are worth Rs. 52,600,000 only. The investment in land and house property is to the tune of the same amount.

From the statistics published in the *Insurance World* (Calcutta, June 1943) it is possible to say that the new business

done by *swadeshi* Indian Life Insurance Companies has been increasing during World-War II. The new business of the first ten offices amounted to nearly 204 million Rupees in 1940. It rose to some 234 millions in 1942. The share of the biggest office in the 1942 business was worth something over 95 millions.

At the end of 1940²² the total life insurance policies in India numbered 1,553,000 only for a population of 389,000,000. The value of all these policies amounted to Rs. 2,856,300,000. Per head of population the policy was worth on the average Rs. 7.3, say, \$2.25 or 11 shillings only. It is worth while to mention, as a special feature, that 1,372,000 policies were insured with *swadeshi* (indigenous) Indian companies, and these were valued at Rs. 2,255,100,000. Non-Indian insurance companies were insurers for 181,000 policies only worth Rs. 601,200,000. The average value of a policy insured with the *swadeshi* (indigenous) companies was Rs. 1,645 only. The life insurance fund of these companies was Rs. 624,078,000.

All these figures are to be envisaged in the perspective of the international statistics of 1929 and 1924. (*Supra*, p. 82). The most interesting item is the per head policy of Rs. 7.3 in 1940 as against 6 Marks or shillings (= Rs. 4) of 1929. *Arthik unnati* (economic progress), however low be it *absolutely*, is none the less undeniable.

The Meaning of Arthik Unnati (Economic Progress)

The significance of this progress in insurance from 1929 to 1940 deserves analysis. It has bearings on the general problem of the world-economic equations. (*Infra*, Ch. IV, the section, "What is Economic Progress").

22 *Indian Insurance Year Book, 1941* (Delhi, 1942), pp. 23, 29, 39.

1929 was a year of world-boom. Another world-boom was reaching its zenith in 1939 when World-War II broke out. For the purposes of comparative industrialism and technocracy it is necessary to inquire into the relative developments of diverse regions during this decade.²³ (*Supra*, pp. 46-47, 50-51).

A noteworthy feature of techno-industrial giants is their power of advancing from decade to decade by leaps and bounds. The statistician can record remarkable rises in the economic indices of England, Germany and the U.S.A. almost every quinquennium. The condition of backwards and pigmies from the standpoint of economic indices is exactly the opposite. The *arbhik unnati* (economic progress) achieved by countries like India, China and so forth is almost imperceptible. The rates of increase or expansion are so low that mentionable positions do not sometimes arise even in a whole generation. The category, *badti* (expansion) or *unnati* (progress), can hardly be applied to such regions in the sense of some *substantial* change. The slow movements upward are to be detected in fractional or infinitesimally small indices. The progress is more a formal or statistically recordable phenomenon than a factual or material reality.

That is why the economic indices for India at 1940 appear, *relatively speaking*, very often to be almost the same as at 1930, 1920 or even 1910. In ten years India does not advance as much as Germany even in one year about 1870. It is impossible for India to conceive the tremendous transformations that have taken place during the two decades from 1919 to 1939 in Germany, England and the U.S.A., nay, in Italy and Japan. The conditions of Soviet Russia need not be discussed in the present

23 See the Sections on "Soviet Urbanization through Indian Eyes" and "The Meaning of Soviet Russia's Economic Indices."

context, because communistic or state-capitalistic socialism has introduced epoch-making forces over there. (*Infra*, pp. 90-91).

Let us take the life policies in India. We get the following equation of Equation II type (p. 4):

$$\begin{aligned} \text{India (1940)} & 1,553,000 \\ & = 2.3 \text{ India (1929)} 656,000. \end{aligned}$$

The number of policies has increased 2.3 times during 1929-40. This is by all means a remarkable phenomenon. (See *Supra*, The Meaning of Soviet Russia's Economic Indices). But it implies only that the Indian people was not much insurance-minded in 1929. The insurance-sense has just commenced growing. In the perspective of 389,000,000 the number 1,553,000 is hardly mentionable.

In terms of the total values of policies the equation is as follows:

$$\begin{aligned} \text{India (1940)} & 2,856,300,000 \\ & = 2.01 \text{ India (1929)} 1,420,000,000. \end{aligned}$$

The amount of total policy values has likewise more than doubled itself. This increment is however slightly lower than that in the number of policies.

We have then more than a hundred per cent increase in two items of considerable importance in insurance capitalism. It indicates that India (1940) has gone quite ahead of India (1929). There is a third item, the value of the policies per head of the entire population. We notice that

$$\text{India (1940)} 7.3 = 1.8 \text{ India (1929)} 4.$$

The policy value per head of population has increased 1.8 times, i.e., nearly twice. This also is noteworthy.

And yet in international insurance statistics the Re. 7.3 policy standard of 1940 does not raise India even a point beyond

her position in 1929. *Relatively speaking*, India in 1940 continues to be below Bulgaria as she was in 1929.

Lag not Identical with Wastage or Loss

While dealing with the theory of economic progress it is worth while to refer to the category, "economic waste," that one often comes across in contemporary economic literature. Certain economists are used to assuming the latest developments among the most advanced peoples to be the desirable or normal situation for any and every individual, group, race or region. The actual conditions of backward or laggard regions are placed by them in this perspective. The difference between the values of the advanced and the backward is said to constitute an economic waste. It is held that the laggard ought, humanly or normally speaking, to exhibit the attainments or indices of the hyper-developed. The implication is that the German, British or American and similar indices are to be regarded as the normal and universal indices for all mankind. Of the 2,116 million human beings inhabiting the globe everybody excepting these few representatives of the highest indices is according to this sort of world-view a specimen of wastage or loss.²⁴

This theory of loss or waste is not accepted by the present author. A lag does not necessarily involve a waste. Nothing more serious than the condition of a raw junior or youngster is implied. It is unreasonable to look upon any particular achievement as the norm for the entire human race and then treat every downward deviation from this result as waste or loss.

²⁴ For somewhat older ideas see J. E. Thorold Rogers: *Industrial and Commercial History of England* (London, 1909), ch. on "The Economic Doctrine of Waste" pp. 184-204.

Differences or gaps in value between individuals or groups are fundamental. These gaps have often been bridged and will often be bridged. Laggards do not remain always in lag. But this inability to exhibit the highest values recorded in the world at any particular point of time is not tantamount to a fall from an already attained position. The status that is yet to be,—according to some wishful thinking,—cannot be treated as a past achievement. An eventual consummation of tomorrow is not a form of socio-moral capital, so to say, in the background of which the factual condition at the present moment may be looked upon as a misadventure, bankruptcy or failure. Laggards are not bankrupt. The distinction between lag and wastage cannot be ignored in any theory of *arthik unnati* (economic progress). (*Infra*, Ch. IV, the section “Alleged Wastes under Communism”).

India's Lag Increasing by the Anglo-German Standard

The equations exhibited on pp. 19-20 throw realistically a flood of light on the theory of *arthik unnati* (economic progress). In absolute statistics a region may be showing higher and higher results. But the values of these higher and higher figures are perhaps lower and lower in *relative* statistics, i.e., in the perspective of the indices of other regions. (*Supra*, The Meaning of *Arthik Unnati*, pp. 85-88).

India's economic *badti* (expansion) or progress may be demonstrated to be an objective fact by the evidences of statistical history from decade to decade or generation to generation. The formula for a phenomenon like this is embodied in Equation II, namely, $A(1940) = x A(1905)$ (*Supra*, p. 4). But during the same period by the standard of British *badti* India's *badti* may

be comparatively less and less. India may not be exhibiting economic decline from year to year. Poverty is not increasing, it is perhaps decreasing. And yet *relatively to England* India may be proved to be going backwards and backwards in time or rather in the number of years. The rate of progress in England may be considerably higher than the rate of progress in India. Relative regression may be combined with absolute progress.

This paradox of economic progress is accounted for by the differences in the *rates* of *badti* (expansion) or *unnati* (progress) between region and region or people and people. Every body marches, but not all march alike. There is the speed of the hare, there is the speed of the tortoise, and then there are the tigers and the lions. The strides of giants cannot be conceived by dwarfs. The formula for the differences in the rates of march or movement is to be seen likewise in Equation II., in which the value of x depends on the different capacities of A, B, and others.²⁴ (*Supra*, p. 70).

Let us place here the techno-economic strides of India, first, in the perspective of those of Germany, one of the lions.

In 1853 India is nearly 23-38 years behind Germany. In 1885 this behindness or lag is represented by some 37 years. In 1905 the value of this lag is about 45-55 years. Finally, in 1940 India's lag by the German standard is to be measured by something like 70-75 years. India's lag *vis-à-vis* Germany has therefore increased from some 23 years to 75 years from 1853 to 1940. (*Supra*, pp. 86-87).

We have seen in those equations (pp. 19-20) that the strides of Germany and England are not equal. We shall there-

24 See the Section on "Youngsters *vis-à-vis* Adults in World-Economy."

fore now size India's strides up by the standard of the British lion.

Vis-à-vis England the position of India in 1853 was that of a lag of some 68 years. In 1885 the lag increased to nearly 70-85 years. The lag in 1905 was a matter of about 75-90 years. In 1940 the British standard found India lagging behind by almost 92-110 years. During the period 1853-1940 India's lag has been steadily increasing. The distance of nearly 68 years has risen finally up to about 110 years.

Limitations of the Table of Equations

The *tableau économique* (pp. 18-20) looks very precise and dogmatic. In reality it should not be treated as anything more than suggestive and approximate. It is more a framework of formulæ than a chronological table of factual parities. The shortcomings are obvious.

The number of indices worked out in my previous publications is very small. For the purposes of comparison with contemporary India, China and their peers, say, from 1905 to 1940 the most valuable statistics are those of England, France, Germany and America during the first half of the nineteenth century. It is extremely difficult to get hold of numerous and manifold figures for that period even in the libraries of London, Paris, Berlin and New York. (*Supra*, Footnotes to pp. 3, 22).

Besides, no actual figures of 1940 from the Indian side have been brought under comparative analysis. Last but not least, it is not enough to collect the indices for a few prominent economic activities, say, coal, iron, cotton industry, rice and wheat cultivation, exports and imports, transportation, etc. The indices should be as many and as varied as possible in order that a

somewhat wide and extensive base may be established for comparison. The *Annuaire Statistique de la Société des Nations* publishes 136 different tables. Most of these are necessary in a study of comparative capitalism-cum-socialism.

The present work does not embody an enterprise of that dimension and must therefore be taken as subject to considerable limitations. In any case, the table remains to be revised and completed. It is to be trusted that the work will be undertaken by various researchers at home and abroad from diverse angles.

*Anglo-German Equations in the
Theory of Economic Progress*

In the theory of economic progress we have illustrations of the opposite trend also. Instead of the backwardness or lag increasing, it may diminish and be ultimately made up. A laggard can catch up with the go-ahead and establish an equality. Nay, the laggard may eventually march past, transcend the parity and place the go-ahead of yesterday at a lag *vis-à-vis* itself. It is not impossible that the go-ahead and the laggard change places.

Illustrations for this type of relations between laggards and go-aheads are furnished by the Anglo-German equations²⁵ (pp.

²⁵ The subject does not appear to have been dealt with intensively by any economist. The works of German economists like Kulischer, Waltershausen, Helfferich, Schilder, Sombart, Wygodzinski, Matschos and Woytinsky, British economists like Rogers, Toynbee, Mulhall, Giffen, Cunningham, Ashley, Unwin, Bowley, Stamp, Hammond, Knowles, and Clapham, and French economists like Chevalier, de Foville, Levasseur, de Rousiers, Bonnet, Lavergne, Pupin, and Sée offer suggestive hints. The works of Italian economists,—Tivaroni, Gini, Barbagallo, Ciasca, Porri, Morandi,—can throw sidelights on the equations between West-European economic regions. Some of these works

19-20). In 1830 Germany is behind England by nearly 30-45 years. This lag is reduced to some 22-40 years in 1870. But in 1905 the lag vanishes and Anglo-German parity is a *fait accompli*. This means that in thirtyfive years from 1870 to 1905 Germany accomplishes techno-economically as much as England in seventyfive years from 1830. (*Supra*, pp. 90-91).

In statistical publications like Mulhall's *Industries and Wealth of Nations* (London, 1896) or *Dictionary of Statistics* (1909) and Woytinsky's *Welt in Zahlen* (Berlin, 1925-28) it is possible to get data bearing on such "catch-ups." Economic interpretations of these and other world-statistics are necessary in order to establish the theory of *arthik unnati* (economic progress) on secure foundations.

Recent examples of Germanic giant-strides or *Blitz* (lightning) progress may be seen to a certain extent in the techno-economic achievements of Soviet Russia since October 1928 (*Gosplan I*). The rates of economic progress in Japan may likewise be cited in this connection.

The Economic Progress of a Dependency

Regions like India, Burma, Indonesia, Indo-China, etc. can but watch these rates from a distance. The economic reality of India's progress is that of increment in lags or regression by the Anglo-German standard. Here we encounter to a considerable extent the rôle of foreign rule in the economics of a dependency (*Infra*, Ch. VI, the section on "Indonesian Economy").

The economics of a politically subject region is the economics of relative regression *vis-à-vis* the ruling region. This is

have been utilized in the previous works of the present author. See *Supra*, Footnotes to pp. 3, 22.

an aspect of the equations of world-economy which cannot be over-emphasized. No statistical index is more significant in the theory of economic progress than the index of increasing regression. (*Supra*, pp. 90-91).

From 1853 to 1940 India's increasing lags in years by the Anglo-German standard are indicated in the following table:

Year	India Behind Germany by how many years.	India behind England by how many years.
1853	23-38	68
1885	37	70-85
1905	45-55	75-90
1940	70-75	92-110

The other aspect of the theory of economic progress, namely, the reduction in lag in certain regions is no less significant. The diminishing lag of Germany by the British standard from 1830 to 1905 is shown below in the declining number of years (*Supra*, p. 93):

Year	Germany behind England by how many years.
1830	30-45
1870	22-40
1905	0

For 1938 the Anglo-German situation may be seen in the discussions about the claims of U.S.A., Germany and U.K. as techno-industrial *doyen* (*Supra*, pp. 77-81).

The student of the equations of world-economy can have no two tables more useful for the elucidation of the principles of economic progress. To the statesmen of economic planning likewise these two tables are of the greatest practical value.

The responsibilities of foreign rule for a substantial part, if not all, of the poverty, medieval survivals, illiteracy, insani-
tary conditions, scientific and technocratic lags, and cultural

backwardness cannot by any means be denied. In an objective and unsentimental analysis of world-economy the war against poverty, low expectation of life, techno-industrial lags, semi-primitive agriculture, as well as underdevelopment in capitalism and socialism becomes for a subject race, then, in a large measure, if not exclusively, a war against foreign rule. Those economists who are not politicians by profession or imperialists by interest are invited to discuss these aspects of the world-economy in a dispassionate and scientific manner. (*Infra*, pp. 107-108, and Chapter IV, the section "What is Economic Progress?").

Shortcomings of World-planning Schemes

The Anglo-American plan or plans for multilateral contracts, reduced tariffs, and international currency are directed against Hitler's *Europäische Neuordnung* (European New Order) under German commercial and monetary domination. But the economico-financial technique of each is identical. Both these conflicting systems (Anglo-American and German) have one common objective. (*Infra*, Chapter III, the section on "The Psychosis of Eur-American Finance").

This is, first, the expansion of markets for the goods of industrial powers, and secondly, the perpetuation of the agrarian character of the backward and politically subject regions. Both are primarily interested in keeping dependencies and laggards at a considerable lag in the matter of industrialization and preventing them from competing with the industrial powers. The prevention of large-scale techno-industrial developments in dependencies and other backward regions is the goal of the rival capitalistic-imperialistic plannings. The highest that these world-planning schemes of Germany or the Anglo-American

allies can concede to the backwards, colonies and dependencies in the line of industrialization is the production of consumption goods by modern machinistic methods. But they are opposed to the manufacture of machineries, tools, implements, *Produktionsmittel*, investment goods etc. by the backwards, colonies and dependencies.

Even the proposed international currency-systems, *Unitas* and *Bancor*, assume the more or less exclusive "monoculture" of raw materials and foodstuffs in certain regions to be exchanged against the finished products of other regions. The American "lease-lend" method is likewise well calculated to force *Agrarstaaten* (agricultural states) to remain predominantly agricultural in order to be able to repay the debts from the U.S.A.

The capitalistic-nationalistic interests of the peoples of India, Burma, Indonesia, Indo-China and the Philippines on the one hand as of the Balkan Complex, Eastern Europe and Latin America on the other cannot but offer the strongest opposition to such plans. These are the plans well calculated to keep the backwards hopelessly down as hewers of wood and drawers of water to the American, British, German and other industrial empires for a rather lengthened period. Whether it is possible for the colonies, dependencies and other backwards to effectively oppose such anti-industrialization plans is another question.

To these aspects of world-economy the economic experts of the League of Nations and the International Labour Office have been systematically blind. Nor is there any understanding of this problem in Condliffe's *Agenda for a Post-War World* (New York, 1942). The shortsightedness and other inadequacies of World-Planning Schemes are too palpable. The essentially human ideals and ambitions of subject races and back-

ward regions hardly ever belong to the terms of reference of reconstruction plans formulated under Great Power auspices.

In *Problèmes du Chômage en 1931* (Geneva 1931) the protectionistic and nationalistic attempts at industrialization on the part of backward, semi-colonial and subject peoples are appraised as *troubles du commerce qui sont générateurs de chômage*. In the estimation of the economists of the League complex the *arthik unnati* (economic progress) of the laggards by modernization of technique and economy is but tantamount to hindrances to commerce and causes of unemployment.

American economists of international problems have hardly gone beyond that ideology. They are pinned down to the traditional policy of preventing China, India, Latin America and similar regions from developing the machinism and industrialism of respectable dimensions. The danger to Eur-American world-domination is suspected by them as lying in the emergence of an industrialized Asia as of an industrialized Africa and an industrialized Latin-America. The adequate industrialization of "agricultural states" belongs neither to the world-planification of Anglo-American "free trade" theorists nor to that of German believers in unilateral and barter regionalism. Economically speaking, semi-free or even free peoples are likely under these conditions to be reduced to the status of colonies or dependencies. (*Infra*, Ch. III, the section on "The Psychosis of Eur-American Fiance").

CHAPTER III

WAR-ECONOMY AND THE WORLD-ECONOMIC EQUATIONS

Indian Industrialism during World-War II

An illustration of the equations of world-economy as well as their practical significance in economic statesmanship may be furnished from the position of Indian industrialism *vis-à-vis* World-War II (September 1939—). This will serve also to elucidate some of the topics of *absolute* and *relative* statistics.

The *swadeshi* (indigenous industry) revolution of Young India (1905) would have failed to grow into the power it has become today, had there been no World-War I (1914-18). That was a god-send to all-Indian industrialism and capitalism. The industrial revolution or transformation of India was intensified and multiplied by the economic enterprises attendant on that first "*Kurukshetra*" (armageddon) of the twentieth century. On that occasion as on many others in all the epochs of history since the Mohenjodarian, indeed, since the Palæolithic ages war-economy acted as a powerful factor in the promotion of industrial and commercial life. War has always been a creative agent in inventions and discoveries. It has ever been considerably responsible for new industries, trades and businesses. No war, no science. No war, no technocracy. No war, no progress. No war, no civilization. These statements need not, however, be taken in the *advaitavadi* or monocratic method of functional determinism. There are other forces besides war-activity in the evolution of science, engineering, progress and civilization.

Those forces working for *arthik unnati* (economic progress) must not be minimized.

All the same, one has only to observe the economic indices of India about 1925 and place them in the perspective of those about 1905-13 in order to be convinced how tremendously India's industrial progress was influenced on account of the direct and indirect contributions of the World-War I (1914-18). Banks, insurance companies and transportation societies such as today are being run by Indian financiers and manned by Indian talent, are all every day conscious of that war as a beneficent agency in Indian technocracy and capitalism. And of course the industries, large, medium or small, nay, the cottage arts and crafts, the exports and imports as well as the agricultural occupations, all felt the impacts of the war in an exceedingly favourable manner. No greater tonic has been administered to the *swadeshi* (indigenous industry) revolution of the Indian people than the war-economy of 1914-18.

In regard to the present war also, which is really a continuation of the last war, being but the second round in what may eventually turn out to be a hundred years' armageddon between the two dominant peoples of the modern world, students of economic statistics, especially in their bearings on Indian industry and commerce, can reasonably look forward to similar consummations. The economic indices of 1950 *vis-à-vis* 1938 are tending to be at least of the same magnitudes as those of 1925 *vis-à-vis* 1913. Another god-send to the industrial *swadeshism* of India is being furnished by the present war. No shrewd businessmen can afford to be misled, as some were being misled during the first year of the war, by the panicky observations or interpretations of the man in the street. The objective facts are

telling their own tale. The war-industries and the war-trades have already been functioning in India in a palpable manner.

The news-agencies of the present war are undoubtedly not as generous as those of the last in furnishing information about the smallest or the largest new ventures or enlargements of old enterprises, such as are taking place in order to feed the war-machine. Nor do they always appear to be keen enough in reporting on the non-war industrial establishments that are emerging in order to fill in the gaps created by the disappearance of the peace-time foreign suppliers of India's normal requirements. The factual changes in the direction of Indian exports, i.e., the shipments of Indian manufactures, semi-manufactures and raw produce to new countries within and outside the war-regions do not likewise appear as yet to have claimed the attention of the publicity bureaus. This absence of news, inevitable as it happens to be, is regretted by none more than by economic theorists and statisticians, who find it impossible to work out indices for the lack of objective data. In so far as virtually every bit of industry and trade belongs to the "war effort" and hence is a "war secret", the science of economics or economic theorizing is perforce suspended for some long time to come. But the noses of hard-headed businessmen do not depend exclusively on the flavours catered by the official or non-official news agencies. They must already be aware of the slow but steady transformations in the industrial and commercial structure of India engendered by the war-economy of today.

The demand for the goods produced by Indian *swadeshi* manufacturers is so great that no advertisement is necessary for them to market the stuffs. The buyers are at the doors of the factories even before the goods are ready for delivery. The

absence of publicity on the part of manufacturing companies is easily understandable on purely business grounds. An additional consideration is the anxiety to keep the news of war-industrial development and progress from leaking out to the enemies. Economic theorists and the lay public cannot afford to ignore this aspect of the present industrial situation in India.

The Economics of a Long War

Nobody is blind enough to believe that during the period since the outbreak of the war in September 1939 India's war-preparations in men, material, technique and so forth have failed to influence Indian agriculture, manufacture, commerce, transportation and technical education to any extent. The economist has but to visualize these preparations in a realistic manner and the businessman but to depend less on newspaper reports or rather on the absence of such reports and more on his eyes and ears, and both are likely to be convinced that the present war is repeating the experiences of the last in regard to the progress of industrialization, technocracy and capitalism in India. All this *arthik unnati* (economic progress) has to be visualized, further, in the background of, say, a seven-year, or at any rate a five-year war (since September, 1939). The advances in engineering, chemistry, electro-technique, aviation, land-transportation, roads, manufacture, cottage industries, as well as agriculture, on the one hand, and in the growth of technical heads, business experts, and skilled workingmen on a somewhat appreciable scale on the other may then be presumed to be the realities of economic India about 1950. Compared to that prospective consummation the developments of 1913-25 might even appear to be rather inconsiderable.

It should be observed, however, by way of warning, that the *ad hoc* suppliers of war orders placed by Government cannot grow into *pucca* industrialists or shrewd businessmen for post-war years. Those individuals or firms who had no industry or trade previous to 1939 are not likely to pick up much business talent or experience on account of the windfalls in the form of Government orders. Such "protected" industry men do not have the chance to fight their way out in open competition. Very many of them are therefore in for failure about 1946-50.

The panicky climate of the Indian markets from September 1939 to June 1940 (the fall of France) was in the main due to uncertainties about the prospective duration of the war. Those observers who attached extraordinary importance to the *Blitzkrieg* tactics had been nursing every morning the ideology of a three-week to three-month war. The present author is one of those who, although not connected with political movements, considered the prevalent notion of a short war as much too short-sighted even in 1939 and 1940.

This is too naïve an ideology. A war in which are being decided the boundaries of every people in Europe as well as the fortunes of many races, if not of every race in the two hemispheres, can hardly ever be the plaything of a few days, months or years or settled by a negotiated peace of any sort. Not to envisage a pretty long war in the present instance is the height of unbusinesslike mentality and unrealistic historic sense. But the ideology of a somewhat long war (five to seven years) has at length been accepted in the business world. The markets have begun to function in all their boom manifestations. Perhaps today after the occupation of North Africa by the Anglo-American forces (May, 1943) the psychology of the

business world is gradually getting used to the prospects of adequately long-period military, naval and aerial requirements for the Indian people and the British Empire in general.

The eventual invasion of Europe by the allies is being considered to be a strenuous and lengthy affair. (June 1943). The invasion of Europe, if and when it comes, will not automatically lead to the liquidation of Germany's conquests from the Atlantic to the Donetz. Even after the surrender of Hitler there will still remain the "East-Asian co-prosperity sphere" of Japan to tackle. The end of the war is, humanly speaking, yet far off. In case, further, Germany chooses not to undertake this year an offensive in Russia her exhaustion can only be deferred to an indefinite future.

Eastern Group Conference

It is in this connection that the activities of the Eastern Group Conference acquired a special significance. Neither the economist nor the businessman can afford to take the purely political or journalistic view of this Conference. It is reasonable to start with an elementary postulate, namely, that it is not with the direct and avowed object of promoting India's *arthik unnati* (economic progress) or helping her forward along the lines of industrial autarchy that the Conference was convened. Its function was primarily to organize, consolidate, unify and rationalize the British Empire resources in this part of the hemisphere with a view to the most efficient carrying on of the war. Every industrial, agricultural or commercial measure that may have been projected by the Conference is subordinated to this single mission. During the critical days of 1940-41 the financial and industrial power of the British Empire, so far as

Asia is concerned, may be said to have been virtually vested in this Conference,—of course, in co-operation with and under the authority of the Viceroy of India.

Not all the pet hobbies of the Indian economist nor all the financial interests of the Indian businessman can evidently come to be taken care of in the fulfilment of this mission. The Conference is really to be envisaged as nothing but the British Empire in its economic aspects especially deputed to utilize Asia as the most effective instrument and base for the war. The economist as well as the businessman have to be prepared for the situation that, among the overseas suppliers of goods for the Indian market Australia and South Africa will occupy a larger and larger place. Any slight acquaintance with the *bazars* of Indian towns and villages will leave no doubt about the increasing rôle of these two Dominions in Indian economy. This rôle is going to be more and more influential, nay, dominant during the next few years. The rule of British capital in India bids fair to be exercised in very large proportions from Australia and South Africa functioning virtually as representatives of the United Kingdom. In collaboration with the Viceroy Australia and South Africa may be said to have got the "power of attorney", as it were, from the U.K. in regard to her interests in India, Burma, and Southern Asia generally for the duration of the war. Eastern Group Conference was not so much an economic as a political, strategic and imperialistic necessity for the British people.

Australia and South Africa in India

While taking due note of the rôle of these Dominions as the supplier of goods for India neither the economist nor the businessman can afford to be bamboozled into the idea that all

the war-requirements of India, the Persian Gulf region, Caucasian Iran and Russia, Western Asia and North Africa up to the Atlantic or eventual Burmese, Chinese and Far Eastern or South-east Asian and Siamese battlefields can be, first, manufactured in Australia and South Africa, and secondly, *shipped safely to India across the seas*. British capital cannot afford to depend exclusively on these two Dominions in regard to the supplies required on the present and the prospective war-fronts in and around India. The exigencies of Empire defence are bound to counsel the British war-magnates willy-nilly to invest larger doses of their finance in establishments on Indian soil than they may have been contemplating. Apart from the direct war-industries there is the question of supplying India as well as her neighbours with the industrial goods of all sorts, such as used to be imported from abroad. The problem of these normal supplies cannot likewise be trusted exclusively to the factories and workshops of far-off Australia and South Africa. The financiers and business experts of the United Kingdom are, therefore, being forced by the pressure of circumstances to take India and the Indians more into confidence than they probably wanted to. These are certain aspects of war-finance such as no economist and businessman in India can afford to overlook if they care to be realistic and objective. *Arthik unnati* (economic progress) may be derived even from indifferent partners.

The manufacture of tools, implements, machineries, *Produktions-mittel* (instruments of production) *biens d'investissement* (investment goods) etc. by Indians does not belong to the scheme of British imperialism, political or economic. And yet the dangers of the sea are compelling the U.K. to permit these manufactures to some extent on the Indian soil. It is impossible

for her to prevent the growth of a certain number of engineering and chemical establishments as well as experts.

Evidently there should be a good place for Indian capital and business ability to function in these circumstances. In so far as a great deal of war industries as well as non-war industries is bound to be promoted or enlarged in India as a necessity of British, and since the entry of Japan into the war-arena (Dec. 7, 1941), of Anglo-American war strategy the chances for Indian financiers, businessmen and technical experts co-operating directly or indirectly with the British and American *personnel* and institutions should appear to be of somewhat large dimensions. In other words, although neither the industrialization of India nor the promotion of economic autarchy in India belonged to the terms of reference of the Eastern Group Conference, the expansion of India's industry and commerce, technocracy and capitalism can be depended upon as one of the inevitable consequences of the projects that may have been taken in hand according to its suggestions. The machine-tools, scientific instruments and apparatuses, machineries and other *Produktionsmittel* (agents of manufacture) etc. imported from the U.S.A. as "lease-lend" supply are telling their tale in Indian techno-economic life. The results may be temporary. But they have need to be noted.

Anglo-American repugnance to the genuine and high-grade industrialization of India is being effectively counter-acted by the sheer force of necessity. England and America as Western Europe generally hate an industrialized Asia. But they are now compelled to promote this industrialization in their own interest,—although undoubtedly with great hesitation and within well-defined limits.

The statistician who is interested in the economic indices and in the equations of world-economy should not, however, fail to point out at once that in point of technocracy and capitalism both Australia and South Africa are much higher developed and rationalized than India happens to be at the present moment. The *Statistical Year-Book of the League of Nations* (Geneva, 1938, pp. 134, 143) says, for instance, that in 1936 little Australia with some 7 million inhabitants produced 834,000 tons of steel as against India's 880,000 tons. Australia's coal output amounted to 11,553,000 tons while India could show 21,000,000 tons only. In South Africa the output of steel was 248,000 tons and of coal 15,500,000 tons. South Africa's population was near about 10 millions only. Apart from other considerations these two indices alone,—coal and steel output per head of population,—placed Australia and South Africa much higher than India in the scale of comparative industrialism. In regard to the pressing problems of the war, India, generally speaking, is, therefore, likely to be *relatively* much less efficient as an industrial and technical supplier than either Australia or South Africa. Besides, it is Australia and South Africa that may be expected in much shorter time than India to get prepared for the new technocratic and industrial developments required in the present conjuncture.

India's part in the war-economy of the British Empire may not, therefore, be as spectacular or phenomenal as that of these Dominions. Her *arthik unnati* (economic progress) may likewise fail to be as rapid and as high as that of theirs. This should be taken as perfectly normal. The amount and rate of advance that an economic region can exhibit depend naturally on the actual economic condition at the moment of start.

Absolutely considered, also, the rate of India's progress is perhaps likely to be low. But the industrial, technocratic and capitalistic expansion of India bids fair to be a solid economic reality all the same. The reasonable attitude for the Indian economist, businessman or economic statesman should not be to compare India's absolute or relative progress with Australia's and South Africa's during the next few years *except as a theoretical study*. The chief concern from the Indian side ought to be to watch from month to month or year to year how far India has been advancing in the modernization of technique, business establishments, agriculture, workingmen and other *personnel* in reference to the perspectives of 1938. (See Equation II, p. 4).

It may be found that there is hardly any chance of India being exploited by Australia and South Africa in the sinister sense. On the other hand, there are opportunities presenting themselves before India for enriching herself and advancing her own interests with and without British or Anglo-American finance and technical co-operation along the entire front covered by what is known as planified economy or economic planning. It is hardly to be doubted that the shrewd businessmen of India will know how to utilize the *vishwa-shakti* (world-forces) generated by the war-economy in order to promote the expansion of India as an industrial power not only at home but also in the two hemispheres, especially wherever there were markets for the British goods down to 1939.

The fundamental limitations of *arthik unnati* (economic progress) for a political dependency must not be lost sight of in any dispassionate and scientific study of the world-economy. (*Supra*, pp. 93-95). After all, Australia and South Africa are

bound to get relatively greater chances and facilities from the U.K. than India in regard to the raising of the war-time equipment and efficiency to an adequate level. India would not be a dependency if she were not to get less. British capitalism cannot afford to elevate India in science and technocracy to any mentionable platform. Indians must know how to explore and utilize *vishwa-shakti* (world-forces) in their own interest.

The Psychosis of Eur-American Finance

It does not require extraordinary economic intelligence to understand that neither England nor the U.S.A. is interested in raising the techno-economic power of India to that of rivalry with herself. No Indian businessman, economist or politician is perhaps simple enough to believe like that. Eur-American finance cannot possibly think of developing China's or India's industrial resources to the status of "great powers" in the capitalistic world. Neither China nor India can expect any co-operation from Anglo-American financiers or war strategists except to the extent that these technocratically primitive and industrially backward regions can be somewhat efficiently used for the purpose of expanding the horizon of British or American world-domination. From the Indian standpoint as from the Chinese it is not a question of developing oneself to the highest of one's stature but of simply utilizing whatever England and the U.S.A. consider it expedient to place at the disposal of semi-modern laggards. As yet Asia is not in a position to choose the "ideally best" course in her relations with Eur-America. She has to be satisfied with the "second bests."

The fear of post-war competition from an eventually well-industrialized India and well-industrialized China is the

permanent psychosis in Anglo-American diplomatic and financial circles. The *haute finance* or finance-capitalism of all hyper-developed regions,—German as well as Anglo-American,—is invariably neurotic *vis-à-vis* the industrialization projects of underdeveloped territories. It is quite well known that the pessimism of Eur-American thinkers like Spengler as embodied in *Der Mensch und die Technik* (Munich, 1931) is fundamentally rooted in the industrial advances of India, China, and other backward regions and their factual competition with the “white” (Noric) powers. (*Supra*, “The Economic Progress of a Dependency,” pp. 93-95, “Shortcomings of World-Planning Schemes,” pp. 95-97, *Infra*, Ch. VI., the section on “Indonesian Economy,” Ch. X, the section on “The Rôle of Imperialism in the Equations of World-Economy”).

This psychosis and pessimism of Eur-America *vis-à-vis* Asian techno-industrial modernizations are responsible for much of the misunderstanding between East and West. Neither China nor Iran, neither Indonesia nor Burma, neither the Philippines nor India, neither Siam nor Iraq, neither Indo-China nor Turkey can ever tolerate any plan, scheme or system,—ideological or institutional,—financial or political,—such as is likely to perpetuate and lengthen the lag between an advanced region and itself. Everybody directly or indirectly associated with and responsible for the existence or continuance of technocratic, industrial and cultural lags,—i.e. the hindrances to adequate and swift modernization,—bids fair to be treated in Asia as an enemy of Asian progress. This should be regarded, as one of the definite lessons of the present war. Eur-American world-planners cannot afford to minimize or ignore this sentiment of Young Asia.

Loans vs. Revenue in War-Finance

War finance is an economic field in which some of the features of hyperdeveloped regions may happen to be in evidence in relatively undeveloped or underdeveloped zones. The two fundamental bases of war-finance are revenue and loans. This is the experience not only of World-War II and World-War I but of all wars since the Napoleonic times. The Indian budgets¹ for 1941-42, 1942-43 and 1943-44 exhibit, therefore, a family likeness with those of Germany and England as regards the presence of these two items. But the pigminess of economic India in the perspective of the giants is no less obvious. It is to be found, among other things, in the relative proportion between loans and revenue in the financial structure. In the war-finance of Germany as of England it is the loans that command the lion's share, over 50 per cent.,² whereas financial India depends more on revenue than on loans. For 1943-44 the income from revenue is budgeted as Rs. 1,993 millions and from loans as Rs. 403 millions. This works out at 17% for loans as against 83% for revenue. The revenues of India's war-economy constitute, generally speaking, 75-80 per cent while not more than 15-20% per cent is accounted for by loans. We must not be prepared, however, for a cut and dried formula about these proportions.

Monistic interpretations ought to be avoided in this as in other fields. But the relatively low proportion of loans in the

¹ Discussed by B. C. Sinha and J. Banerjea in *Current Thought* (Calcutta) for April-June, 1942 and January-March, 1943. See the *Speech by the Finance Minister* (New Delhi, 27 February 1943), pp. 175, 178, 187.

² H. W. Singer: "German War-Economy in the Light of German Economic Periodicals" (*Economic Journal*, London, December, 1940, April, and September, 1941).

war finance of India has her universal poverty and low "national income" as a principal cause.

During World-War I (1914-18) the percentage of normal revenue to total expenditure in the United Kingdom was as indicated below:³

Year	Total Expenditure in £ millions	Total Revenue in £ millions	Revenue in Percentage of Expenditure
1914	197	198	100.5
1915	561	227	40.4
1916	1,569	337	21.6
1917	2,198	573	26.1
1918	2,696	707	26.2
1919	2,579	889	34.5

Revenue accounted for 40.4, 21.6, 26.1, 26.2, and 34.5 per cent of the total expenditure. The corresponding percentages for loans ranged from 75 to 65.

In regard to World-War I (1914-18) the proportions between revenue and loans have been worked out by H. E. Fisk in *The Inter-Ally Debts* (Bankers Trust Co, New-York, 1924, Table IX, p. 330).

The total cost of the war (i.e., expenditure in excess of the pre-war basis) covering the six years 1914-15 to 1919-20 was distributed between revenue and loans as follows in the countries named against them (in 000,000 dollars):

Countries	Revenue	Loans
1. Great Britain	14,042	34,958
2. Canada	403	2,130
3. India	530	509
4. France	1,416	32,031
5. Italy	5,238	13,396
6. Germany	5,777	41,193
7. Russia	745	19,030

³ A. H. Gibson: *British Finance, 1914-21* (London, 1921) pp. 202, 215 (chart on p. 200).

The revenue-loan proportion (in percentage) comes out as follows:

Countries	Revenues	Loans
1. Great Britain	28.7	71.3
2. Canada	15.9	84.1
3. India	46.5	53.5
4. France	4.2	95.8
5. Italy	28.1	71.9
6. Germany	12.3	87.7
7. Russia	3.8	96.2

Not all the seven countries indicated above exhibited the same proportion. But the dominant share of loans is conspicuous. In the revenue item India's percentage was the highest.

According to the German economist, Prion, "England was only able to cover about 12½ per cent of the war expenditure by taxation and in the case of all the other countries the percentage was very much lower."⁴ In Germany the situation was as follows. The total war expenses from August 1914 to December 1918 amounted to 147,300,000,000 Marks. During this period the total revenue accounted for 20,740,800,000 Marks. The rest, i.e., over 125 milliard Marks had to be raised by loans.⁵

The war budgets of India during World-War II. as during World-War I show other pictures. It is the low national income *per capita*⁶ of industrially undeveloped or infantile countries

⁴ *Steuer und Anleihenpolitik in England während des Krieges* (Berlin, 1918); Karl Helfferich: *Money* Vol. I. (London, 1927), p. 277.

⁵ Helfferich, *Money*, Vol. I, pp. 224, 228.

⁶ *All-India Income-Tax Report and Returns 1938-39* (Delhi, 1940), pp. 13, 21, 31. For low *per capita* production see *infra*, "Techno-Economic India between World-War I and World-War II." See the references to India (production, national income, etc.) in C. Clark: *The Conditions of Economic Progress* (London, 1940).

like China and India that, other circumstances remaining the same, almost monistically determines this proportion, namely, the relative paucity of loans in war-finance. A corresponding feature of such primitive or backward economies is the greater dependence of war finance as of public finance generally on indirect rather than on direct taxes. Higher doses of poverty are to be taken as directly associated with primitive or underdeveloped economy. Loans and direct taxes (like large scale state expenditures on socialistic services) may almost be regarded as the luxuries of prosperous or high national-income communities. Other factors need not be entirely ignored, however.

The Inflation-Complex in Employment-cum-Currency

Another item which does not fail to attack the undeveloped economy as the hyper-developed during a war-regime is the expansion- or inflation-complex in employment-cum-currency.

The note-circulation of the Bank of England rose from £554,000,000, in 1939 to £950,000,000 in December, 1942. The only cover for this period was fiduciary (£580 m. in 1939 and £984 m. in 1942). Virtually all the gold was transferred from the Bank to the Exchange Equalization Account.⁷ Not more than £200,000 only was left in the vaults of the Bank.

The expansion of note-circulation in India during the period may be seen in the following figures of the Reserve Bank:⁸

⁷ *Federal Reserve Bulletin* (Washington, D.C.) June, 1941, p. 591, *Economist* (London), 12, December, 1942.

⁸ *Reserve Bank of India Report* (Bombay), 5 February, 1940, p. 35; 10 August, 1942, p. 29, *Indian Trade Journal* (Calcutta), 18 March, 1943, p. 397, 10 June, 1943, p. 313.

Other interpretations of the Indian currency expansion may be seen in

Items	Dec. 1939	30, June, 1942	5, March, 1943
Notes	Rs. 2,542,000,000	4,615,000,000	6,348,000,000
Gold Cover	441,000,000	444,000,000	444,000,000
Sterling Securities	1,075,000,000	2,668,000,000	3,957,000,000
Total cover	1,519,000,000	3,112,000,000	4,401,000,000
Percentage of Cover to Notes	59.7	67.4	69.3

The expansion of note-circulation from Rs. 2,542 millions to Rs. 6,348 millions from December 1939 to 5 March 1943 has proceeded at a higher rate than the currency expansion in England. While the gold element in the cover has remained stationary, the proportion of the total cover to notes has increased from 59.7 to 69.3 p.c. (80.6 p.c., May 28, 1943).

The causes of increase in note-circulation in England as in the U.S.A. are identical. They are to be seen in the increases in war-employment. The total wage bill in the United Kingdom has increased from £1,796,000,000 in 1938 to £3,021,000,000 in 1941.⁹ This includes pay and allowances for H.M. Forces (excluding officers). In the U.S.A. total employment (not including the armed forces) in the summer of 1942 was 3 millions larger than in 1941 and 7 millions larger than in 1939. In September 1942 total income payments were at the rate of 116,000,000,000 dollars a year compared with 72,000,000,000 dollars a year in September, 1939.

C. N. Vakil: *The Falling Rupee* (Bombay, 1943), G. D. Birla: *Inflation or Scarcity?* (Delhi, 1943), S. N. Dutt: *Inflation in Right Perspective* (Calcutta, 1943), B. C. Ghose: "Is It Inflation?" (*Current Thought*, Calcutta, April-June, 1943), G. S. Beri: *A Review of Price Control in India* (Bombay, 1943), D. R. Gadgil and V. N. Sovani: *War and Economic Policy in India* (Poona, 1943), B. C. Sinha: "War Finance, Inflation and Economic Structure" (*Calcutta Review*, June, 1943).

⁹ *Royal Economic Society Memorandum No. 90* (London) May, 1942. p. 1, *Federal Reserve Bulletin* (Washington), October, 1942, pp. 981, 983

Consolidated figures for the total wage bill in India during World-War II. as during other periods are not available. But the enormous increase in employment is an outstanding fact of the present war-economy. In case any and every expansion in note-circulation be described as inflation of currency, its counterpart is to be seen in the inflation of employment. The category, inflated employment or over-employment, is as legitimate or unreasonable as inflated currency or over-circulation. India's industrial backwardness has not enabled her to fight shy of inflation or expansion in employment as well as currency which is the most characteristic feature of war-economy in the hyper-developed regions like England, Germany, the U.S.A. etc. The expansion of employment and the expansion of currency are normal, inevitable and legitimate phenomena in every war and in every belligerent, nay, to a certain extent, among many neutrals in every war period. There is nothing dangerous inevitably associated with the category, inflation. Not every inflation is sinister. Inflation as such is not a curse. There are inflations and inflations.

The "Active" Balance of Trade

The complex of expansion or inflation in the employment-cum-currency phenomena of India is to be seen in the perspective of several special circumstances. One does not have to be an extraordinary war-strategist or globe-trotting commercial geographer to understand or even guess that India has become the grand supply-base for virtually all the operational fronts in Asia and Africa (p. 124). The purchases of the Government of England in the Indian market for exports to the most diverse centres have reached colossal dimensions. India's foreign trade

has, therefore, become exceptionally “active” or favourable, i.e., the excess of exports over imports has been phenomenal.

The balance of trade in goods in favour of India rose to Rs. 1,039,000,000 in the eleven months of July 1941—June 1942 from Rs. 227,800,000 of the corresponding period in 1940-41. These figures exclude those for the war purchases in India by the Government of England.¹⁰ In pre-depression or rather boom years, for instance, in 1928 the highest balance was Rs. 808,000,000 and in 1929, Rs. 723,000,000. The balance in 1937 amounted to Rs. 432,000,000.

The repatriation of India’s sterling balances is but a pronounced symptom of this extraordinary situation. The expansion of currency is inevitably associated with these conditions of the war-economy. Indeed, the rate of currency-expansion in India bids fair to be, as it has already been, higher than in England where the conditions of foreign trade are the opposite of those prevailing in India, imports being considerably in excess of exports.

During the present war the note-circulation of India, England, the U.S.A., Germany, Italy or Japan has not been proceeding on the lines of the inflation practised in Germany and Russia during 1920-22 after World-War I. Those notorious inflations, which ultimately led to the annihilation of currencies, be it recalled, were *post-war phenomena* and were not directly connected with the war operations themselves.¹¹ The fiduciary

¹⁰ *Reserve Bank of India Report* (Bombay), 10 August, 1942, p. 11. *Annuaire Statistique de la Société des Nations* (Geneva, 1938), p. 217.

¹¹ See the chapter on Germany in the *Memorandum on Central Banks*, 1913-23, (Geneva, 1924), p. 197 and the sections on Russia and Germany in Helfferich: *Money*, Vol. I, (London, 1927), pp. 240-242. See the chapters

cover in India as in England today is substantial and adequate. The currencies are not being mutilated or spoilt in any way. The rates of exchange have been kept stable on account of the large stocks of gold in the Exchange Equalization Fund. The technique of this Fund was unknown or rather not much in vogue during World-War I.

Price-Control in Anglo-American War-Communism

But formally inflationist or not, the economic situation in India has already assumed a disastrous character (July, 1942 to June, 1943). The price-index is already (May, 1943) 325 (1914=100) whereas in England it is near about 170. In India men of fixed incomes have been virtually ruined and the teeming millions have reached the limits of patience.

On the other hand, the war-communism of the Churchill-State in England and the Roosevelt-State in America has drastically controlled the price-structure in the most energetic manner.¹² The Government of India will have to rise to the same height. Besides, the war profits will have to be taxed a hundred percent. A considerable part of the war-salaries and war-wages paid to the armed forces and industrial workers will have to be withdrawn from circulation by the compulsory savings scheme of Keynes as in present-day England, America on Russian and German Currencies in B. K. Sarkar: *Economic Development*, Vol. I. (Madras, 1926).

¹² For the Indian price-index see the *Indian Trade Journal* (Calcutta), 18 March, 1943, p. 442, and the *Reserve Bank of India Report* (Delhi), 10 August, 1942, pp. 16-17. Re. the stabilization of price and cost of living in the U. K. see the *Royal Economic Society Memorandum* No. 90, May, 1942, p. 1 and No. 91, August, 1942, p. 1. For American attempts in the same direction see *Federal Reserve Bulletin* (Washington), October, 1942, p. 981.

See also *I.T.J.*, 10 June, 1943, p. 335.

as well as Germany. Last but not least, agriculture and other civilian industries will have to be encouraged with large doses of state finance. Both in England and the U.S.A. it is the subsidies that have stabilized the prices at low levels. India cannot be normally coaxed into depending on windfalls and mercies of the seas in the shape of reports about imports of maize from South Africa and wheat from Australia.

In July, 1942 food subsidies in England amounted to £127,000,000 *p.a.* The American budget on food subsidies from June, 1943 accounts for \$500,000,000 for ten per cent reduction of price in beef, mutton, coffee, etc. (*Infra*, "Antidotes to Inflation"). In hyper-developed states war-economy is in a certain measure a subsidy-economy.

An important aspect of the war-economy as prevalent in the Great Powers is then clear. The mere presence of expansion or inflation in employment-*cum*-currency does not establish a factual parity between the Anglo-German-American economy and the Indian economy. The differences—the lags—are substantial, among other things, in respect of socialized administration. The Great Powers are socialistic, India is hardly so.

It is the absence of adequate socialistic control or war-communism that is responsible for much of the inconveniences and miseries caused by the inflation of employment and currency inevitable and normal in every war-economy. The following statement of the *Royal Economic Society Memorandum* (London, August, 1942, p. 1) is yet unthinkable about the financial operations of the Government in India. "Stationariness in the cost of living (i.e. 29 per cent above that in September, 1939) has been made possible," says the *Memorandum*, "by subsidies which neutralize even the increase

in tobacco and alcohol duties." The lag between the Government measures in England and India is immense. (Pp. 132-134).

*War-Communism in Germany, Italy,
Turkey and China*

Price control is quite common in Germany. During April-September, 1942, as we find in Singer's "German War Economy" in the *Economic Journal* (London) for December, 1942, enforced price reductions became decidedly more numerous than before. Among other things they included razor blades, wire and cable products (with £10 m. *p.a.*), soup-powders, beer, electric bulbs, wine, furniture, etc. The Price-Commissioner declared that a certain loss of "substance" (capital and property) must be accepted by businessmen in war-time and that there could be no guarantee of any particular rate of profit. On the other hand, subsidies were granted to several industries and trades. Sisal and binder twine, barley, milk, eggs, poultry, honey, straw, potato, oil seeds etc. enjoyed these favours.

Inflation is a universal science or art. So is the control of inflation. The Italian measures against the evils of inflated currency and price as prevalent in the middle of 1941 were identical with the Anglo-American and the German. In July of that year 60% was imposed as tax on increases in the value of real estate. Prices were maintained at previous level. Dividends were limited to specified rates. Measures were taken likewise to control the prices of securities.

War-communism is fully developed in Turkey.¹³ In February, 1941 the Government established an office with a

¹³ "Turkey Since 1940" (*Bulletin of International News*, London, 19, September, 1942), *China After Five Years of War* (Chungking, 1942);

million Turkish pounds with the object of buying, stocking and distributing commodities, regulating prices and controlling profiteering. Since 1940 etatization has been going on in all fields from mining to agriculture, from harvesting to pricing.

The etatization of industrial finance is the principal feature of Chinese economy in normal times. War conditions have advanced the state control and direction along all fronts, as one understands from the annual reports published by the China Information Committee from Chungking about war-time China.

The Paradox of War-Economy

Inflated production and inflated employment can be easily understood as the inevitable features of a war-economy. But war-economy exhibits a paradox. It consists in the fact that the markets are invariably marked not by the signs of glut in goods, overproduction, over-supply, but by its exact opposite. The dearth of goods, shortage of supply, even disappearance of commodities belongs to the normal economy under war conditions. This situation is as valid for England and the U.S.A. as for Germany and Japan.

The paradox of this war-scarcity or war-famine, so to say, is explicable, other circumstances remaining the same, by a fact generally overlooked by ordinary citizens including economists. We are forced to envisage the distinction between military manufacture, commerce or agriculture and non-military ("non-essential"), i.e., civilian manufacture, commerce or agriculture. The distinction between military transportation (railway, shipping, motor) and civilian transportation is also important in what is known as the "war-effort" or war-economic complex.

"Wartime Economic and Social Organization in Free China" (*International Labour Review* (Montreal, December, 1942).

In India, for instance, the total output as well as the total railway and other transportation have increased tremendously on account of the war stimulus. This is known to or rather can be very well guessed by the man in the street. But the output and the railway-shipping-motor services available to the non-combatants (non-essentials) or civilians have come down at the same time no less tremendously.

The figures published in the *Indian Trade Journal* (Calcutta), a Government weekly, do not indicate this increase. They point on the contrary to decline. We are to understand that the production and transportation of the military economy are not included in these statistics.

Reduction, curtailment, scarcity, shortage, disappearance, famine etc. in war-time is very often a specifically civilian phenomenon. This is normal with war effort everywhere.

The disparity between inflated production, transportation and employment in the combatant sphere and under-production, under-transportation and under-employment in the civilian is a first postulate of the war-ecology. Its repercussions on the market conditions, business psychology, price-structure and civilian *morale* are immense. But they very often elude the vision of economic researchers and statisticians. In the absence of facts the discussions turn out to be mainly speculative or conjectural.

Reduction in Civilian Production, Trade and Transportation

In India war-effort has not perhaps as yet assumed Himalayan proportions. All the same, reductions in the loading of railway wagons amount to 17-20 per cent. For the two years

1941-42 and 1942-43 the shipments of coal, grains, oil seeds and cotton etc. from 1 April to 20 February were as indicated in the following table:¹⁴

Items	1941-42	1942-43	Reduction percentage.
Coal.	1,117,000	930,000	- 16.8
Grains	652,000	524,000	- 19.6
Oil seeds	205,000	160,000	- 22.0
Cotton	150,000	124,000	- 17.3
Misc. small wagon:	1,455,062	886,597	- 39.1

Wagon-shortage in the transportation of civilian goods by February, 1943 was conspicuous. Its impacts on the price-structure cannot be over-emphasized. The reduction of transportation facilities is no mean factor in the psychology of panic hoarding and panic buying even among honest citizens. It is under such conditions that illegal and immoral practices of all sorts flourish among the high and the low.

In regard to civilian trade, reduction is very prominent in the cotton line. The exports and imports of cotton between province and province have gone down very considerably. In bales of 400 lbs. interprovincial trade in cotton came down from 1939 to 1942 as follows¹⁵:

Item	1939-40	1940-41	1941-42
Exports	1,032,000	787,000	725,000
Imports	1,032,000	787,000	725,000

No reduction can be more palpable than that from 1,032,000 to 725,000 bales in three years. No less prominent is the reduction of cotton pressing. In 1941 the number of bales pressed was 3,303,000. It was reduced to 2,232,000 in 1942.

An article of direct consumption tells the story of shortage

¹⁴ *Indian Trade Journal* (Calcutta), 18 March, 1943, p. 401.

¹⁵ *I.T.J.*, pp. 418, 419.

in no dubious manner. In the sugarcane crop the average of five years down to 1941 was 5,174,000 tons.¹⁶ In 1941-42 the croppage was reduced to 4,371,000 tons. Other circumstances remaining the same, the calamitous sugar shortage or famine as well as "black markets" and extraordinarily high prices in sugar may then be easily accounted for.

So far as India is concerned, the place of those "other circumstances" is rather high in the war-economy. The shortage and high prices of civilian goods cannot be accounted for exclusively by the normal functioning of war-effort, i.e., the paradox of war-economy.

India as Base for War Theatres

It is not necessary to depend on conjectures and guesswork in regard to the other causes of the shortage of civilian goods in India. India, as has been suggested above (p. 116), is a if not *the* main base of supply for all war theatres in Asia and Africa and to a certain extent also in Europe. This suggestion is confirmed by the speech of Chairman Joseph of the United Kingdom Commercial Corporation at a meeting in London on May 26, 1943.¹⁷ Recalling that the Corporation began to operate in India in June, 1940, and it was necessary to get a great variety of goods quickly to the Near and Middle East, he said that India was now one of the major supply bases of the United Nations.

With the help of the Government of India, the Corporation had lost no time in drawing on this source for the supplies

¹⁶ *Indian Trade Journal*, 18 March, 1943, p. 411.

¹⁷ Reuter's report published in the *Hindusthan Standard*, Calcutta, 27 May, 1943.

urgently required. Prompt shipment of Indian wheat had spared Persia the rigours of famine in the spring and early summer of 1941.

Persia had received from India foodstuffs such as sugar and tea, and manufactures such as cotton piece-goods. Shipments ranged in bulk from several thousand ton lots of cement to small parcels of pharmaceuticals.

Syria and Palestine were the other Middle East countries which have drawn on India for supplies. Turkey received iron and steel, cotton yarns, hessian cloth, jute bags, rope and hides.

Soon after the Corporation began to work in India, the Germans invaded Russia. It was clear that part of Russia's needs could be met from India. Orders were at once placed through the usual trade channels for a long list of commodities, all for prompt delivery and in very large quantities. The list covered such articles as hessian, gunny sacks, jute rope, cotton, canvas, hides, shellac, *atta* (coarse wheat flour), groundnuts, pepper, tobacco and graphite.

It is not possible, said Joseph, to give details of actual tonnages, but the scope of business done in India for Russia was indicated by the fact that one recent order was for eleven million gunny bags.

From another quarter comes a factor of substantial importance into view. It has to be heavily weighted in the shortage problem regarding goods.

Explaining the excessive rise in the price of cloth, the representatives of the cotton industry from all over India, who assembled in the Millowners' Association at Bombay, declared on June 1, 1943 as follows: "The fault lies rather on the large quantity of a thousand million yards being permitted to be ex-

ported in 1942 which, together with the large requirements of defence services, left only one thousand eight hundred million yards for consumption in India."

The report of the U.K.C.C.'s activities as well as the declaration of the Indian millowners make it clear that the abnormally high price-level in India is not exclusively or even mainly an economic phenomenon. Military exports and other military exigencies account for a great part of the present situation. It cannot be described as the inevitable concomitant of ordinary war-economy. We cannot see in it merely a sign of the shortage in civilian production such as "war effort", generally speaking, implies as a matter of course.

A somewhat parallel case is furnished by the U.S.A. Reuter reports that on June 10, 1943 warning Americans that they "must prepare for a tighter food situation" the Deputy Administrator of War Food Administration, Hendrickson, said that 25% of the United States 1943 food supply would be earmarked for military and lease-lend needs."

He added, "The proportion may have to be still greater". In two years, he said, the United States had shipped about 4,500,000 tons of food to the Allies. "In 1941 about 4% of our food was used by our armed forces and for other United Nations. In 1942 about 13% of the food went for those purposes."

Exports to war-theatres are not, as a rule, publicized in the press or by radio. They are military phenomena.

War-Price and Food Shortage in India

There are "other factors" to be taken into consideration. We should not consider them to be unusual or mysterious. Let us proceed further in the analysis.

The geographical location of Bengal and Assam in Eastern-most India as the immediate neighbour of Japan, i.e., of Japanese-occupied Burma, plays a no less leading rôle in the unusually high price of rice and other food-stuffs. We encounter here a bit of *Geopolitik*.

The evolution of price-index in India (at Calcutta with July 1914 = 100) is as follows:¹⁸

1938	95	1941	139
1939	108	1942	185
1940	120		

The sensational year is 1942-43. Detailed developments are indicated below:

1939 July	100	1942 June	182
„ Sept.	114	„ July	182
1940 July	114	„ Aug.	192
1941 July	150	„ Sept.	198
„ Dec.	154	„ Oct.	209
1942 Jan.	155	„ Nov.	227
„ Feb.	153	„ Dec.	238
„ March	153	1943 Jan.	250
„ April	157	„ Feb.	253
„ May	169	„ May	325

The sharp rises started about the end of the first quarter of 1942. From 169 in May the index rose to 325 in May 1943. For the cereals (food-stuffs) alone the index for the corresponding period rose from 126 to 473. The beginning of such an abrupt rise happens to be synchronous with the conquest of Burma by Japan and the threatened invasion of Bengal. The *Gestalt* was no longer economic, it became military. It is in this *milieu* that the price-structure has to be studied.

¹⁸ *Indian Trade Journal* (Calcutta), 18 March, 1943, p. 442, 10 June, 1943, p. 335.

The impacts of the military ecology on the market conditions deserve the most intensive analysis. The price problem is no less military than economic. In so far as military facts are state secrets economic discussions are bound to remain unfactual for quite a long time.

In economic theory as well as business mentality the attempt to connect the rise of prices functionally with the increase in note-circulation is almost automatic. But it is not possible to be so monistic in outlook in view of certain special circumstances. Shortage in goods, especially foodstuffs, is one of the greatest factors in the present economic complex. Increase in the supply of money is not the exclusive feature. As has been pointed out, many fronts of war in Asia and Africa as well as the Russian Caucasus have to be equipped with exports from India. The British Government of England, be it likewise repeated, is the greatest single purchaser and exporter of Indian goods from India on this account. This cause of shortage in foodstuffs and other civilian goods is one of the most potent in the present circumstances. But no statistics are available, just as there are no statistics about the expansion of industries and the inflation of employment in India during the war period. It is to be understood that the period has synchronized with the equipment of the Anglo-American forces in North Africa.

The exports are calculated to create an all-Indian shortage and therefore generate a more or less uniform price-level throughout India. But the shortage is not being felt uniformly in the different provinces. Nor is the price-index uniformly high in the diverse markets of India. The price of rice per maund (80 lbs.), for instance, is reported from New Delhi on 5 May 1943 in the dailies of Calcutta as follows:

Towns	Price	Towns	Price
Chandpur		Raipur (C.P.)	: „ 8 6 0
(East Bengal)	: Rs. 32 5 0	Bezwada (Madras)	: Rs. 7 11 0
Purnea (Bihar)	: „ 13 0 0	Cuttack (Orissa)	: „ 6 8 0
Bareilly (U.P.)	: „ 10 4 0	Larkana (Sind)	: „ 6 4 0

The price varies from Rs. 32-5-0, the highest point, in East Bengal to Rs. 6-4-0, the lowest, in westernmost India (Sind). The correlation of price to the proximity of Japan is obvious at the first sight. In commercial geography today Chittagong is already virtually a port of the Far East. The greatest food shortage is noticeable in the areas likely to encounter the first shocks of invasion. The shortage may be rashly and naïvely explained as but due to hoarding by householders and/or by profiteers. Panicky hoarding is perhaps a fact. Profiteering is also a reality. Besides, *humanly speaking*, corruption, malpractices, anti-social and immoral methods may, be assumed as a matter of course. But this is not all. The shadow of Japan, a military phenomenon, is no less an economic factor in the rice market today. In war time no economic discussion is worthwhile which overlooks the military facts.

Nor can other considerations about food shortage in Bengal be ignored. In Mahatab's calculations the total rice crop of Bengal for 1942-43 falls short of the normal demand of the population by 45-50 per cent. J. M. Datta's estimate of deficit, as quoted by Sinha, is between 46 and 56 per cent.¹⁹

¹⁹ See the pamphlets by U. C. Mahatab: *Food Problem in Bengal* (Calcutta, 23, February, 1943) and B. C. Sinha: *A Note on the Present Food Situation in India, specially in Bengal* (Calcutta, 29, March, 1943). See also *Do We Produce What We Eat?* (Commercial Museum of Calcutta Corporation, March, 1943) as well as *Food Problem in Bengal* by B. C. Sinha and H. C. Ghosh with a Foreword by S. P. Mookerjee.

Denial of Facilities to the Enemy

Deficit in croppage must not be made too much of, however. It was proclaimed at public meetings in Calcutta (6-8 May 1943) by Mr. Fazlul Haq, the chief minister of yesterday in Bengal, that the removal of foodstuffs from the easternmost areas to safer zones had been consummated under instructions from higher authorities. The object was to prevent the Japanese from seizing and utilizing the cereals in case of their eventual invasion of East Bengal and Assam. A war-measure like this can be well understood. This is the policy of "denial" of facilities to the enemy and corresponds somewhat to the "scorched earth policy" of Soviet Russia practised against the invading German army.

We in India are aware that the "scorched earth" policy is not a discovery or patent of Soviet Russia. It is as old as our hoary *Mahabharata*. Russia is out-Russiaed in the measures recommended by the statesmen and political philosophers of ancient India in order to prevent the invading armies from making use of the crops, houses, waters etc. in the country.

Be this as it may, the denial policy is said to have been started already in April-May 1942. Almost every maund of rice available in the villages should appear to have been bought off by Government agents. The removal of foodstuffs from East Bengal has been proceeding throughout the year, we are told, and today hardly a day's foodgrains can perhaps be seen in any family. Statistics do not, of course, exist. The magnitude of the removal of foodstuffs from threatened areas cannot be easily assessed. In theoretical analysis this can be treated as one of the many factors in the price-complex. No quantitative value can be attached to it.

Obviously, it is hardly possible to visualize in such a picture the amount of ordinary war-purchases for use in India or abroad and to ascertain how far the rise in price may be accounted for by this factor. Still more hazardous is it to allocate the share of the increased note-circulation or currency inflation in the inflated price-structure of India in general and of Bengal in particular. Not until the war measures are officially declared and publicized by Government as "open secrets", i.e., not before several years after the end of hostilities can a real "weighting" of the diverse factors be attempted with a reasonable approximation to reality.²⁰

Leaving aside the question of causation or correlation in the inflation-complex, the fact remains that India is bearing the sacrifices of Sovietic economy without enjoying its benefits. The denial policy has been powerfully instrumental in raising the price of 80 lbs. of rice upto Rs. 32-5-0. In June, 1943 the price is reported to be as high as Rs. 40. Per head of population the national income is about Rs. 5 or Rs. 6 per month, i.e., not more than 16 lbs. (or 12 lbs?) of rice. At the rate of 1½ lbs. of rice per head per day the income can buy food for not more than 10 or 11 (or 8?) days in the month at the present price. Such rises of price are inconceivable in the war economies of England and Germany. No more effective illustration is possible of the miseries of a primitive, backward or undeveloped economy in war-time and of its lag, distance or difference from a hyper-developed economy. The regime of war affects the two economies in two different ways. This is the *Realpolitik* and the fundamental practical significance of the equations of world-economy.

²⁰ Cf. O. Nathan and M. Fried: "Consumer Spending, Inflation and the Wage Earner in the United States" (*International Labour Review*, Montreal, February, 1942).

The War Effort of Socialist States

In regard to war-effort a distinction must be made between England, U.S.A., Germany and other hyper-developed countries on the one hand and an under-developed or backward region like India on the other. The hyper-developed countries are under normal, i.e., peace conditions socialistically well organized from the metropolis to the meanest commune. The hierarchy of officials is extensive and all-pervasive. Socialistic administration implies a large number of employees,—municipal, rural, cantonal, local and national.

It is only through such regularly paid employees that the state can function as a socialist organism. The control of the state over the daily life of citizens is possible simply because of the vast hierarchy of government and semi-government servants. "Rationing", "grow more food", shop-control and other projects can thereby become automatic and smooth-sailing affairs. The inconveniences suffered by the citizens of backward regions, unused as they are to all-pervasive socialistic administration, cannot be felt in England, Germany and other countries of super-capitalism. The League of Nations publication, *World-Economic Survey 1939-41* (Geneva, 1941) may be referred to for the diverse systems of control in production, consumption, rationing etc. prevalent in hyper-developed countries.

The doses of socialism in Indian public life and administration are as weak as the doses of capitalism. Indian villages and towns are not used to the regime of municipal or state socialism to any mentionable extent. It is possible for the existing administration to pass a law or order, however inconvenient its effects on the citizens be. But the means by which it can render help to the needy individuals while submitting to the

law do not exist. India today represents the condition of a socio-economically backward region that is compelled to adjust itself to the centralized dictatorial legislation of hyper-socialistic states. The friction is inevitable. The miseries of the people associated with the war-effort in India cannot be conceived in the *milieu* of the war-effort in well-planned socialist states such as England or Germany (p. 119).

War-Effort, Socialism and Communism

The category, socialism, is to be taken as covering any and every form of state interference and state control. Virtually every country in the world today is normally (i.e. in peace times) socialistic in this sense. Germany and England are the highest in the scale of contemporary socialism. India is almost at the bottom of the same ladder. (P. 119).

Communism, as understood today, involves the abolition of private wealth, private property, private capital and private profits. The communistic system in its only available form is represented by Soviet Russia. Here virtually the entire capital resources of the people are concentrated in the state. Communism may be described as communistic socialism or state-capitalism. It is fundamentally different from the socialism prevalent in all other countries. In contrast with the communistic or state-capitalistic socialism of Soviet Russia the socialism of other countries is to be called capitalistic, private-capitalistic or bourgeois socialism. (Cf. E. L. Hubbard: *Soviet Money and Finance*, London, 1936, and C. Clark: *A Critique of Russian Statistics*, London, 1937).

War-communism is not genuine communism. Every bourgeois country abolishes or modifies *laissez faire* and intro-

duces state control of the extreme type and even state-ownership, mostly temporary or provisional, in certain spheres during war conditions. The centralized influence of the state assumes the form of dictatorial etatization. The "rights" of private property and private capital remain, however, as safeguarded as ever. War-communism may be indifferently described as war-socialism. (Pp. 118-121).

The war effort has imparted to bourgeois countries some of the external features of Soviet Russia, namely, etatism, dictatorship, totalitarian control, centralization and bureaucratic domination. But nowhere has there been noticed any approach to the abolition of private property. All these countries have been carrying on their war effort in the bourgeois-socialistic way. The bourgeois-socialism of Indian administration is very weak and primitive. Price control, subsidies, adequate rationing, equitable distribution of goods and other advantages of centralized etatization such as are enjoyed by the peoples of full-fledged socialist states under war conditions have yet to make their appearance in India. (p. 119). The war-economy is compelling India to look forward to socialism as a powerful instrument of *arthik unnati* (economic progress).²¹ The shortcomings of the Indian economic structure reveal the lack of socialism as much as that of capitalistic modernization. One of the greatest lags in India, as inevitable in her present world-economic equations, lies in the field of socialism. (See *Infra*, Ch. V. the Section on "Planning, Communistic and Capitalistic").

21 The war-communism or war-socialism of England as of Germany and Japan has been well described in *World-Economic Survey 1939-41* (Geneva, 1941). See also W. F. Crick: *An Outline of War-Time Financial Control in the United Kingdom* (London, 1941).

The Supply Factor in Price-Mechanism

Some more intensive analysis of the price-mechanism is necessary. The index numbers of the "cost of living" (food, fuel and light, clothing, rent, and miscellaneous) since 1939 (the beginning of World-War II) are interesting. The base is being taken as 1929=100. India is being exhibited in the background of ten countries comprising a few neutrals. The figures within brackets at 1939 and 1942 indicate the indices for food prices as distinguished from the "general cost of living" (which comprises four items in addition to food).

The following table gives the index numbers as indicated above:²²

Countries	1929	1939	1942 (June)
Germany	100	82 (79)	90 (Aug.) (88)
Great Britain & Northern Ireland	100	96 (92)	122 (Sept. (105)
U.S.A.	100	84 (72)	96 (Sept.) (98)
Sweden	100	101 (100)	139 (June) (143)
Canada	100	83 (75)	97 (Oct.) (98)
Japan	100	123 (103)	149 (Aug.)
Turkey	100	71 (62)	125 (March) (147)
Australia	100	89 (89)	105 (May) (99)
New Zealand	100	98 (104)	109 (July) (110)
Spain	100 (1936)	154 (178)	248 (June) (319)
India	100	106 (114)	152 (June) (177)

The figures come down to the first, second or third quarter of 1942. In India the index for food price has risen from 114 to 177 during 1939-42 (June). In England the index is 105 (September, 1942) and in Germany it is 88 (August 1942).

²² *International Labour Review* (Montreal), January, 1943, pp. 126-131. See also the *Annuaire Statistique de la Société des Nations* (Geneva), Table 124 for the Index Numbers of Cost of Living.

It would be wrong to attribute the price-structure exclusively to the influence of socialistic administration, i.e., the pressure exerted by the state. The total supply *in esse* as well as *in posse* is not an unimportant factor in the mechanism of price-fixation. In spite of the socialistic price-control England has not been able to bring the price of food or cost of living down to the German index. The supply conditions in the U.K. are perhaps not as easy as in Germany. The British command of the sea does not appear to have succeeded in completely over-powering the German blockade against the U.K. Imports of food into the British Isles have presumably failed to be as large as desirable. The supply factor is undoubtedly important in regard to many countries, e.g., the neutrals like Turkey, Spain and Sweden.

Goods, Currency and Civilians

In regard to the dearth of civilian goods (including food-stuffs) in India the following factors have to be envisaged:

1. The paradox of war-economy,—the most fundamental in every belligerent and neutral in a war-ecology.
2. Exports to war-theatres and elsewhere.
3. Removal from threatened zones to safer areas.
4. Deficit in croppage.
5. Hoarding by profiteers and honest house-holders.
6. Anti-social and immoral practices such as may be believed to be ubiquitous but cannot be easily proven in a court of law.

The quantitative assessment of each of these items is possible only to persons in intimate contact with the Army General Staff, the semi-military branches of the Civil Administration, and business magnates. To the ordinary statisticians

and economic theorists most of these discussions are likely to be mixed up with speculation and guesswork.²³ The circumstances under which a dispassionate "weighting" can be undertaken do not yet exist. In the mean time the exigencies of the "war effort" are bound to dictate everything from the factual bazar prices to economic theorizings about price.

The dearth of civilian goods has been relatively heightened, as may be easily conjectured, on account of increments in the demand. For these increments in demand, again, war-effort is responsible. In the first place, the requirements of the military-naval-aerial *personnel* are very substantial and new factors on the demand side. Secondly, the war-industries have entered the market as new agencies in consumption through the millions of their new employees. These two items should not be underestimated.

On the currency side the expansion or inflation is legitimate and natural in order to meet the requirements of the war-employees and war-activities of the most diverse kinds. This expansion or inflation is being conducted also in the manner that is normally known to be sound and economic. There is as yet nothing sinister in this inflation-complex, so far as the currency theory and note-legislation are concerned. As long as the cover is legally and economically recognized as adequate the monetary side of the economic structure cannot be challenged.

The position of money or currency *vis-à-vis* goods does not appear yet to be mixed up with sinister or economically unsound items. Business expansion along the most multifarious channels

²³ See in this connection the discussions in H. W. Spiegel: *The Economics of Total War* (New York, 1942), chapter on "Food Stuff in the Military Economy."

is a reality. But the statistics of a considerable portion of this enlarged production-transportation-marketing complex are war secrets. They belong to the military economy. The price-structure of the military goods is not known to the civilian world. It is only a part of the total production-transportation-marketing complex,—the civilian part that can be posed against a very large part of the money in circulation. It is not surprising, therefore, that the quantitative theory of money,—simplistic as it is,—can be verified in the most palpable manner by the extraordinary rise in the price of civilian goods.

The war-economy is the *Gestalt* of four phenomena. One is the enlarged circulation of money. The second is the reduced supply of civilian goods. The third phenomenon, then, is the high price of the goods available to the millions of non-combatants. To counteract this third item England, America, Germany, Italy, Japan and other belligerents as well as neutrals have adopted the methods of totalitarian control. This control system is the fourth item in every war-economy. It comprises not only restrictions of all sorts but measures for providing the civilians with their requirements in a rationed manner as well as at reasonable prices. The supply of cheap goods to civilians is an item of war effort. It belongs normally to the system of economic control by the state. It is mainly this fourth item of the war-economy that is considerably lacking in the Indian situation at the present moment. In K. Brandt's "How Europe is Fighting Famine" (*Foreign Affairs*, New York, July 1941) we have a detailed statement about the rationing and other beneficial measures adopted by the European Governments in order to serve the people. Obviously, rationing is a great factor in the rationalization of resources and supplies.

Social Aspects of Inflation

In the economics of inflation understood as high price, the social consequences are not to be taken as invariably injurious. The effects on the diverse classes of consumers or producers and on diverse income-groups are not identical. Not every body or every class is an economic sufferer. Every economic phenomenon is indeed a class phenomenon. A re-distribution of wealth takes place on account of changes in price-structure. This is not necessarily harmful to the country as a whole, i.e., indifferently to all the classes of people at the same time.

Nay, it is often a very useful aid to economic dynamics. The democratization of *arthik unnati* (economic progress) is facilitated. The elevation of the standard of living of certain classes is likewise rendered possible because of this re-distribution of wealth. Every class-transformation is to a certain extent a positive social good.

But in the meantime the inconveniences and miseries are solid realities. They can be accounted for but can by no means be explained away. Fortunately enough, the doctoring of these miseries is possible. Whatever be their magnitudes,—they can be combated and are being combated everywhere, as would be apparent in *World-Economic Survey 1939-41* (Geneva, 1941). India also will have to follow suit.

The administrative machinery of India is inadequate. But she can still adopt measures calculated to mitigate the evils of bad and inadequate supply. The best of a bad case has yet to be made. The bringing down of high prices²⁴ in every conceivable manner as well as the organization of proper supply ("ration-

24 F. Benham: "War-time Control of Prices" (*Economica*, London, February, 1942).

ing'') for the teeming millions are primary functions of the Government at the present moment. The needs of civilians as consumers cannot be overlooked in any war-economy.

Antidotes to Monetary Inflation

In the twentieth century every money has two sides. The first is the side of metallic, gold or other covers as determined by law. The other side is that of its value in exchange for goods,—the prices of commodities.

So far as the cover is concerned, there is as yet no sinister inflation of currency in India as there is no sinister inflation in England, the U.S.A., Germany, Italy and elsewhere. No currency has dared violate the legal cover principle up till now. There has been no depreciation of currency from this standpoint.

In regard to the prices of goods the statistics of over fifty countries described in the *International Labour Review* for January, 1943 indicate that the indices have risen everywhere except in Canada, U.S.A., and Germany. India is not the *only* country of rise in price-index. Nor is India found to be the country of the *highest* rise in index. As against the Indian index of food-price in 1942 (177, June) Mexico had 186 (October), Palestine 198 (May), Spain 319 (June), Chile 332 (September), Iran 365 (May) and China-Chungking, 4,171 (April). Wherever there is a *general rise* in prices, we have to admit tautologically nothing but an increase in the supply of money. This does not prove anything substantial, because the increase in the supply of money, i.e., the expansion or supply of currency is the preliminary fact of the whole complex. The mere rise in the prices of goods—howsoever high they be,—does not establish automatically the sinister character of the

expansion or inflation of currency. No sinister inflation of money can then be admitted up till now.

The inflation is not sinister but legitimate, reasonable and sound, belonging as it does to the very nature or A.B.C. of war effort. But all the same, the inflated supply of money is an ugly social fact. The general rise of prices is not an agreeable phenomenon to many classes of citizens. Although, therefore, the inflation is inevitable, natural and necessary, its consequences require to be curbed, modified or counteracted. This is what has been done in Germany, England and many other countries where the price-index has been reduced to relatively low levels. On the one hand, the state has pumped millions of monetary units into circulation. On the other hand, these have been withdrawn from or restricted in circulation by the state itself.

The methods by which the circulation of money has been restricted and controlled are well known. The first method is direct taxation of the most progressive type. The other method is the state-directed compulsion on every earner to save a part of his or her wages and salaries. This is a new tactic in public loans or national debts. The straight floatation of loans is another method, albeit quite traditional. Both these methods prevent the businessmen as well as citizens in general from indulging in purchases and functioning as users of money.

Inflation is then neutralized by these methods. The supply of money *vis-à-vis* goods and services is automatically reduced in quantity. Prices tend, therefore, to fall. India will have to take recourse to these two antidotes to inflation in a comprehensive and systematic manner.²⁵ (*Supra*, pp. 118-119).

25 A. G. Hart: "Flexible Taxes to combat Inflation" (*American Economic Review* (March, 1942); *World-Economic Survey 1939-41* (Geneva, 1941).

CHAPTER IV

THE ECONOMIC RIDDLE OF COMMUNISTIC SOCIALISM

The Non-Competitive Economy of Soviet Russia

In the previous chapters we have dealt with the equations of world-economy in a concrete and realistic manner. Some of the treatments have been topical. In other discussions the regional method has been followed. Aspects of the theory of *arthik unnati* (economic progress) have been elucidated with illustrations from topics as well as from regions. It has been noticed that Soviet Russia's experiments and achievements have come in off and on almost automatically. The reason for this is obvious. The place of communism, as factually embodied in the Bolshevik system, in the general theory of *arthik unnati* cannot be overlooked in any scientific study of world-economy. On account of the military triumphs of defensive war against German advances during the two winters of 1941-43 Sovietic economy has already elevated Russia to the rank of a great techno-industrial power. Communism forces itself therefore on our attention by the side of traditional economic systems in every scientific analysis of economic progress.

In every study of the equations of comparative industrialism and technocracy it is worth while to examine the facts and phenomena of Soviet Russia such as have bearings on economic transformation. It has been pointed out, that so far as methods of economic transformation and reconstruction are concerned, it is hardly possible to make any distinction between the Sovietic and the non-Sovietic worlds. The identities, equations

and similarities are profound. But there is one tremendous and epochmaking distinction. This is to be found in the activities constituting the abolition of private capital and private profit. It is communism that makes the *differentium* between the social processes and relations of the bourgeois regions and those of Soviet Russia. In the world today (since 1917) there are two socialisms. One is bourgeois or capitalistic socialism. The other socialism is communistic or non-capitalistic. It is communism. The communistic socialism of Soviet Russia continues to be a riddle to economists, whether socialistic or non-socialistic. (*Supra*, pp. 133-134).

The economy that has been established in Soviet Russia is one of the greatest embodiments of creative endeavour conceivable in human affairs. The state is the only capitalist and the only "profiteer." It is also the only producer.¹ No individual can possess capital, and no individual can function as the producer of goods for the market. The term, cash or money, as normally understood, has therefore ceased to exist in the Soviet dictionary. The negation of money as an economic category is one of the marvels of economic theory as well as of economic history. *In so far as these are facts*, we can believe, that the holding of cash or attempt at saving by private citizens is meaningless. No future investment is possible. If there be any cash or saving left somehow with anybody it has got to be used immediately,—say, in the course of a year,—to purchase

1 L. E. Hubbard: *Soviet Money and Finance* (London, 1936), p. 202. See the chapter entitled "In Place of Profit" in S. and B. Webb: *Soviet Communism: A New Civilization?* (London, 1936), Vol. II, pp. 697-804. For a recent survey of a general character W. Cartoll's *We're in this with Russia* (Boston, 1942) is recommended.

current output. To all intents and purposes the Soviet regime is almost a barter-economy on a continental scale.

All these and the following observations are based on the hypothesis that no non-communistic items are surviving in Soviet Russia. My interpretations are to be taken as subject to this fundamental limitation. Every proposition that looks sweepingly general is to be taken in a modified manner. Besides, since my orientations are thoroughly pluralistic in every field, the question of an extremist monism can never arise in connection with my reactions to Soviet Russia. Exceptions and modifications are to be understood as a matter of course.

Another item of the good realized by the economic system of Soviet Russia may be described as follows: In this socio-economic pattern no individual can possibly spend his income on more goods and services than can be consumed at once.² Nobody can own a big house and grounds with servants nor a private yacht, etc. At the most the rich man can buy a piano or fur-coat or spend a few days in a luxurious hotel. But the prices charged of him are much beyond what it costs the state to supply the luxury-goods. As Soviet Russia has 170 million inhabitants the social theory runs to the effect that every Russian's claim on the state amounts on the average to about 1/170 millionth of the total yearly flow of consumption-goods.

The socio-economic pattern of Soviet Russia renders private or individual saving superfluous. The requirements of the invalid and the aged persons are taken care of by the state. Needless to observe that invalidity and old age are two of the greatest risks of human beings.³ In case these two risks

2 Hubbard, p. 187.

3 *Ibid.*, p. 182.

can be borne by the society, the individual is bound to feel totally secure and dispense with savings against the rainy day. As pointed out in my *Social Insurance Legislation and Statistics* (Calcutta, 1936), social insurance is the greatest single achievement of industrial civilization. This achievement of bourgeois socialism has been carried over to communistic socialism by the statesmen of Bolshevik Russia. By no means, however, should this kind of social legislation be thoughtlessly exhibited as something specific or as a differential achievement of the Sovietic system.

The "collective" and "individual" cultivators are compelled to deliver 25 per cent. of the output to the state. The price paid by the state to these cultivators is low but not so low that they have to starve.⁴ The state, however, charges very high prices when it re-sells the crops. But the prices at which they are re-sold are not so high that the people cannot buy. The bazar prices, if this category should at all be employed in the Soviet economy, depend entirely on what the state considers to be the requirements of cultivators and the other citizens. (Cf. Baykov in *Economica*, February 1941).

Price as understood in Ricardian (classical) or neo-Ricardian (neo-classical) economics does not exist in Soviet Russia. It does not depend on demand and supply. It has nothing to do with the cost of production. The amount of production for the entire country is fixed by the state without reference to expenses or requirements. The consumption is likewise fixed for each individual by the state. There is no buying and selling as commonly understood. Nobody can buy more than a fixed

4 Hubbard, pp. 272-273.

quantity.⁵ Prices are fixed by the state arbitrarily, *i.e.*, without reference to the labour, materials and other costs of production. The goods and services supplied to richer individuals are, as we have seen, charged exorbitant prices, *i.e.*, fancy prices fixed at the discretion of the state.

The wages and salaries are likewise arbitrary. They are fixed in such a manner that every individual can meet two kinds of expenses. First come the expenses of consumption, *i.e.*, the prices of goods and services required by him. In the second place, there are taxes, postage, loans, subscriptions, etc., which every individual must make to the state.⁶ The Soviet economy is a profitless economy in the sense that profits of the producer or *entrepreneur* belong automatically to the state. By all means does some profit accrue. But no private person can appropriate it. "Institutional economics" of the most extreme and totalitarian type has its embodiment in the non-competitive economy of Soviet Russia. It is here that we encounter "planning" or "planification" in its specifically modern sense.

In keeping with the other parts of the Bolshevik socio-economic *Gestalt* the currency (or money) also is entirely arbitrary. The question of a standard does not arise because the state manages it and because this currency cannot be used for foreign purposes. The entire foreign trade is the business of the state and along with it the currency for foreign trade,—namely, gold. The cover for the currency is likewise not an important affair because the individuals do not have to hoard it or use it as an instrument for saving. No saving is conceivable. The state issues exactly that amount of currency which

5 Hubbard, pp. 178-182.

6 *Ibid.*, p. 69.

is likely to meet all the wages and salaries.⁷ These wages and salaries are, as we have seen, so regulated that they are enough to cover the prices as well as the taxes. (*Supra*, p. 32).

It is obvious that money in the sense understood by orthodox economic science of the last generations does not exist in the Soviet economy. It is nothing but a symbol or common denominator to facilitate the distribution of resources. Under these conditions of a fictitious and state-dictated medium of exchange Soviet economy may for all practical purposes be regarded as a barter-economy, as it were, more or less uniformly governing one hundred and seventy million human beings. This is an inconceivably extraordinary phenomenon.

We may believe that the German economist Knapp's *Staatliche Theorie des Geldes* (The Statal Theory of Money, 1905) has found an application in Russia. According to Knapp money has no intrinsic value but possesses the one that the state chooses to attach to it. A quantitative theory of money is unthinkable in the Utopian conditions of the Bolshevik regime. Value in every form and in every sense—wages, rents, prices—is determined by the will of the state and in accordance with its conception of what the individuals should demand and what they ought to supply.

In Soviet Russia two orders of facts are to be kept separate from each other for scientific analysis. The first is the actual industrial and technocratic indices. The second is the phenomenon of communism. The values of communism as a socio-economic and political system are to be sharply distinguished

⁷ Hubbard, p. 69; Carroll, p. 214; Clark: *A Critique of Russian Statistics* (London, 1939), pp. 1-4; and Baykov's paper in *Economica* (London, February, 1941).

from the economico-technocratic and socio-economic transformations. The Russian equations of today ought not to be necessarily linked up with communism as an economico-political institution. (*Supra*, pp. 49-54).

The Theory of Communistic Economics

Perhaps it is not without significance to note that the Soviet pattern has followed to a certain extent the very fundamental principle of Fichte's *Der Geschlossene Handelsstaat* (Closed Commercial State, 1800).⁸ In that book this German philosopher of nationalism, freedom and state-socialism declared his economic policy to the effect *dass der Staat vor allem Handel des Auslandes sich gänzlich verschliesse* (that the state first and foremost entirely close the foreign trade).

The principle of this closing of foreign trade by the state has been carried out in Soviet Russia by completely nationalizing or monopolizing it, *i.e.*, preventing the people from having any trade with foreign countries. The variation from Fichte's programme must not be ignored, however. But one aspect of the totalitarian abolition of foreign trade envisaged by Fichte is observable in the Bolshevik state. The currency of Soviet Russia is not in any way connected with that of foreign countries. It serves its own internal purpose and is regulated without reference to the international money (gold and silver). It is interesting that in this regard also Fichte's basic philosophy has been applied by the Bolsheviks to practical statesmanship.

In Fichte's system the most decisive factor is the abolition of the *Weltgeld* (world-money or international money), the

⁸ See the edition of 1922 (Leipzig, Meiner Co.), pp. 6, 90, 99, 103, 111, 123.

withdrawal of gold and silver from circulation, and the establishment of *Landesgeld* (local or national money) without reference to gold or silver. I am not trying to establish an equation between the ideologies and institutions of the Bolshevik economists and the speculative abstractions of Fichtean idealism. But that the idealistic Utopia of 1800 threw out certain suggestions which it has been possible to work out in the practical Utopia of Soviet communists may not be doubted.

Those who have not seen the Russian financial system in operation can hardly visualize to what extent and within what spheres the competition of orthodox economics is still perceptible in the Soviet economy. I have not been in Soviet Russia and do not know the Russian language. There is, therefore, every chance of my being misled by Anglo-American or Franco-German propaganda. A few doses of competition in certain limited fields may not be entirely lacking. But scientifically speaking, the situation described above would justify F. A. von Hayek's position in *Economica*⁹ (London) to the effect that competitive economy and the Soviet economy are two distinctly separate patterns.

The farthest removed from this economy is that which, in spite of large doses of state intervention, has been introduced in England. In "The Strength of Democracy"¹⁰ Donal Tyerman attempts to establish that in England "democracy has proved to be no less state-minded than dictatorship." In his analysis the "characteristic English attempt to institute state supervision and control without abandoning the healthy

9 May, 1940 ("Socialist Calculation—The Competitive Solution"); Feb. 1941 (Baykov on "Industrial Production in the USSR").

10 *Lloyds Bank Ltd. Monthly*, London, September, 1938.

stimuli of private enterprise, competition and private risk-bearing has created a state very different from the *laissez faire* fiction which is so often contrasted disadvantageously with the controlled economies of other countries." Be it observed at once that Sovietic economy is entirely unintelligible in the categories of Tyerman. There is no parity or equation possible between the thoroughly non-competitive economy of Soviet Russia and the few doses of "institutional" control envisaged by Tyerman in his picture of bourgeois state-socialism as developed in the U.K.

Nor is E. Durbin's *Politics of Democratic Socialism* (London, 1940), in spite of its attempts at understanding Leninism, calculated to exhibit the real achievement of the Sovietic economy. The revolutionary departures consummated by Soviet Russia from the conventional track of socialistic *étatisme* are tremendous and too radical to be comprehended by the complacent ideologies indulged in by the Labour Imperialists of Eur-America. It is, altogether, a clean slate on which Lenin wrote the new A.B.C. for *homo œconomicus* as well as for man as a political animal. Even Leninism II,¹¹ as developed by its manager, Stalin, cannot likewise be comprehended in terms of the conventional non-communistic socialism.

The socialist regime established in England in pre-1939 years as well as under the totalitarian conditions of the so-called war-communism is but an instance of what is known as "partial socialization." Tyerman and Durbin have gone far enough for this partial socialization. This is, however, the farthest removed from the complete socialization consummated by the

¹¹ "Stalin as the Manager of Leninism No. II." in B. K. Sarkar: *Political Philosophies Since 1905*, Vol. II. Part I. (Madras, 1942).

Soviet economy. The German economist, Lefmann, has made it perfectly clear in his *Geschichte und Kritik des Sozialismus* (Leipzig, 1922) that partial socialization "in no way alters the present-day economic order." The traditional economist will likewise have to agree with L. von Mises, when he, as quoted by another German economist, Georg Halm,¹² points out in *Kapitalismus und Sozialismus* that under conditions of partial socialization the "essential characteristics of the socialist economy cannot appear at all" because the general economic pattern of the society is that of "uncontrolled" commercial activity.¹³ The few doses of "institutional economy," i.e., etatistic control do not introduce the negation of private and competitive economics. (*Supra*, pp. 118-121, 133-134, and *Infra*, Ch. V., the section on "Planning Communistic and Capitalistic").

The achievements of Soviet Russia in the economic sphere cannot be appraised at their proper worth and indeed even understood unless one is prepared to make a sharp distinction between the ordinary socialistic economy and the communistic economy. The differences have been correctly exhibited by Halm in his paper on "Further Considerations on the Possibility of Adequate Calculation in a Socialist Economy" published in *Collectivist Economic Planning*.¹⁴ Be it observed, however, that Halm is neither a communist nor a socialist. His economic analysis is in my judgment acceptable in theory.

¹² "Further Consideration on the Possibility of Adequate Calculation in a Socialist Community" in *Collectivist Economic Planning*, ed. by F. von Hayek (London, 1935), p. 190.

¹³ Jena, 2nd edition, 1932, p. 98.

¹⁴ Edited by F. A. von Hayek (London, 1935), pp. 133-135, 136-138.

The facts and interpretations of the Soviet economy such as have been offered by me in the preceding pages would but be a confirmation of what Halm believes. "Where, as in Soviet Russia under the Five-Year-Plan," says he, "the state is governed in such a way that the provision of the people with even the necessaries of life becomes almost a matter of indifference, the purely economic point of view ceases to be relevant." Classical or neo-classical economics, as I have pointed out above, cannot have Soviet Russia as its field for illustrations except as instances of "non-economic" forces or motives and activities. Soviet economics is the economics of "imperfect competition" consciously carried out in a totalitarian manner. It is "institutional economics," pure and undefiled.

The Swedish economist, Gustav Cassel, in his *Theoretische Sozialökonomie*¹⁵ takes the view that in the centrally and rationally organized socialistic economy, the cost principle would in fact have to be adhered to much more closely than is possible in the existing economic order. The idea is (1) that even without market, competition and the processes associated with them there is a mathematically calculable equilibrium price of the means of production, and (2) that this theoretically determined pricing system has a universal objective validity and can be applied under any conditions. This conception of price is too abstract and rigid. It serves only to define price as something formal, as a logical category. But this ideal price scheme cannot be identical with the actual price in an economy. Halm¹⁶ is right when he opposes this view and asserts that

15 Leipzig, 1927, p. 115.

16 *Collectivist Economic Planning*, ed. by F. A. von Hayek (London, 1935), pp. 184-186, 188.

prices cannot be determined in the socialistic economy according to the principle of cost. In any case, as he says, prices cannot be calculated with the help of the equations or mathematical formulæ. Equally acceptable is his position that a pricing process determined by the value-scales of individuals is irreconcilable with an arbitrary programme of production.

Be it noted, *en passant*, that the category, "collectivist" or "socialist," as employed by these authors as well as in von Hayek's publication is roughly equivalent to my category, communism as totalitarian state-capitalism. It is not identical with the conventional bourgeois-socialism prevalent more or less every where. (*Supra*, pp. 118-121, 133-134).

*Von Hayek's "Rational" Economics
on Economic Planning*

In the chapter entitled "The Present State of the Debate" of *Collectivist Economic Planning* (pp. 204-205) von Hayek¹⁷ cites Brutzkus's *Economic Planning in Russia* (London, 1935) in support of his contention that planned economy is an economic failure. The "possibility of successful planning" is questioned by him as an economic theorist on the evidences of the data furnished by Brutzkus from the Russian experiment. I have already cited one of Brutzkus's German papers. He finds, as we know, the achievement of the first five-year plan very defec-

17 In totally fundamental contrast with von Hayek other German economists, *émigrés* in U.S.A., e.g., G. Means, G. Colm, O. Nathan, E. Lederer and A. Feiler are in favour of state control. Their papers are to be found in *Government Control of the Economic Order* edited by B. E. Lippincott (Minnesota, 1935).

tive. (*Supra*, "Soviet Russia by the Great Power Standard," pp. 52-54).

The same interpretation is accepted by von Hayek when he says: "The best tractor factory may not be an asset, and the capital invested in it is a sheer loss, if the labour which the tractor replaces is cheaper than the cost of the material and labour, which goes to make a tractor, plus interest." He finds "excessive development of some lines of production at the expense of others and the use of methods which are inappropriate under the circumstances." Another sign of the lack of success is to be encountered, he thinks, in the "overdevelopment of some industries at a cost which was not justified by the importance of their increased output." According to von Hayek one can "see unchecked the ambition of the engineer to apply the latest developments made elsewhere without considering whether they were economically suited in the situation." In his judgment the "use of the latest methods of production, which could not have been applied without central planning, would be a symptom of a misuse of resources rather than a proof of success."

The data furnished by Brutzkus are perhaps quite authentic. Indeed, the *Statistical Year Book* of the League of Nations may also be cited, e.g. that for 1937-38 (pp. 182, 196). With 1928 = 100 the index of machine-production in Soviet Russia, rose continuously without break up to 1268 in 1936. The number of automobiles produced in 1928 was 1,000 but in 1937 it was as high as 200,000. Similarly in 1928 the tractors produced were 1,400 in number but in 1936 reached the figure 116,000. These are instances of "misuse of resources," over-industrialization, over-mechanization, so to say, in accordance

with certain ideologies. (*Infra*, "Investment Goods vs. Consumption Goods"; cf. Clark: *Critique*, pp. 49, 68).

As economic theorist, von Hayek has offered the interpretations of *économique rationnelle*, i.e., "rational economics." There is nothing objectionable in such methods of interpretation. Pure economics, the science of unhampered competition, knows nothing but rationality. As rational economist, von Hayek places before himself two legitimate tests of success. The first is the "goods which the system actually delivers to the consumer." The second is the "rationality or irrationality of the central authority." In economic studies and investigations we are used to this kind of reasoning. It is indeed on such postulates that economics functions as a science. In rational economics nothing but freedom of enterprise and thoroughness of competition can have a place.

And yet it is questionable if the rational interpretations are reasonable in the "ordinary" sense of rationality. The phrases like "misuse of resources," "sheer loss," "unchecked ambition," "over-development," etc., are perhaps to a certain extent justified from the "purely" economic viewpoint. But they may not be justified if we understand rationality as something not exclusively confined to the profit-loss calculus of the *homo oeconomicus*. Once we remove the category, "rational," from the "technically" economic or hedonistic domain and employ it in the larger sense of serviceable or useful in the comprehensive programme of life, the data furnished by Brutzkus may not have to be interpreted as symptoms of "sheer loss," "misuse," or "over-development." Besides, *even hedonistically*, a short-period loss may turn out to be a gain *in the long run*. Instances of temporary withdrawals or strategic retreats

combined with ultimate victory are well known in military operations. Their analogues in economic and other affairs are too numerous to be overlooked in social science.

If hedonism, or economic rationality, *i.e.*, the doctrine of minimum efforts and maximum gain were to be the criterion many economic or financial policies normally undertaken by a state would have to be described as "sheer losses," "unchecked ambitions," or "misuses of resources." Experiments connected with the efforts to industrialize an agricultural region, or to introduce untried crops or their new varieties among the farmers of a country always involve financial losses. The tariff policies of virtually every region have often been guided by motives which economically have spelt nothing but wastes and mis-directed energies. Hardly any patriotic venture to raise the technocratic *niveau* or socio-economic standard of a region has been a hedonistically rational, *i.e.*, profit-yielding business proposition. In very many spheres of life, including the material, financial considerations do not play the predominant rôle. Sheer losses, unpaying concerns, wastes have often to be undertaken in a deliberate manner. It is only in this sense, perhaps, that the Soviet economy can, if at all, be described as something irrational, unsuccessful, or uneconomic. (*Supra*, "Lag not identical with Wastage or Loss," pp. 88-89).

On a short-period view these outlays (like war-expenditures) have to be treated as losses from hedonistic considerations. They may even be appraised as "unproductive" like certain forms of unproductive labour assumed in economic text-books. But they have to be accepted at the same time as positive gains, contributions, services or achievements from non-hedonistic view-points. Even from hedonistic view-points, however, these

measures may have another appraisal if the mind be free enough to think beyond the day to day or weekly estimates and annual budgets, *i.e.*, short-term results. In long-period valuations, not many of these efforts, measures, policies or plannings are likely to be appraised as losses or failures and therefore irrational or uneconomic.

Alleged Wastes Under Communism

The criticism of the totalitarian planned economy of the Soviet regime from an exclusively economic view-point is not perfectly reasonable. The equations of world-economy or the comparative indices of technocracy and industrialism are not the sole considerations about Soviet Russia. The Soviet economy is as yet by nature non-economic. Exactly when it may grow into a really economic system it is difficult to guess. But even under the third five-year plan (1938-42) the system is not calculated to allocate the economic resources with a view to "minimum expenses" and "maximum returns." The perfect methodology of the *homo œconomicus* cannot function in this regime. It is consciously going in for those methods which are relatively more expensive and less remunerative. The explanation is obvious, depending as it does on the very nature and content of the Bolshevik regime. (Cf. Baykov: "Industrial Production in USSR" in *Economica*, London, Feb. 1941).

There is undoubtedly economics in the Bolshevik revolution. But a monistic "economic interpretation" or the exclusive ideology of *arthik unnati* (economic progress) cannot explain this revolution. The first important fact about it is that it is a political revolution. And the second important fact about it is that it is a social revolution. The political and social aspects are

the two special contributions of the Soviet regime. Industrial expansion, mechanization, technocratization, rationalization, planification, centralization, etatization, etc., these are not specific Bolshevnik patents. They belong to the paraphernalia of world-capitalism, especially in its adult phases. So far as these items are concerned, it has been pointed out several times that Soviet Russia's achievements are great by the standard of Czarist Russia but rather modest by the standard of the "adult" industrial-technocratic powers. This evaluation is in keeping with my "equations of world-economy."¹⁸ (*Supra*, "The Meaning of Soviet Russia's Economic Indices," and "Soviet Russia by the Great Power Standard," pp. 49-54).

Incidentally be it observed that July 21, 1941 was celebrated as the "Soviet day" by some of the journalists, advocates and intellectuals of Calcutta: The manifesto issued by them made liberal use of the material furnished in Sidney and Beatrice Webb's *Soviet Communism a New Civilisation?* (London, 1936). But it is curious that this manifesto fought shy of communism and Marxism and merely eulogized the scientific, industrial, technical and educational achievements of the Bolshevniks. Evidently this kind of appreciation might be conferred on any and every country that has tried to modernize itself. By no means does this manifesto do justice to *the one thing* for which the Sovietic regime is especially worth while, namely, communism as embodied in the two revolutions, political and social. In case Soviet Russia be held up for admiration

¹⁸ This interpretation of the actual developments in Soviet Russia may be verified and confirmed by reference to Carroll, who observes that the "Soviet standard compares very poorly on the whole with the American" (*We're in this with Russia*, Boston, 1942, p. 220).

on account of the activities which have become commonplace in the socialistic legislation of the two hemispheres since Bismarck introduced social insurance and other forms of state socialism it would be but betraying a lack of understanding in regard to the contributions of communism as distinguished from socialism. (*Supra*, pp. 133-134).

Whatever be the value of the total industrial-technocratic achievements of Soviet Russia, they are not the only or even the chief features of the Bolshevik revolution. The really characteristic features have to be appraised adequately in every scientific estimate. Even without having political affiliations of any sort the objective student of Soviet Russia should not fail to point out that communism is its *differentium* from all other countries, socialistic or otherwise. My reactions to Soviet Russia as to other countries or to political programmes in general at home or abroad are purely academic. They have no party affiliations and are to be treated as entirely non-political and impersonal.

The political revolution of the Bolshevik regime has transferred power, prestige and position from certain conventional individuals, families or groups to altogether new individuals, families or groups. The achievement of the Bolshevik regime in the political revolution is perhaps fairly complete and totalitarian. The large numbers of discontented and suppressed as well as depressed individuals, families and groups of the old pattern are being ignored for the time being in this statement. For some time they are not likely to be in a position to open their mouths. The Russo-German war (since 22 June, 1941) may create new situations and furnish opportunities for the self-assertion of the suppressed non-com-

munists and anti-communists. On the other hand, those individuals and groups belonging to the poor and the pariah classes who have got their first chances in life to rise as industrial experts, technical leaders and military-naval-aerial chiefs are likely to be the staunchest champions of the Bolshevik regime. And their name is legion.

The objective of the social revolution in the Bolshevik regime is to liquidate the old proprietors of economic resources and create new proprietors. This liquidation combined with recreation is being consummated in and through the abolition of private capital-profit-savings and the establishment of state capital-profit-savings.

It is the poor and the pariah,—*i.e.*, those classes who in conventional economics, politics, biology, eugenics and sociology are considered to be “unfit,” incompetent, worthless, dysgenic and unqualified—that are being elevated inch by inch to higher economic, social and political levels. Training and education cost money. The expenses for the manufacture of experts in different lines have to be paid. The factories, workshops, farms and other business establishments in and through which the illiterates, unskilled workers and peasants are being built up as engineers, chemists, agrar-technicians, industrial leaders, military-naval-aerial experts and so forth cannot therefore afford to show tempting results in the balance-sheets of dividends and profits. The entire country of teeming millions is at school, so to say, and no schools or educational institutions are economically paying propositions. This is the most fundamental consideration in the economics of political and social revolutions as embodied in the Sovietic regime. It is not to be overlooked in any comprehensive and realistic analysis.

This social revolution requires to be analyzed by the economist rather carefully. As long as the economic motive is to annihilate the old proprietary foundations, the success of the Soviet economy is to be examined just in this particular sphere and not in the conventional spheres known to the economist. It is not necessarily the technically, intellectually or otherwise most competent individuals or groups that the Bolshevik regime is anxious to render prosperous. It is those individuals or groups that otherwise would hardly have the chances to taste any the least prosperity which are being consciously and deliberately elevated to the positions of relative opulence and culture. Discrimination is being planfully exercised by the Soviet regime against those individuals or groups that normally, *i.e.*, if left to themselves, might monopolize the economic resources. An economic system like this is not out to deliver the goods at the "cheapest rates" or incur the "least wastes" or "minimum expenses." "Imperfect competition" of the most extreme type is the *sine qua non* of this economics.

The charge against the Soviet economy that it is a system of greater wastes, higher costs, lower returns and more expensive goods or services than the bourgeois or competitive economy is, therefore, irrelevant. The wastefulness of this system by the ordinary capitalistic standard is to be taken for granted for some long time yet. The presence of non-economic values in the communistic economy sets the frame and limits within which the equations of world-economy can possibly manifest themselves for the time being.

Similarly the Bolshevik regime does not care to invest the country's resources exclusively in those enterprises for which there are natural or traditional advantages in Russia. Its ambi-

tion is to develop those other lines along which the energies and resources of the men and women of Russia, if left to themselves, would never be directed. It is not the line of least resistance that the Soviet regime has cared to follow in agriculture, manufacture and commerce. Accordingly the last thing to look for in the Soviet economy is "economizing," the avoidance of wastes, the establishment of profitable enterprises, etc. The charge against the Bolshevik regime that it has been frittering away the Russian resources in hyper-industrialization, the production of *Produktionsmittel*, i.e., of producers' goods, tools and machines, tractors, automobiles, aeroplanes and such other "luxury articles," and neglecting the adequate supply of consumers' goods is therefore another irrelevant criticism of this economy. It is part and parcel of the social revolution aimed at by the Bolshevik regime to promote for a certain period those economic activities which, normally speaking, have not attracted the Russian investors of the capitalist regime.

The fact that in the Russo-German war (since 22nd June, 1941) the German commanders are admitting the powerful resistance offered by the Russian army is proof positive that the hyper-industrialization and super-technocratization promoted by the five-year plans have been justified. The existence of a relatively low standard of living and the relative paucity or shortage of consumption goods have not harmed the Russian masses enormously. (Clark: *A Critique of Russian Statistics*, London, 1939, pp. 49, 68).

The two sides of the shield,—the achievements as well as the shortcomings,—are visualized by A. Baykov in his paper, already referred to several times, on "Development of Industrial Production in USSR" in *Economica* (London, February, 1941).

His interpretation of the two five-year plans is realistic and reasonable. The manner in which he has presented the *milieu* of the third five-year plan exhibits a proper understanding of the problems of economic dynamics. The goalward *arthik unnati* (economic progress) of Soviet Russia has been objectively exhibited in this paper.

*"Institutional Economics", Communistic
and Capitalistic*

In the competitive economies of the bourgeois world such phenomena of "institutional economics" are perceptible in diverse fields. In "The Theory of Wages in the Light of Social Insurance and Public Finance" (*Indian Journal of Economics*, Allahabad, July, 1936) I have pointed out that the wage systems of today are uneconomic or non-economic. The wage rates are not determined exclusively by competition, demand and supply, or the total costs, etc., as we generally believe. As long as the workingmen's premia for sickness, unemployment, old age and other forms of social insurance come in part from the state both the workingmen and the employers assume, so to say, the character of the "pupils" or wards of the community. The wages as well as dividends are thereby endowed with "institutional" and at any rate non-economic characteristics. The rates do not happen to be what they are because the natural or competitive conditions of the market determine the marginal productivity or utility in a particular manner. They depend chiefly on the fact that the society through the government wishes that certain enterprises have to be carried on by private investors, employers and businessmen in the interests of the country. The more significant fact in this pattern is that in order to enable the

business to function the bourgeois state is prepared to subsidize them indirectly by offering premium grants for the workingmen's social insurance, and thereby relieving the employers of the burden of paying adequate wages. It is not only workingmen that are protected or subsidized by the state in and through this system of "imperfect competition" as embodied in social insurance, but the financiers and capitalists as well. From top to bottom contemporary capitalistic or bourgeois economy is profoundly non-competitive, "institutional" or uneconomic in character.

The entire Soviet economy may be regarded as a huge all-comprehensive and totalitarian embodiment of this principle of state-financed social insurance as obtaining in the capitalistic-competitive-bourgeois economies. Certain groups of men and women are being paid wages or salaries in Soviet Russia at certain rates without reference to the returns from their services because the Bolshevik state recognizes the claims of those groups as a necessity of the community.¹⁹ In the same manner certain industries, trades and agricultural occupations are being financed in Soviet Russia without reference to their worth as paying concerns because the Bolshevik state considers these enterprises to be the national requirements of the Russian people.

Another illustration may be found in the war-economies of bourgeois states. During war conditions it is military necessity that dictates every item in the national economy. Roads, railways, canals, farms, industries, trades, banks, business houses,—everything is created, remodelled, demolished, or rationalized

¹⁹ See the Section on "Payment according to Social Value" in S. and B. Webb: *Soviet Communism—A New Civilisation?* (London, 1936), Vol. II. pp. 712-715.

with a view to the supreme demands of war. Exactly how much of these activities, transactions or enterprises is economic, *i.e.*, rational in the hedonist calculus of the *homo æconomicus* is a matter for lengthy debates. Anti-war parties in every state do not refrain from challenging the utility or economical worthwhileness of many of the financial outlays which the war-authorities undertake. One of the greatest charges against the expansion or inflation activities in currency-*cum*-price complex is just this argument of unnecessarily high salaries or wages thoughtlessly sanctioned by the state to new employees. Every state is practising this inflation in employment, money and remuneration. (*Supra*, pp. 114-116). The only reply to such anti-war or anti-inflation economic ideologies is military necessity, which functions by suspending the "rational" economy.

In Soviet Russia, likewise, it is the demand of the social revolution that dictates everything in the economic system from the starting of a tractor factory to the abolition of the individual *moujik* (peasant) farm. The economist, armed as he is with his Ricardian or neo-Ricardian mathematics, is sure to find many of these Sovietic enterprises as tissues of wastes, losses, incompetent managements, uneconomic activities from top to bottom. But there can always be one reply from the Bolshevik regime. It is the interest of the social revolution that is being furthered by all these means, wasteful although some of them may appear to certain eyes. While discussing the investments or payments from the standpoint of "social value" it is not necessary, of course, to justify real wastes, *i.e.*, reckless losses, destructions, etc., brought about by negligence, sabotage, or unskilled management. Such wastes may be controlled and remedied as a result of training, experience, discipline and cumulative activity.

To this aspect of wastes in the first two *Gosplans* Soviet statesmen are quite attentive. The prevention of such wastes belongs to the methodology of the third *Gosplan*, as we understand from Baykov's paper in *Economica* (London, Feb. 1941).

Wealth, Economic and Non-Economic

The student of the equations of comparative industrialism and technocracy cannot, in any case, afford to ignore some of the non-economic values already developed in the Soviet regime. In the first place, a very large number of men and women may be taken to have acquired self-consciousness and individuality on account of the new methods of living associated with industrialism and technocracy. The standard of living of poor and pariah families may likewise be taken to have been raised under this system. The individuality and the higher standard of life have certainly promoted a new *morale* and a novel orientation to mankind and the universe. What ought to be described as a new spirituality is undoubtedly pervading the thoughts and activities of many peasants and illiterates. The impact of this *morale* and spiritual force on the fighting aptitudes and military strength of certain sections of the soldiers and officers should have to be counted as a positive fact. And this is independent of the consideration as to whether or not such sections are confirmed socialists or communists.

Secondly, however dictatorial the leaderocracy of Soviet Russia may happen to be, there is no gainsaying the fact that millions of men and women have got acculturated to discussions, debates, conferences, criticisms and counter-criticisms of public questions of the most varied character. Government by discussion has become a reality in the social ecology of Russia under

the Bolsheviks. From the meanest village soviet up to the highest praesidium of the cosmopolis there is no rung of the political, constitutional or administrative hierarchy where men and women are not habitually called upon to discuss in meetings or conferences. This is a kind of democracy which was unknown in the encyclopædia of public life in Czarist Russia. Bolshevik Russia is a subcontinent of legion or myriads of popular assemblies, committees, commissariats, commissions, councils, boards, and so forth.²⁰ This democratic background of the new society established by the politics of Soviet Russia will have to be appraised at its proper worth while estimating the military value of the Bolshevik troops and generals. This also is to be treated as something independent of the socialistic or communistic economic ideologies.

Last, but not least, must be mentioned the intensification of the traditional patriotism, love of fatherland or nationalism of the Russian people. Although theoretically unassimilable to the Marxist ideologies of class-struggle and international proletariat without fatherlands, nationalism or patriotism has perhaps never been crushed or eclipsed in the Soviet regime. Rather the students of social metabolism might not be very far from the truth if they were to believe that like Pan-Slavism and Westernism of the nineteenth century, Bolshevism (communism) is but one of the Russian forms of nationalism, being indeed the latest. Or, in any case, whatever may have been the tenets of Marx or Lenin in regard to nationalism *vis-à-vis* class-struggle, socia-

²⁰ For "Democracy in Soviet Despotocracy" see B. K. Sarkar: *Political Philosophies Since 1905* (Lahore, 1942) Vol. II. Part II; cf. S. and B. Webb: *Soviet Communism* (London, 1936), Vol. I.; see the diagram of administrative structure, pp. 460-461.

lism, communism or *Proletkult*, the Stalin regime since 1924 has been systematically promoting the cult of the country or the homeland, the war against enemies, the nation's heroic past, and the glories of Russian language, tradition, achievements and culture in no ambiguous manner. There can be no equation between Stalin and Lenin in this regard.

Soviet nationalism manifested itself in patriotic pride in the achievements of the first five-year plan (1928-32). About that time Russian workingmen, engineers and publicists felt convinced about their national mission in the world. Love for their home-land became a passion with them. According to M. T. Florinsky,²¹ it was nationalism that won the day and became the cornerstone of domestic and foreign policies. By 1937 the Comintern ceased to be the organ of the international proletarian revolution but was transformed into an instrument exclusively of Russian foreign policy, as says F. Borkenau.²² "Patriotism," "fatherland," national heroes, Pan-Slavic ideologies, "Great-Russian" sentiments and such other items as used to be condemned as bourgeois, capitalistic or counter-revolutionary were re-introduced with vengeance by the press, the radio, the cinema and the platform along with the "United Front" strategy of 1935. In January, 1939, the oath taken by the army of Soviet Russia changed its socialistic character for nationalistic. The previous pledge had been to the "great aim of emancipating all workers" and to the service for "socialism and the brotherhood of peoples." The new oath required the soldier

21 *Towards an Understanding of the U.S.S.R.* (New York, 1939), pp. 92-94. See *Nationalism* (Royal Institute of International Affairs, London, 1939), p. 76; and Stalin: *Marxism and the National Question*.

22 *The Communist International* (London, 1938), p. 419.

of Soviet Russia to "serve to his last breath his people, his homeland, and the government of the workers and peasants" as well as to defend his land until her final victory over her enemies.²³

This patriotism is as divorced from communism and internationalism as conceivable. Evidently it is a mighty force inspiring numerous individuals and groups,—both military and civilian,—and without doubt it is being tested in the Russo-German War of today. Nationalism is, then, a great *dharma*, vital force or ethical value in Soviet Russia.

In so far as the Soviet regime is something out of the way, students of social progress as, indeed, the entire world, have naturally been curious to see how it fares under a serious examination. It so happens that the trial is already before us. May be, the test has come rather too early for the regime's achievements and preparations. Nothing could be a more severe test for any socio-economic, economico-political or industrial-technocratic system than that to which Soviet Russia has been exposed since the outbreak of the Russo-German war on 22nd June, 1941. Apart from many other things mankind in the two hemispheres has been especially watching the military-naval-aerial strength of the Bolsheviks as put to trial by this war. The heroic exploits of Soviet Russia in the two winters of 1941-43 already tell their own tale.

Military science or the art of fighting is neither politics nor economics. It functions independently of, although not indifferently to, economico-political ideologies. The capabilities of the Russians under the Sovietic regime as fighting animals cannot, therefore, be foretold on the basis of arguments derived from the

²³ *Nationalism* (London, Institute of International Affairs, 1939), p. 78.

diverse kinds of socialism, economic planning or state-capitalism. None but technical experts in the fighting profession should be entitled to forecast the eventual developments of the war that is proceeding. The fighting qualities, military *morale* or war-administration are not all determined by the equations of economic development. Even in communist Russia not everything human, social or political is a function of materialistic activity.

Investment Goods vs. Consumption Goods

In the communistic economy as developed in Soviet Russia the urge for modernization in technique and organization eclipses all other urges. This cannot be purchased without a price. The price involved is the sacrifice in many other lines. The most important sacrifice is that in the standard of living. It is not so much the goods for direct consumption from day to day as the production-goods, *Produktionsmittel*, *biens d'investissement* (investment goods), i.e. goods for producing further goods, that loom large in the inventory of Soviet Russia's total production. (*Supra*, the sections on "The Meaning of Soviet Russia's Economic Indices" pp. 49-52, and "von Hayek's Rational Economics on Economic Planning," pp. 153-157).

The index numbers of industrial production in investment goods (I) and consumption goods (C) from 1929 to 1937 (1929=100) are given below for Soviet Russia in the perspective of those for Germany, U.S.A. and Japan:²⁴

²⁴ *Annuaire Statistique de la Société des Nations 1937-38* (Geneva, 1938) Table 110, p. 177. For relative decline in agricultural output as well as relative expansion in non-agricultural see Clark: *A Critique of Russian Statistics* (London, 1939), pp. 49, 68. See also A. Baykov: "Development of Industrial Production in USSR" (*Economica*, London, February, 1941).

Year	Soviet Russia		Germany		U.S.A.		Japan	
	I.	C.	I.	C.	I.	C.	I.	C.
1929	... 100	100	100	100	100	100	×	×
1930	... 142	121	82	94	73	87	100	100
1931	... 183	141	53	89	48	85	91	100
1932	... 213	156	34	76	28	76	104	106
1933	... 235	165	44	83	41	84	134	118
1934	... 292	189	73	92	47	83	168	128
1935	... 368	224	99	88	63	88	195	139
1936	... 486	286	113	99	82	95	218	142
1937	... ×	×	124	105	89	95	264	154

In Soviet Russia the index of *Produktionsmittel* (investment goods) has risen like that of consumption goods without break from 1929 on. But every year it is higher than the latter. She has attached greater importance to the advances in technocracy and industrialism than to the needs of current consumption. This is the story of Japan also where the investment goods index has been uniformly higher than the consumption goods index. The indices of the U.S.A. tell an entirely different and opposite story. There the consumption goods index has been every year higher than the investment goods index. The American experience is repeated in Germany down to 1934. But from 1935 the German story follows the Russo-Japanese in having higher indices for investment goods than for consumption goods. This is the period of the Hitler-state which commenced in 1933 and may be regarded as an evidence of the German *Vierjahresplan* (four-year plan), which started in 1934 under Göring's direction.

It is interesting that during the period of the world-economic depression (1929-33) the investment goods index as well as the consumption goods index went every year down both in Germany and the U.S.A. But in Soviet Russia neither index

knew this downward trend. It is only in 1931 that Japan experienced this downward trend when the investment goods index alone was at 91. Objectively speaking, then, there was no depression in Soviet Russia and hardly any in Japan.

In this analysis the most significant item is not the rate of increment in the index,—whether of the investment or of the consumption goods, but the difference in the indices or in the *rates of increment* of the indices between the two classes of goods. The only comparable regions in this respect are Soviet Russia and Japan, because both have uniformly exhibited higher trends in investment than in consumption goods. But the range of difference between these two trends is invariably greater in Soviet Russia than in Japan.

In percentage of total production the proportions between the investment goods index and the consumption goods index in Soviet Russia and Japan are as follows (from 1933 to 1937):

Year	Soviet Russia		Japan	
	I.	C.	I.	C.
1933	58.7	41.3	53.1	46.9
1934	60.7	39.3	56.7	43.3
1935	62.1	37.9	58.3	41.7
1936	62.9	37.1	60.5	39.5
1937	x	x	63.1	36.9

We understand that in Soviet Russia the proportion of investment goods in relation to consumption goods increased from 58.7 per cent in 1933 to 62.9 per cent in 1936. In Japan the same percentage rose from 53.1 in 1933 to 60.5 in 1936 and 63.1 in 1937. The percentage of consumption goods went down in corresponding proportions in each region. From the standpoint of percentages it is hardly possible to make any sub-

tantial difference between Soviet Russia and Japan. It is clear that the relatively greater urge for industrialization as well as technical equipment and the correspondingly greater indifference to current consumption or standard of living is the common feature of Soviet Russia and Japan during the period in question. Only, Soviet Russia had to take recourse to the abolition of private capital in order to exhibit this result, whereas Japan followed the traditional capitalist method. (*Supra*, Ch. I, the section on "Japanese and Russian Uniformities", pp. 29-33). But in the principle of emphasizing machinism and industrialism to the *relative neglect* of the standard of living Japan and Soviet Russia are peers. Obviously, this is the principle followed by all those peoples who are conscious of their lags, and are capable of overcoming these lags and catching up to the technological go-aheads by marching at break-neck speed.

The principle of investment goods *vs.* consumption goods is realistically known as the maxim of "more machines, less food", or "more guns, less butter", nay, "guns for butter". This is the universal principle of *arthik unnati* (economic progress) or *swadeshi* (indigenous industry) movement for all backward, underdeveloped or inferior regions. In the attempts at industrial-technocratic armament no other slogan can be more appropriate. Military armament or war-preparedness is in a great measure identical with and dependent on industrial-technocratic armament. This is why even a techno-industrial giant like Germany accepted in 1933 (Four-Year Plan) the principle of emphasis on investment goods in her programme of preparation for the war of revenge. Nay, every belligerent, hyperdeveloped or under-developed, from England and the U.S.A. downwards is bound to accept the same principle and neglect,

relatively speaking, the claims of consumption-goods or the standard of living during a war period. This has been previously described as the "paradox of war-economy." (*Supra*, p. 121).

As a result of emphasizing investment goods at the sacrifice of consumption goods Germany succeeded in having a start of nearly four years (1939-43) over England and America in World-War II. and enjoying the occupation of Europe for the same period. In Japan's case it has facilitated her victories in East Asia, as far north as the Aleutian Islands, South-east Asia and the North-east Australian Pacific. This has likewise enabled Soviet Russia (1941-43) to resist successfully the advance of Germany beyond a line in the regions to the west of and parallel to the line Leningrad-Moscow-Kharkov-Rostov. It is the same principle that is now (July, 1943) enabling England and America after some four years to attempt recovering Europe from the German Empire.

What is Economic Progress?

Communism is theoretically the economics of social justice, equalization of wealth, property or income, equity in distribution. But in factual developments as materialized in Soviet Russia up till now it is nothing but state capitalism. The problems of equalization remain in the main yet to be solved. Be this as it may, an examination of the meaning or theory of *arbhik unnati* (economic progress) would not be inappropriate in this atmosphere. We have analyzed diverse aspects of this category in several other contexts in previous chapters and sections. Fresh light may be thrown on its nature and contents in the ecology of communistic achievements. (*Supra*, pp, 25, 27, 50, 70, 77, 85-95, 98-101, 134, 139).

While examining *arthik unnati* (economic progress) economists as a rule discuss the question of wages and the workmen's standard of living. It is the problems of distribution or rather the ethical questions of equity and justice that form the main topic in the analysis of economic progress. We may recall John Stuart Mill's discussion on the "probable futurity of the labouring classes" in his *Principles of Political Economy* (1848). The American economist, Henry George's *Progress and Poverty* (1879) was a contribution to the same topic. In "Two Theories of Economic Progress" in Arnold Toynbee's *Industrial Revolution* (first edition, 1884) we encounter the same problem. The "conditions of economic progress" as discussed by J. E. Thorold Rogers have reference to similar socio-cultural aspects of the masses (*Industrial and Commercial History of England*, London, 1909, Ch. II.).

It is, again, the employment conditions, wage rates and standard of living of the industrial workers that arrest the attention of Eur-American economists,—Marshall, Pigou, Keynes and Cole; Schumacher, Adolf Weber, Herkner, Bücher and Brentano; Colson, Yves-Guyot, Brouilhet, Baudin and Raymond; Luzzatti, Graziani, Tivaroni, Einaudi and Mortara; Taussig, Mitchell, Veblen and Douglas,—while they each in his own way occupy themselves with the problems of *arthik unnati*. It is superfluous to observe that every economist has a social philosophy, express or tacit. More or less allied problems are envisaged by Cannan (*A Review of Economic Theory*, London, 1929, pp. 421-422, 434-437) in his treatment of the facts of progress in equality, security and independence.

It is necessary to observe here that the aspects of *arthik unnati* (economic progress) with which the present study of the

world-economic equations is associated are not identical with the problems of poverty, earnings, efficiency and standard of living. The topics of social justice, equitable distribution of wealth, and improvements in the standard of living for the teeming millions are not the main or the only features of the theory of economic progress as discussed here. Such problems of the poorer classes and their income, nutrition, recreation, etc. are taken for granted in the present study.

But the chief and almost exclusive attention is bestowed on the quantitative appraisal of the most diverse categories of economic phenomena. The labour questions and other topics of social economics constitute but a part of the problems envisaged within the scope of these investigations. The fundamental question in every topic assumes the following form or forms: What is the *per capita* value at the present moment? What was the *per capita* value at a past moment? What is the *per capita* value likely to be at some future moment? What are the differences in *per capita* value between any two regions at the present moment? Is it possible for a region with a relatively low *per capita* value to catch up with a region of higher *per capita* value? In such *per capita* discussions the wage-indices have their place as much as the indices of insurance-premium, shipping clearance, or infant mortality. It is implied that whatever be the social philosophy, its manifestations or results are bound to appear in the *per capita* indices. *Arthik unnati* (economic progress) cannot imply anything other than the heightening of these indices. (*Supra*, pp. 3-4).

Thus considered, the theory of *arthik unnati* is indifferent to the questions generally raised in connection with the achievements of Soviet Russia. In regard to the problems of capitalism

vs. communism (private capitalism *vs.* state-capitalism) the only questions worth while are identical with the ones suggested above. The fundamental inquiry is as follows: Is industrial efficiency *per capita* higher in Soviet Russia than in Germany, England or America? In how many years, if at all, is it possible for Soviet Russia to catch up with the Anglo-German techno-industrial efficiency or socio-economic standard of living? The questions of economic progress about Soviet Russia are of the same order as those about India, China and Iran in regard to the prospects of catching up, say, with Japan. From the standpoint of economic indices *per capita* there is no capitalism and no communism. The indices tell their own tale as pragmatically as conceivable. We see only the higher or the lower indices in the fields under discussion, no matter whether the region be communistic or bourgeois.

Similarly the economic indices are indifferent to the questions of climate, race, religion and so forth. The categories, pre-capitalistic or non-capitalistic, again, mean hardly anything when the sole consideration is the value of the index *per capita*. Tawney, following Max Weber's *Religionssociologie*, considers capitalism to be something irreligious and unspiritual in his *Religion and the Rise of Capitalism* (London, 1926). His *Acquisitive Society* (1921) embodies likewise a moralist's review of the world as it is. But such considerations do not affect the problem of the equations of world-economy or the theory of *arthik unnati* as analyzed in the present work. Even under conditions of irreligion, injustice, and unspirituality there may be high indices *per capita* in certain regions and low in others. In the so-called pre-capitalistic and spiritual epochs also there were the higher and the lower economic indices. (*Supra*, p. 9).

Nay, the science of *arthik unnati* is indifferent as much to political independence as to political subjection. Statistically, it is demonstrable that under conditions of political independence the economic indices *per capita* are not necessarily high, indeed, may very often be unusually low. On the other hand, under conditions of political subjection the *per capita* values may continue to rise, although often on very low levels.

We have to note, further, that low or modest *arthik unnati* (economic progress) *per capita* does not prevent a region from enjoying political independence and displaying remarkable military-political power. In spite of poverty and low standard of living Soviet Russia has been exhibiting the highest values in politics and war. Japan likewise has known how to function as a modern world-conqueror although she has exceedingly low techno-industrial and socio-economic indices.

Altogether, in the study of the equations of world-economy and the theory of economic progress we are not called upon to accept any philosophy of social justice either from Adam Smith and Ricardo to Hobson, Truchy, Diehl, de Stefani, and Seligman, or from Godwin and Marx to Jaurès, Loria and Lenin. Nor is any political philosophy from Herder to Hitler, from Alfieri and Mazzini to Mussolini, from Rousseau to Roosevelt, or from Rammohun to Gandhi the invariable postulate in these investigations. All these and other philosophies are not to be ignored. They are valuable in themselves as well as for their guidance in "class" or "national" dynamics. But they stand on their own merits and their applicability will depend on the circumstances of each case. The decisive factor in their application is perhaps the personal equation of each researcher, publicist or statesman.

Arthik unnati is not the function of any special philosophy, social, political or international. The science or art of economic progress possesses a *swaraj* (independence) of its own. It cannot be subordinated to any other discipline. Like *Geopolitik* it is orientated to the most diverse *vishva-shakti* (world-forces).

National Income Index vs. other Economic Indices

So far as the independent discipline or theory of economic progress is concerned, my tendency has been to place it on the foundation of a large number of *per capita* economic indices (*Supra*, pp. 3-4). But this pluralism cannot be always maintained. It is often necessary to think in terms of the total, unified or global values of an entire region or people *per capita*. For instance, in the Equation I, namely, $A(1940) = xB(1940)$ the pluralistic foundation has been eclipsed by the *advaita* or monocratic. According to this formula the economic values, welfare, standard or progress of a whole people is taken to be x times the economic values etc. of another people. Very often monocratic equations of this order are likely to spell abstraction. The comparison of an entire *Gestalt* with another entire *Gestalt* may convey hardly any realistic impressions. And yet for certain speculative, theoretical or scientific purposes such whole views are indispensable and worth while. (*Supra*, pp. 4-5).

From this standpoint, as developed in the present as well as my previous works, it should be possible to agree in a general manner with the methodology of Colin Clark as employed in *The Conditions of Economic Progress* (London, 1940). His concept of economic progress is based monistically on national income *per capita*. He has employed the same income technique in his *Critique of Russian Statistics* (London, 1939).

The merits of this synthetic, whole-view, global or totalitarian method must not, however, blind us to its limitations. A consolidated statement about the total net production, net dividend, net income of a people *per capita* hides from our view the ugly fact that in every region, race or group there are the haves and the have-nots. No theory of *arthik unnati* (economic progress) can afford to overlook this millennium-long distinction between the richer and the poorer classes. The thesis of "two nations," maintained by G. D. H. and M. I. Cole in *The Condition of Britain* (London, 1937, p. 79) and by Cole and Postgate in *The Common People 1746-1938* (London, 1938, p. 633) is universal. The economic class-dichotomy should compel the scientist of *arthik unnati* (economic progress) and world-economic equations to put, generally speaking, the monistic global appraisals in the background except for theoretical considerations. For daily work the more useful scientific tool is furnished by the pluralistic paraphernalia of multiple indices. Synthetic *Gestalt* ideologies are not always useful.

Economists, statesmen and other intellectual high-brows may remain content with indications in the improvements of the "average" level and "general indices" of economic progress. But such averages and country-wide indices are too vague for teeming millions. The poor are more analytical than synthetic. To them the haves and the have-nots constitute two different realities of flesh and blood. Towards the end of the eighteenth century Robert Burns was perhaps too idealistic or philosophical when he expressed their sentiments about the two classes of human beings in the following words:

"The cottage leaves the palace far behind;
What is a lordling's pomp? a cumbrous load,

Disguising oft the wretch of human kind,
Studied in arts of hell, in wickedness refined!"

But the people's conception of the concrete distances between the world of the rich and the world of the poor was quite well embodied in the following lines, moralistic as they might appear:

"Princes and lords are but the breath of kings,
An honest man's the noblest work of God."

In Burns's time the first industrial revolution had just commenced its career. His class-dichotomy was, therefore, more or less mediæval feudalistic-agrarian. He used the language of discontent as prevalent in a relatively non-industrial socio-political pattern.

Burns's poetry did not lead to or materialize in a Bolshevik revolution. But it did not take more than a century and two decades for such moralistic sentimentalism to assume, in Czarist Russia, a material shape among human beings. The economic dichotomy of the richer and poorer classes cannot be rolled out or polished off by a uniformalizing, monocratic, *advaita* idéology of "general" prosperity and "national" progress.

There is no romanticism in the sociography of workhouses as described in Dickens's *Oliver Twist* (1838). This objective story was an item in the ecology of the Chartist reform or revolution. Another substantial document of the "two worlds" or "two nations" ideology is Disraeli's *Sybil* (1845). In these *milieux* no ideology of "national income" improvement or average progress can offer any balm to the suffering specimens of humanity. The first industrial revolution had almost consummated itself in England about this time.

The situation has not changed in the twentieth century.

In spite of improvements in the lot of the working classes Wilfred Owen (1893-1918), the nationalist poet-soldier, can still write *Miners*. The lament of his "boys that slept wry sleep, and men writhing for air" is as follows:

"The centuries will burn rich loads
 With which we groaned,
 Whose warmth shall lull their dreaming lids,
 While songs are crooned.
 But they will not dream of us poor lads
 Lost in the ground."

Owen was not unacquainted with the labour protection measures and other social legislation associated with the "second industrial revolution" that was manifesting itself during his lifetime. But he found the dichotomy of the rich and the poor to be no less damnable, demoralizing and dangerous than in earlier years or in mediæval and ancient times.

It is from this platform that the shortcomings of Cannan's view of progress as adumbrated in his *Review of Economic Theory* (London, 1929, pp. 421-422, 434-437) have been exhibited in my *Social Insurance Legislation and Statistics* (Calcutta, 1936, pp. 413-416). In the ecology of the Beveridge Plan for social security the world is glibly talking today (1943) of "freedom from want." But the poorer classes anywhere on earth are not waiting to be bamboozled by such "words, words, words." In the theory of *arthik unnati* (economic progress) the scientific student of world-economic equations should therefore fight shy as often as possible of the "whole view" or *Gestalt* conceptions such as "national income" categories but take interest as a rule in the multiplicity of economic indices and the pluralistic methodology of approach.

CHAPTER V

WORLD-ECONOMY AND PLANNED ECONOMY AS MODERN CATEGORIES

Italo-German Autarchy vs. Commercial Internationalism

From the Mohenjodarian, nay, pre-historic times for thousands of years down to the discovery of America and finally to the end of the eighteenth century, exports and imports between different countries of the world and even of the same continent were very little in quantity and variety and confined mostly to what might be described as the luxuries of life. Both in East and West every country, sometimes every village and every town, was economically more or less self-sufficient. Autarchy was an actual fact of the economic conditions prevailing among the diverse tribes, races, or nations. This old-world, millennium-long autarchy may be described as unconscious autarchy.

International trade, as we understand it today, is barely a phenomenon of a century or a century and a half. Exports and imports between continents and between the two hemispheres have grown immensely since the opening of the Suez Canal in 1869. The commercial tendency of mankind has been moving towards the establishment of a world-economy, i.e. "interdependence" of regions, states or peoples in the requirements of daily life. But during this same period the theory and policy of autarchy have been no less prominent than the fact of unconscious autarchy during the primitive, ancient and mediæval epochs. Autarchic ideology has been embodied, first,

in the mercantilist concept of promoting exports with the object of importing gold, and secondly, in the protectionist tariff activities of Napoleon, Hamilton, List and others in Eur-America down to the *Swadeshi* (indigenous) industrialization movement of Bengal and other parts of India since 1905.

The autarchistic ideas associated with the *swadeshi* or national industry complex have been the most prominent features of the tariff policy of every country, old and new, since the end of World-War I (1914-18). Autarchy has been the ideology as much of the three *Gosplans* in Soviet Russia as of the non-Sovietic plans in other countries comprising the protective and preferential customs duties of the British Empire-economy and the French Colonial Empire.¹

The third phase of autarchy, which may really be described as a continuation of the second, is to be seen in the Italian economy since the Abyssinian War (1936). Under the pressure of the "sanctions" or boycott exercised by the League of Nations Italy has been compelled to develop her economic possibilities to the farthest limit. The processes are described by Mortara in *Prospettive Economiche* (Milan, 1937) and Marescalchi in *L'Agricoltura Italiana ed Autarchia* (Turin, 1938). Another instance of the latest form of autarchistic ideology and policy is furnished by Germany under Schacht and

¹ B. K. Sarkar: *Imperial Preference vis-à-vis World-Economy*, Calcutta, 1934.

C. Gignoux: *L'Après-Guerre et la Politique Commerciale* (Paris, 1924). In H. Truchy's *Echanges internationaux et autarchie* (Paris, 1940) absolute autarchy is equivalent to world-domination. Historical developments of the present situation may be seen in Schilder: *Entwicklungstendenzen der Weltwirtschaft* (Berlin), vol. I. (1912), vol. II. (1915). See also R. D. Tiwari *Modern Commercial Policy* (Bombay, 1942).

others down to September 1939.² Excessively high protective tariffs of the industrial nations, large, medium and small, had restricted the importation of German manufactured goods. Germany was, therefore, forced, on account especially of currency and exchange considerations, to restrict the purchase or importation of foreign goods to the extent of her exports abroad. For instance, Germany could afford to buy more cotton from India in case India cared to buy more manufactured goods and machinery from Germany.

The new autarchy, as observed in Germany, did not base itself specifically on protectionism and high tariffs. Nor, of course, did it seek the splendid isolation such as had been preached by the German philosopher, Fichte, in his *Der Geschlossene Handelsstaat* (Closed Commercial State) in 1800. It attempted, on the other hand, to foster foreign trade by all means, bilateral agreements, barter system, different kinds of currency, and what not.

Autarchy as an ideal or as a fact is then almost eternal, no matter in what form. But inspite of mercantilism, protective tariffs, boycott movements, preferential treatment and restrictions on imports, virtually every country has imported more and more from foreign countries. The volume and value of exports and imports have been growing tremendously from decade to decade during the last four or five generations. This is a solid statistical reality of extraordinary importance. Commercial internationalism and world-economy have not been killed by the *swadeshi* (home industry) movements of nations. In other

² For the commercial policies of Germany and Italy see B. K. Sarkar : *Pol. Phil. Since 1905*, Vol. II. Part II (Lahore, 1942), Ch. iii.

words, autarchy as a socio-economic fact has been becoming more and more of an impossibility under modern conditions.

One of the most fundamental considerations against autarchy and for internationalism is furnished by geography. "*Sur le droit historique issu de la conquête, sur l'Histoire la Géographie prend sa revanche.* So says Jacques Ancel in *Géopolitique* (Paris, 1938, p. 109). Geography avenges itself on the historic right born of conquest, on History.

The economic reason for this situation is not far to seek, and indeed too simple and elementary to be missed. The values created by the trade between nations are quite substantial and are enjoyed by both the partners to the commercial transaction, although not always to the same extent. The mutuality of the benefits rendered and furtherance of the development of undeveloped areas are two of the greatest consequences of international trade. They are well calculated in the future also to keep it going and to lead mankind further and further towards the solidarities of world-economy. But "Buy *Swadeshi*," "Buy Indian," "Buy Bengali," will by all means be encouraged in India as a slogan, as an economic war-cry. The economic statesmen of India are expected to know, however, how to adapt this autarchic idealism and nationalistic inspiration to the pressing demands of understanding between nations and agreements between regions in regard to the exports and imports of finance, labour and goods. Economic "liberalism" will always have its say in commercial statesmanship. It can but militate against ultra-nationalistic isolations.

An illustration is available from Italy. In spite of the prevalence of autarchistic methods and the dominance of commercial pacts between Italy and Germany Alberto

de Stefani, the Italian economist, has taken a liberal view. In the paper, "Prospettive di Collaborazione Economica," published in *Rivista Italiana di Scienze Economiche* (Bologna, October 1940) he argues against closed system in the national as well as international economies. His position is acceptable in so far as he can visualize the possibilities of large-scale world-wide affiliations for every economic region.

Foreign Trade in Percentage of Production

The political and military values of autarchy are self-evident. But its economic values must not be over-emphasized. As a purely economic proposition, autarchy may often imply hardly anything more than the fact that the region enjoying autarchy is very large in dimensions. It may turn out to be chiefly but a geographical category. A large territory is likely to be in command of varied agricultural, cattle, forest, mining and other resources. It may, therefore, depend relatively less on imports from foreign countries for much of its requirements than a territory small in size. In consequence its exports to foreign countries may likewise happen to be comparatively modest. A large country should then appear to be less internationally than domestically orientated in its trade activities.

On the other hand, a small region is likely to be very limited in its resources and may have to depend on imports from abroad for its pressing daily needs even although its population be scanty. And it may find it a paying business to specialize in one or two lines for which it has natural facilities and endowments. The pattern of "mono-culture" or exclusive pre-occupation with certain specified enterprises in mining,

forestry or farming may turn out to be the dominant type of its national economy. Under these conditions exports of specialized commodities are likely to be its trade features. Thus considered, a small economic region is naturally more international and less autarchic in its orientations than a large-sized territory.

The distinctions between a large and a small region are, further, important in another regard. For a small region the shipping of its merchandise to a distance of, say, 100 miles may have to cross a national boundary and a tariff frontier. On the contrary, in a large country the goods may be transported thousands of miles before reaching the frontiers. For a large region it is "geopolitically" difficult to be international.

The proportion of foreign trade in percentage of production furnishes an index to the doses or grades of economic self-sufficiency. The position of autarchy *vis-à-vis* commercial internationalism for 1928 may be statistically visualized in the following groups:³

Group I.

Countries	Percentage	Countries	Percentage
1. S. Africa	59	6. Norway	38
2. Denmark	51	7. Austria	36
3. Belgium	51	8. Holland	34
4. Finland	46	9. Brazil	32
5. Switzerland	39	10. Ceylon	30

³ *Die wirtschaftlichen Kräfte der Welt* (Berlin, 1930). Wyotinsky: *Die Tatsachen und Zahlen Europas* (Vienna, 1930). The traditional American position in regard to the relations between foreign trade and domestic commerce may be seen in Bogart: *Economic History of the U.S.A.* (London, 1908).

Group II.

Countries	Percentage	Countries	Percentage
11. Sweden	29	18. Germany	20
12. Canada	29	19. Hungary	17
13. Australia	25	20. Jugoslavia	16
14. U.K.	25	21. Poland	14
15. France	24	22. Rumania	14
16. Italy	21	23. Bulgaria	13
17. Japan	21	24. India	12

Group III.

Countries	Percentage
25. U.S.A.	7
26. Soviet Russia	4

Objectively considered, Soviet Russia is the least internationally orientated in commerce. The predominance of domestic commerce has been a traditional feature of American economy, as one can see in Bogart's *Economic History of the United States* (London, 1908, pp. 439-460). Even today the U.S. as well as Russia are the most self-sufficient or autarchic. Just close to them is India. Unquestionably China belongs to the same category. All these are virtually sub-continental in character. Each is heterogeneous and multiform in economic facilities, resources and potentialities. And yet in material prosperity, i.e., the indices of production China, Russia, U.S.A. and India are not peers. They do not enjoy a parity in wealth. The U.S.A. is a prosperous country, the three others are poor. Autarchy alone is then no index to *arthik unnati*, economic progress or importance.

On the other hand, the regions of Group I, i.e., those most dependent on international trade and the least autarchic, are with the exception of Brazil, invariably small countries. Internationalism in commerce, i.e., absence of autarchy may

almost be postulated to be functionally related to the smallness of a region or population. But relative absence of autarchy is no index to doses or grades of poverty. Nay, these small regions (excepting Ceylon) happen to be economically prosperous. They are at any rate more prosperous than China, Soviet Russia or India. The dependence of a country on exports and imports may then be integrally associated with its prosperity.

These considerations have been ignored in Wagemann's studies in economic morphology published in *Einführung in die Konjunkturlehre* (Leipzig 1929, pp. 70-72). Indeed, the publications of the League of Nations relating to the *per capita* foreign trade of the different countries of the world are likewise anything but formally statistical. No special economic significance can be attached to such statements as that a certain country's foreign trade *per capita* is high or low. Similarly we do not understand much from the mere fact that one country commands a greater percentage of the world-trade than another. In the equations of world-economy the problem of autarchy *vs.* internationalism requires to be studied with discrimination and realism. (See Chapter VII, the section on "Autarchy in Fact and Speculation").

Planned Industrialization for India

The solid economic realities of India will have to be faced by the businessmen and politicians no less than by economic theorists and plan-makers. And the first great reality at the present moment consists in the fact that considerable confusion prevails in India in regard to the use of the three following terms: (1) Industrial revolution, (2) Industrial planning, planned industry or planified economy and (3) Industrialization.

To begin with, we should be perfectly clear that even in 1940-43 Industrial Revolution has not been achieved in India. (Chapters I and II). The existence of several big industries in India, no matter whether the finance, control and management be Indian or non-Indian, does not prove that we have consummated an industrial revolution. Single swallows do not make a summer. A necessity of the hour is an estimate of India's total industrial-cum-technocratic and capitalistic-cum-socialistic position in comparison with that of other industrial countries. We have already established some equations of comparative economics and machinism on the basis of chronological distances. (Pp. 14-20). One is likely to be convinced that—

India	is	some	90—100	years	behind	Britain,
"	"	"	70—80	"	"	Germany,
"	"	"	40—50	"	"	Japan.

The presence of these socio-economic lags or distances may be proved by the industrial output etc. per head of population and per square mile of territory.⁴ My attempt is nothing more than tentative and approximate (pp. 91-92).

In order to demonstrate the consummation of an industrial revolution worth the name it would be necessary to be convinced of the transformation of the Indian economy both in capitalistic structure as well as in its obverse, namely, socialism. Not only manufactures but agriculture and commerce as well will have to be exhibited as re-made on a substantially large scale in terms

4 B. K. Sarkar: *Economic Development*, Vol. II, Calcutta, 1938.

See also *Die wirtschaftlichen Kräfte der Welt* (Berlin, 1930) for comparative statistics relating to the most diverse items of industrialism, finance, labour and technocracy about 1925-28. Cf. H. Butler; *Problems of Industry in the East* (Geneva, 1938).

of population. In regard to the production of goods the re-making must have affected not only the *biens de consommation* (consumption goods) but,—and this more essentially,—the *biens d'investissement*, investment goods, means of production (*Produktionsmittel*). The output *per capita* of coal, steel, steam-engines, automobiles, dynamos, electric apparatuses, tractors, aeroplanes, ships, chemicals, pharmaceuticals, cotton goods, etc. must have reached decent dimensions. The world should expect likewise high figures in bank deposits and insurance policies per head as well as in organized trade union membership per ten thousand of population. Last but not least, the number of discoveries and inventions to the credit of physicists, chemists, engineers, metallurgists and other scientific intellectuals will have to be considerable. In none of these items can India figure in the modern world as a valuable member or collaborator.

Dealing with the second category, we should say that, fundamentally, “planning” or planification is the negation of freedom or *laissez faire*. There are two types of planning, or planified economy, the Sovietic and the non-Sovietic. Each has a specific objective to be attained within a specific time-limit. Besides, each involves an earmarked budget of millions of Rupees to be commandeered as almost a military necessity. Ideologically, however, there are fundamental differences, as the Soviet system allows no profiteering and indeed no profits at all. (Chapter IV). The non-Soviet or capitalistic type is best illustrated by Germany, Italy and Japan and to a certain extent also by America, Britain and France. But whether capitalistic or non-capitalistic, industrial planning, as “planned economy” generally, presupposes a dictatorial and centralized

drive for the fulfilment of the plan from the side of the state. It is essentially "etatistic," implying *Government Control of the Economic Order*, as the title of the American essays edited by B. Lippincott (1935) would suggest. The totalitarian etatization of British industry and finance (May, 1940) under the pressure of the present war should leave no doubt about this fundamental aspect of planning. This is generally known as war-communism (pp. 118-121, 133-134), which is to be sharply distinguished from the pure communism of the Sovietic type. (*Infra*, "Planning Communistic and Capitalistic").

One is entitled to ask: Where is the dictator in India today to serve and to command all the three hundred eighty nine millions and commandeer all their resources that one talks glibly of "planning"? No Indian revolution has yet produced a Lenin or a Mussolini or a Hitler. And, of course, in India there is no Roosevelt, Churchill or even Chamberlain, and indeed neither the *Front Populaire* of France nor the *Sei-yu-kai* Party of Japan. Where, besides, are the crores of Rupees to come from in order that they may be commandeered by taxation or expropriation and earmarked with the object of operating the totalitarian plan? This also is a relevant query.

Economico-technocratically as well as socio-politically India is too far behind the "giants" of the modern world to employ the language of the latest economic strategy and tactics used by the seniormost industrial "adults" of mankind.⁵ India

⁵ An imperialistic view of a region that has been kept backward by the foreign rulers is obtainable about Indonesia in J. H. Boeke: *The Structure of Netherlands Indian Economy* (New York, 1942).

For an objective account of somewhat primitive conditions prevailing in Latin America see A. G. Salvador: "Social Medicine in Chile" (*International Labour Review*, Montreal, January 1942).

is still in some of the earlier stages of the first industrial revolution (represented, for instance, also by countries of the Balkan Complex, Southern Europe, and Latin America), whereas the leading countries of Eur-America are consummating their second industrial revolution. Indian economic statesmanship should have to be satisfied, as a rule, with the categories prevalent among the pioneering and go-ahead sections of the Eur-Americans, say, some 60 to 75 years ago, when the very alphabet of "planning" was unknown, when indeed they had no dictators, capitalistic or non-capitalistic, and when, as a matter of fact, even the income-tax had yet to become popular. But, of course, should half a dozen Indian intellectuals want to indulge in the luxury of displaying their acquaintance with the up-to-date words and phrases of the seniors and veterans among the diverse peoples of present-day Eur-America, hyper-industrialized as some of its countries happen to be, they are at liberty to write learned monographs on the far-off divine event towards which India may somehow some day be made to move. Such monographs are likely to be appreciated as contributions to Indian economic speculation. But factually, from the standpoint of machinism, technocracy, capitalism and social legislation economic India's rôle in the new world-order is bound to remain quite modest and relatively primitive for some long time. (*Supra*, "Youngster's vis-à-vis Adults in World-Economy", pp. 69-71).

So there remains the third item, Industrialization. This is a simple category implying nothing more than the establishment of new industries or the extension of the existing ones. It implies, besides, as a matter of course, the promotion of banking and internal trade, shipping and other transport systems as well as the improvement of agriculture. Further, it is

comprehensive enough to include cottage, small and medium industries, i.e., business organization on all scales. Every new factory or trading establishment or agricultural enterprise—be it with a capital of 500, 5,000, 50,000, 500,000 or 5,000,000—is a solid and effective contribution to the industrialization of India. Altogether, the desideratum is nothing more than the intensification of our generation-long *swadeshi* movement on all fronts. There is no metaphysics in industrialism, and it excludes no economic activity. The development of agriculture as well as the promotion of banking, insurance, transportation and trade belong to the industry-complex. The primitive and elementary efforts of which Indians even with Herculean efforts are in the main capable in 1940-43 do not require such bombastic words as “industrial revolution” and “industrial planning” or “planned economy.” The proper category is industrialization or economic development. (*Infra*, “Economic India Tomorrow”).

A Scheme of Economic Development for Young India, furnished with minute details, was published by the present author from Italy in the summer of 1925 and subsequently several times in various forms, and propagated through the dailies, weeklies and monthlies. Planning or no planning, it is superfluous to add that World-War II, like World-War I, is well calculated to give a tremendous fillip to the expansion of Indian industries in all fields,—mechanical, chemical, electrical, sanitary, and agricultural. *Swadeshi* industrialism and business organization are going inevitably to be lifted to a higher plane,—the next upper rung or stage of their potentialities. As usual, the category, “tremendous” or “higher,” is to be envisaged in the Indian and not the Anglo-German-American

context. (*Supra*, "Indian Industrialism during World-War II," pp. 98-101, *Infra*, "Nominal Autarchies in India," "India's Industrial Autarchy").

Even during the war-atmosphere and for quite a number of years the promotion of India's technocracy, finance, labour power and social progress will depend *in no small measure* on the active financial co-operation furnished by the British (and American) captains of world-economy,—notwithstanding the progress in banking and capitalism that may be achieved by purely Indian efforts. This is one of the first postulates of India's economic advance during the regime of the new world-order that is in the process of emergence. Economic realities cannot all be overhauled by nationalistic ideologies or even political consummations. (*Infra*, "Foreign Capital in Economic Planning").

So far as Bengal is concerned, it deserves to be treated as an independent economic unit just as the Bengali people is known as an independent culture-unit. It is on a provincial basis that Indian economic planning—whatever it may mean—can be properly investigated and worked out. This does not imply that economic Bengal should separate herself from the All-India system. The place of the Bengali people (60 millions) in the Indian complex is to be envisaged as similar to that of the French, Italians, Germans, etc. in European polity. We have to profit by the examples of international agreements regarding rivers, railways, postal and other services, etc. by which the states of Europe co-operate with one another in peace-times. But still France is France and Italy Italy.⁶ The European states

6 B. K. Sarkar: *Political Philosophies Since 1905*, Vol. II, Part II

maintain their economic self-sufficiency and each organizes its own planning on independent foundations inspite of the Anglo-French *Entente*, the Little *Entente*, the Franco-Russian United Front (1935-39), the Berlin-Rome Axis, and the Pan-Europa or Pan-America ideologies, which serve at times to variegate with doses of unification the eternal multiplicities of the Western world. Bengal may try as far as possible to be economically autarchic according to the ideals of her glorious *Swadeshi* revolution of 1905. But she will have to make it a point also to join the All-India system of industry, finance, marketing, labour and defence. Bombay, Madras, the Punjab, Assam, indeed, each one of the provinces ought to do the same, i.e., try to make herself autarchic in the first instance, and then look for All-Indian co-ordination, centralization or federalization according to requirements. It may be emphasized that in order to avoid duplication and wastes as well as to promote rationalization All-India Boards will have to be instituted in all spheres and function permanently. The publication, *Economic Planning for Bengal* (1933) by the present author, was issued to focus attention on the special requirements of the Bengali people.

Census of India 1941

In this perspective may be placed some of the figures of Indian Census 1941. The total All-India population is 389 millions as against 338 millions in 1931. This represents an increase of 51 millions in ten years. The addition is more than the estimated population of France (42 m.), Italy (43 m.) or the United Kingdom (47 m.) in 1936.

(Lahore, 1942), Ch. iii. Ideas and Ideals of Economic Welfare (sections on France and Italy).

Apparently the increase looks enormous. But in reference to 1891 (with 279 m.) the addition is 110 millions only. From decade to decade during half a century the rates of growth were not uniform or uniformly high. Per thousand inhabitants per year the rates of increase were as follows :

Decade	Rate	Decade	Rate
1891—1901	1·4	1921—1931	10·6
1901—1911	6·4	1931—1941	15·0
1911—1921	1·2		

The total increment in fifty years is measured by 40 per cent. In comparative demography the position of India *vis-à-vis* certain countries has been indicated in my *Villages and Towns as Social Patterns* (Calcutta 1941, pp. 370-373) as follows for the period 1880-1930:

Countries	Percentage of increase	Countries	Percentage of increase
U.S.A.	186·0	Germany	42·2
Japan	74·1	India	39·0
Great Britain	54·1	Spain	36·8
Italy	46·8	France	11·3
Switzerland	43·5		

The trend of India's demographic increment over a somewhat long period (50 years) is therefore slower and weaker than that of Germany, Switzerland, Italy, Great Britain, Japan and the U.S.A. Since 1600, again, the British population is known to have increased more than 8 times while the Indian not more than 4 times.

In regard to India's 15 per cent increase in ten years we may recall that Soviet Russia's population increased from 147 millions in December 1926 to 170 millions in January 1939.

The rate was 16 per cent. India's growth is, then, neither abnormal nor exclusively Asian.

The Census Commissioner, M. W. Yeatts, be it observed, is not blind to this situation. About the 51 million increment of the recent decade he observes (*Census of India 1941*, Vol. I. *India. Part I. Tables*, Delhi, 1943, pp. 23-34) as follows: "Undoubtedly this massive increment must impress forcibly and even come as a shock to those without knowledge of the factors behind it. * * * The true position is different."

One important consideration is that at the Census of 1931 there had been under-enumeration on account of the boycott of the administration in connection with Gandhi's non-co-operation movement. Hence the figures of 1941 look somewhat inflated. The increment is, therefore, less real than apparent.

Another factor in 1941 was the census-consciousness of the people. The politics of "communalism" was engendered or promoted by the Government of India Act 1935. The "communities" (Hindus, Muslims, etc.) got tremendously interested in the power of sheer numbers. Both collectively as well as individually every body wanted to have himself or herself appear in the enumerator's lists. The result was perhaps an almost cent per cent enumeration. This was in marked contrast with the previous censuses since 1872 when indifference to enumeration had been an almost national characteristic. The enumeration in 1941 turned out, therefore, to be adequate with vengeance. The excessively high rate of increase over 1931 can, then, be easily comprehended. It is not necessary to see in it, other circumstances remaining the same, the signs of approaching overpopulation or demographic disaster.

The increment of 1941 is to be taken as temporary or

occasional. Among other factors explaining this increment of the decade is to be mentioned that the irrigation facilities of the Punjab are comparatively new forces. The Punjab as an economic unit is a relatively young region. The results of these new forces have enabled it to appear as a "swarming area." Another agrar-economically young region is East Bengal. In this region the facilities are provided by Nature in the form of rivers, floods and alluvial soils. Demographic increase in this area can thus be easily accounted for. But both in regard to the Punjab and East Bengal the influences of agricultural *Geopolitik* cannot be expected to be operative at a uniformly high rate in subsequent decades. The law of diminishing returns cannot but function in considerable doses from quinquennium to quinquennium. Hence the demographic increment of 1931-41 cannot be taken to be the norm for a whole generation or so.

A Subcontinent of Slow Progress

A feature of the 1941 census is the increment in urbanization. The rate of increase over 1931 is not, however, considerable. It is necessary to observe here that in the Indian census publications for several decades it has been the custom to describe as town only such settlements as have a minimum of 5000 inhabitants. But in the statistics of other countries the category, "town," comprises settlements with 2000 and up. In the interest of international uniformity I am taking the 2000-person settlement as the town. In 1941, then, there were 116 million town-dwellers in the perspective of 389 million inhabitants. This yields 30 per cent as the index of urbanism, as against 28 per cent in 1931 and 26 per cent in 1921. The index for 1931 has to be corrected according to this calculation on pp. 45-

46 of the present work and on pp. 29-30 of *Villages and Towns as Social Patterns* (Calcutta, 1941).

Here as elsewhere in India we encounter slow progress and low rates of change. It is the snail's pace that is to be looked for on the Indian subcontinent.

Figures for literacy are not yet available. But from the statement given by Yeatts (pp. 31-32) we notice that in 1941 only 8 per cent of the population was literate in the U.P., 13 per cent in the Punjab, and 16 per cent in Bengal. In Bombay 9 per cent was literate among women and 30 per cent among men. The Bengal literacy was represented by 7 per cent among women and 25 per cent among men. Female literacy was to be found only among 2 per cent of women in the U.P. In certain instances the rate of change over 1931 was between 70 and 390 per cent. But the total result was miserably low as indicated above. (*Supra*, "The Meaning of Soviet Russia's Economic Indices," pp. 49-52). One of the greatest causes of India's lag or backwardness in techno-economic, sanitary and socio-cultural fields is to be found in this conspicuous lack of literacy.

The birth rate remained virtually unchanged during 1920-40. It was fluctuating about 33 per 1000 inhabitants. But the decline was still noteworthy from the 38 per thousand of 1901-10. (*Indian Journal of Medical Research*, Calcutta, October 1935, p. 558). The rate of decline (13%) was not high. But it was not negligible by any means. In case birth decline be an index of progress we have here another instance of slow progress rate in India.

Production as National Income

In the interest of economic *Realpolitik* let us now try to objectively visualize the industrial and technocratic develop-

ments in India such as they are.⁷ We shall take some of the economic indices of contemporary India and place them in world-perspectives. We are interested in analysis and not in history. It will serve our purpose, therefore, if we take the statistics of the years 1928-29. That was the boom period just preceding the great world-economic depression (1929-33) and falls somewhat midway between World-War I (1914-18) and World-War II (Sept. 1939-).

Let us start with what is known as "national income." We shall take it as roughly equivalent to net annual production. In order to ascertain national income the income tax method is employed by Helfferich (the earnings method by Bowley), and the occupational method by Pupin. The "objective" method is the productional, and this is the method in F. von Fellner's *Das Volkseinkommen Oesterreich-Ungarns* (Vienna, 1916) and in W. J. King's *Wealth and Income of the U.S.* (New York, 1916). In the present study we are not interested in the technique of national income estimating. Net annual production of India and the world is being exhibited as a somewhat global index to the total prosperity or otherwise of the regions in question. (Pp. 179-182). A rough comparison of the economic potential of diverse countries is the end in view. As producer of wealth India in 1928 finds herself in the position as indicated in the groups below (in '000,000 Marks):⁸

7 Some non-Indian surveys of Indian economic developments may be seen in "India's Progress in Industrialization" (*Bulletin of International News*, London, 13 June 1942) and W. Ladejinsky: "The Wealth of India" (*The Agricultural Situation*, Washington, D.C., August 1942).

8 Woytinsky: *Die Tatsachen und Zahlen Europas* (Vienna 1930) p. 137. For some recent figures about certain items see the *Annuaire Statistique de la*

Group I.		Group II.	
Countries	Wealth Produced	Countries	Wealth Produced
1. U.S.A.	370,425	4. Soviet Russia	49,500
2. Germany	68,500	5. France	38,223
3. U.K.	64,188	6. India	34,580
Group III.		Group IV.	
Countries	Wealth Produced	Countries	Wealth Produced
7. Canada	24,000	12. Poland	9,401
8. Japan	23,044	13. Czechoslovakia	9,078
9. Italy	18,777	14. Brazil	7,031
10. Australia	12,154	15. Rumania	6,990
11. Holland	11,214	16. Sweden	6,772

The comparability of these figures is open to question. They have not been compiled in a uniform manner in the diverse countries enumerated. This is the fundamental shortcoming of all national income statistics. Be this as it may,

Société des Nations (Geneva), latest issue, Tables 59-113 (Mineral and Industrial Production).

The "national income" figures for 1923 and 1913 may be seen in H. E. Fisk: *The Inter-Ally Debts: An analysis of War and Post-war Public Finance 1914-23* (Bankers Trust Co., New York, 1924) p. 265. For the historical statistics of national income, total as well as *per capita*, see A. de Foville: *La France Economique* (Paris, 1890), Mulhall: *Industries and Wealth of Nations* (London, 1896), de Lavergne: *La Richesse de la France* (Paris, 1908), K. Helfferich: *Deutschlands Volkswohlstand* (Berlin, 1914), C. Gini: *L'Ammontare e la Composizione della ricchezza delle nazioni* (Turin, 1914), W. J. King: *The Wealth and Income of the People of the United States* (New York, 1916), J. Stamp: *British Incomes and Property* (London, 1916), R. Pupin: *La Richesse de la France devant la Guerre* (Paris, 1916), K. Shah and Khambatta: *Wealth and Taxable Capacity in India* (London, 1924), A. Bowley and J. Stamp: *National Income 1924* (Oxford, 1927), C. Clark: *National Income and Outlay* (London, 1937), V. K. Rao: *The National Income of British India 1931-32* (London, 1940), S. Kuznets: *National Income and Its Composition 1919-38*, 2 Vols. (New York 1941).

these absolute figures place India rather high in total annual income, because the population of the country is enormous. In *relative statistics* the situation is entirely different. Per head of population the total net annual production (= national income) of India works out as follows for 1928 (in Reichsmarks):

Group I.		Group II.	
Countries	Wealth Produced	Countries	Wealth Produced
1. U.S.A.	3,087	11. France	930
2. Canada	2,521	12. Belgium	862
3. Australia	2,027	13. Czechoslovakia	630
4. Holland	1,480	14. Austria	592
5. U.K.	1,407	15. Italy	458
6. Switzerland	1,386	16. Finland	441
7. Norway	1,339	17. Hungary	429
8. Denmark	1,144	18. South Africa	412
9. Sweden	1,102		
10. Germany	1,007		

Group III.			
Countries	Wealth Produced	Countries	Wealth Produced
19. Rumania	392	23. Poland	317
20. Japan	374	24. Bulgaria	258
21. Jugoslavia	340	25. Brazil	180
22. Soviet Russia	325	26. India	108

India's national income *per capita* per year may then be taken to be 108 R.M. or, say, Rs. 72. (About 1928-29 the exchange rate was R.M. 20 per £). The following equations may be easily understood:

$$\begin{array}{rcl}
 \text{U.S.A. (3,087)} & = & 28.6 \text{ India (108)} \\
 \text{France (930)} & = & 8.7 \text{ India (108)} \\
 \text{Japan (374)} & = & 3.5 \text{ India (108)}
 \end{array}$$

The average American commands 28.6 times the income of the average Indian. On an average every Japanese is 3.5 times as rich as every Indian. The values are being indicated in money. One must not, however, be misled by such monetary comparisons. A higher monetary income does not necessarily imply higher efficiency, working capacity, inventiveness, or *morale*.

Besides, the purchasing power of money varies from country to country. International comparisons of prices or wages and salaries offer no positive evidence as to an individual's actual command over the necessities, comforts and luxuries of life in his own locality.

In terms of monetary income every American appears, according to these indices, some three times as rich as the German and over eight times as rich as the Japanese. On the strength of such equations it would be utterly fallacious to suggest that the average American is equivalent in working capacity and moral personality to, say, three Germans or eight Japanese. The equations of world-economy do not furnish anything more than merely arithmetical figures or relative mathematical quantities. As for human values, intellectual qualities, creative powers, manhood, industrial efficiency, and military energism nothing can be inferred automatically on that basis alone. (*Supra*, pp. 28-29, 37-38, 169).

In any case the practical utility of these equations is considerable. They enable us to visualize the steps that must be taken in order to raise India in the economic scale. Evidently, no Viswakarma could possibly elevate economic India to the *per capita* production level of Japan, Italy, France or England in the course of a few years. India must have to march step by step

along the road from Brazil upwards. The "next higher stage" is to be the objective at every step. In case the Planning Committee of the Indian National Congress should proceed on the hypothesis that the general production index can be tripled or quadrupled within seven or ten years it would be a question of indulging in excessive wishful thinking. The highest or ultimate goal is one thing, the realizable goal of the moment is another. The example of Soviet Planning is catching. But its pre-conditions and techniques must not be misunderstood and misjudged.⁹ (*Infra*, "The Prospects of Communistic Planning in Backward Economies," "Economic India Tomorrow").

9 Diverse interpretations of the Indian economic data may be seen in B. K. Sarkar: "Strukturelle Erneuerung in der indischen Industrie und Wirtschaft (*Geopolitik*, Berlin, April, 1931) "Umfang und Kapitalkraft der industriellen Unternehmungen in Indien" (*Maschinenbau*, Berlin, April, 1931), *Das technisch-wirtschaftliche und handels-politische System des gegenwärtigen Indien* (Kiel, 1931), and *Die Entwicklung und weltwirtschaftliche Bedeutung des modernen Indien* (Stuttgart, 1932); M. Visvesvaraya: *Planned Economy for India* (Bangalore, 1934); P. S. Lokanathan: *Industrial Organization in India* (London, 1935); P. K. Mukherjee: *Labour Legislation in British India* (Calcutta, 1937); R. K. Das: *Principles and Problems of Indian Labour Legislation* (Calcutta, 1938) and *History of Indian Labour Legislation* (Calcutta, 1941); N. Das: *Industrial Enterprise in India* (London, 1938); R. K. Mukerjee and H. L. Dey (editors): *Economic Problems of Modern India* (London) Vol. I. (1939) and Vol. II. (1941); S. K. Basu: *Industrial Finance in India* (Calcutta, 1939); R. M. Chaudhuri: *Evolution of Indian Industries* (Calcutta 1939); K. N. Sen: *The Economic Reconstruction of India* (Calcutta, 1939). See also "The Institution of a Tripartite Labour Organisation in India" (*International Labour Review*, Montreal, January, 1934); and H. Butler: *Problems of Industry in the East with special reference to India, Ceylon, Malaya and Indonesia* (Geneva, 1938). The total Indian industrialism of today may be placed in the American background of 1840-80 or rather 1840-60 as described, for instance, in I. Lippincott and H. Tucker: *Economic and Social History of the U.S.A.* (New York, 1927) pp. 455-465, 468-484. See the references to

*Techno-Economic India between World-War I
and World-War II.*

We shall now pass on to fuel-economy. India's coal output is very modest. In 1928 the coal output of the world amounts to 1,224,600,000 tons (plus 213,500,000 tons of brown coal). The world-output is exhibited in the three following groups (in '000 tons):

Group I.		Group II.	
Countries	Output	Countries	Output
1. U.S.A.	516,632 (including brown)	4. France	51,366 (plus 1,064 brown)
2. U.K.	241,283	5. Poland	40,599 (plus 74 brown)
3. Germany	150,861 (plus 165,588 brown)	6. Soviet Russia	34,138
		7. Japan	31,714
		8. Belgium	27,543
		9. India	21,660
Group III.			
Countries	Output	Countries	Output
10. Australia	15,219	13. S. Africa	12,162
11. Czechoslovakia	15,157 (plus 20,715)	14. Holland	10,694 (plus 197 brown)
12. Canada	12,433 (plus 3,485)	15. Spain	6,188 (plus 359 brown)
		16. New Zealand	2,476

Not all the countries of the world have been mentioned in the above schedule.

India (national income, production etc.) in Clark: *Conditions of Economic Progress* (London, 1940).

The iron ore map of the world for 1928 can be indicated below in three groups (in '000 tons):

Group I.			
Countries	Output	Countries	Output
1. U.S.A.	63,148	6. Soviet Russia	5,884
2. France	49,328	7. Spain	5,505
3. U.K.	11,443	8. Sweden	4,669
Group II.			
4. Luxemburg	7,027	9. Austria	1,913
5. Germany	6,475	10. India	1,876
		11. Czechoslovakia	1,779

Group III.	
Countries	Output
12. Australia	739
13. Poland	699
14. Italy	625

Countries with smaller output are not indicated. India with 1,876,000 tons is unusually poor in iron ore resources.

In pig iron India's position in 1928 is as follows (in '000 tons):

Group I.			
Countries	Output	Countries	Output
1. U.S.A.	38,768	6. Soviet Russia	3,281
2. Germany	11,804	7. Luxemburg	2,770
3. France	10,097	8. Saar	1,936
Group II.			
4. U.K.	6,717	9. Czechoslovakia	1,400
5. Belgium	3,905	10. India	1,164
		11. Canada	1,100
Group III.			
Countries	Output		
12. Japan	895		
13. Poland	684		
14. Spain	569		
15. Italy	507		

India's output is 1,164,000 tons. In pig iron her poverty is as great as in iron ore. It is to be observed that Japan is not mentionable in the iron ore table but that she is represented by 895,000 tons in pig iron. (Pp. 214-215).

The steel resources of the world are distributed as follows in 1928 (in '000 tons):

Group I.		Group II.	
Countries	Output	Countries	Output
1. U.S.A.	52,371	5. Soviet Russia	4,158
2. Germany	14,517	6. Belgium	3,956
3. France	9,483	7. Luxemburg	2,567
4. U.K.	8,987	8. Italy	2,098
		9. Saar	2,073
		10. Czechoslovakia	1,700
		11. Poland	1,439
		12. Japan	1,400
		13. Canada	1,260
Group III.			
Countries	Output	Countries	Output
14. Spain	734	17. India	600
15. Austria	636	18. Hungary	486
16. Sweden	611	19. Australia	455

India's steel output is only 600,000 tons in a world output of 109,400,000 tons. It is almost negligible. Ladejinsky observes, therefore, quite appropriately that "even under the stimulus of war production India's output of finished steel in 1941 amounted to only 1,250,000 tons." (*Supra*, p. 202).

About Soviet Russia's output in iron ore, pig iron and steel it should be observed that the figures hardly include the *Gosplan* output. The first five-year plan came into force in October 1928. The steel output of Japan as well as Italy is noteworthy. Both have to work upon imported ores.

In 1928 India's position in the comparative cotton indus-

try of the world is to be understood from the following three facts:

1. Out of the world-loomage of 3,299,600 India is possessor of 162,000 looms only.

2. In the world-spindleage of 165,100,000 India's share is 8,700,000.

3. Indian mills consume 476,300 tons of raw cotton in a total world consumption of 5,658,000 tons.

The world-loomage is, then, as follows (in '000):

Group I.		Group II.	
Countries	No.	Countries	No.
1. U.K.	768	5. France	192
2. U.S.A.	747	6. India	162
3. Soviet Russia	312	7. Italy	150
4. Germany	250	8. Czechoslovakia	110

Group III.	
Countries	No.
9. Japan	78
10. China	10

India's loom-power is not enviable. But it is interesting that, comparatively speaking, Japan is as modest in loomage as in the other items discussed above. (Pp. 216-217).

In the international statistics of spindles the orientations of India's spindleage are to be found below (in '000):

Group I.		Group II.	
Countries	No.	Countries	No.
1. U.K.	57,100	5. India	8,700
2. U.S.A.	35,500	6. Soviet Russia	7,300
		7. Japan	6,300
		8. Italy	5,200

Group III.	
Countries	No.
3. Germany	11,200
4. France	9,800

Group III.	
Countries	No.
9. Czechoslovakia	3,700
10. China	3,500

In view of the large size of India's population the spindleage of 8,700,000 is rather paltry.

In regard to the consumption of raw cotton industrial India's capacity can be seen in the following groups (in '000 tons):

Group I.		Countries	Tons
Countries	Tons	5. China	450
1. U.S.A.	1,500	6. Soviet Russia	360
		7. Germany	336
		8. France	315
Group II.		Group III.	
Countries	Tons	Countries	Tons
2. U.K.	652	9. Italy	232
3. Japan	580	10. Czechoslovakia	128
4. India	476		

Motor traffic and motor roads constitute an important index in the technocratic and industrial developments of modern times. India's place on the automobile map of the world for 1929 is as follows (in '000):

Group I.		Countries	No.
Countries	No.	10. New Zealand	151
1. U.S.A.	24,493	11. Spain	146
		12. Sweden	128
Group II.		13. India	125
Countries	No.	14. Belgium	113
2. U.K.	1,358		
3. France	1,098	Group IV.	
4. Canada	1,062	Countries	No.
Group III.		15. Denmark	99
Countries	No.	16. Holland	91
5. Germany	577	17. Japan	74
6. Australia	517	18. Switzerland	66
7. Argentina	311	19. Rumania	31
8. Italy	177	20. China	26
9. Brazil	165	21. Soviet Russia	17

In relative statistics India's place would be more clear. The following table gives the number of *persons per automobile* available in the different countries of the world:

Group I.		Group II.	
Countries	Persons per auto.	Countries	Persons per auto.
1. U.S.A.	5	13. Germany	111
2. New Zealand	9	14. Spain	151
3. Canada	9	15. Brazil	223
4. Australia	12	16. Italy	230
5. Argentina	34	17. Rumania	566
6. Denmark	35	18. Japan	853
7. U.K.	35		
8. France	37		
9. Sweden	47		
10. Switzerland	60		
11. Belgium	70		
12. Holland	85		
		Group III.	
		Countries	Persons per auto.
		19. India	2,548
		20. Soviet Russia	9,059
		21. China	17,000

In 1929 India with 2,548 persons, Soviet Russia with 9,059 and China with 17,000 per automobile were in the lowest niveau of technocratic primitivism. None of these subcontinents virtually existed on the map of modern technocracy and industrialism in roads and automobiles.

Nominal Autarchies in India

For the time being we need not quote figures in order to demonstrate the slow and gradual emancipation of India from the sway of foreign industrial goods in certain items. Some of the recent facts down to 1939 are quite popularly known. Especially since that year, on account of World-War II, India's *swadeshi* (indigenous) industries have been getting an unprecedented impetus. Much of this "inflated" industrialism will of course disappear in post-war "reconstruction." (Pp. 224-225).

Be this as it may, in textiles India is relatively well-developed. The steel industry has made considerable progress. In cement India does not have to import anything. The same thing may be said about matches as well as sugar. The autarchic or near-autarchic conditions are, however, nothing but statistical phenomena, so to say. The greater or less degrees of self-sufficiency enjoyed by India in such industries are likely to mislead the student of world-economy. The economic reality is obvious. The world knows quite well that it does not require much output to satisfy India's *effective* demand. (*Supra*, "Indian Industrialism during World-War II.", pp. 98-101).

For 390 million people the total output in these lines is negligible when one considers the supply available per head. The standard of living *per capita* is extremely low. Not more than an infinitesimally small proportion of the total population is well-placed or rich enough to be able to have a demand even for such a necessity of life as sugar. Hence India can be exhibited in a list of self-sufficient countries even with a small output of this commodity. In questions of autarchy as of other economic phenomena the problems of *relative versus absolute* statistics are in evidence. (Pp. 3, 51, 73, 77-81, 89-90, 107).

Indian autarchies are meaningless or unsubstantial. They are to be understood as nominal or formal autarchies.

Down to 1936 coal output averaged annually about 22 million tons. During 1940 it rose up to 29 million tons. At this stage the danger of "over-production" was discussed in the Government's *Review of the Trade of India 1940-41* (Delhi 1942, p. 53). And yet the population of the country was as high as 390 millions. Similarly, "over-production" was feared in sugar with an output of 1,241,700 tons only in 1939-40, in

cement with 2,800,000 tons only in 1940-41 and in paper with 1,753,000 cwts. only in 1940-41 (pp. 57, 63, 67). With regard to India the categories, autarchy or self-sufficiency, deficit, and over-production are to be interpreted in the *milieu* of extreme Indian poverty or miserably low national income and wretched standard of living.

India (c. 1940) = England (c. 1760)
in Pig Iron

The problem of India's *aribik unnati* (economic progress) with reference to autarchy, over-production and deficit may be elucidated by sizing her up with England, the pioneer of modern industrialism, technocracy and capitalism. (Pp. 18-20).

In Appendix F. ("Statistics of Progress") of Cunningham's *Growth of English Industry and Commerce in Modern Times* Part II. (Cambridge, 1912, p. 930) we get the following figures for pig iron output during the period of the first industrial revolution:

Year	Tons	Year	Tons
1740	17,350	1830	678,417
1788	68,300	1839	1,248,781
1796	125,079	1847	1,999,608
1806	258,206	1852	2,702,000

The million-ton level was exceeded between 1830 and 1839. The two-million ton was reached by 1850. In India the million-ton was reached about 1928, as the following figures from the *Statistical Year-Book of the League of Nations* (Geneva, 1938, p. 142) would show:

Year	Tons	Year	Tons
1928	1,072,000	1933	1,075,000
1929	1,418,000	1934	1,341,000
1930	1,199,000	1935	1,490,000
1931	1,090,000	1936	1,568,000
1932	928,000	1937	1,669,000

Both British and Indian figures are absolute. Even in absolute statistics, then, India in 1933 was producing less pig iron (1,075,000 tons) than England in 1839 (1,248,781 tons). It was in 1934 that India succeeded in catching up with England of 1839. This parity establishes India's chronological backwardness or lag of 95 years *vis-à-vis* England so far as *total* figures are concerned. (Pp. 208-209).

Let us now analyze the indices for the purpose of *relative* statistics. The population of England and Wales was growing during the first industrial revolution as follows (Cunningham, *loc. cit.* p. 935):

Year	Population	Year	Population
1688	5,501,000	1801	8,893,000
1750	6,467,000	1831	13,899,000
1780	7,953,000	1851	17,928,000

We need not go into all the years for the *per capita* output of pig iron in England. Let us take the indices for the two years 1750 and 1780. We find the following results:

Year	Output per Head
1750	0,0026 t. (1740)
1780	0,0085 t. (1788)

We shall now take the absolute output of India for 1936, namely, 1,568,000 tons. The estimated population (1936) was 374,000,000. Per head of population the output of pig iron in India 1936 was 0,0041 t.

We get the following comparative equation:

England (c. 1780) 0,0085 = 2 India (1936) 0,0041

England 1780-88 was producing per head twice as much pig iron as India 1936. But about 1750 the British *per capita*

output was 0,0026 t, (i.e. 0.65 per cent.) of the Indian *per capita* output of 1936. India (1936) is then to be placed somewhere between England 1750 and England 1780. We can conclude that, in pig iron, for all practical purposes

India (c. 1940) = England (c. 1760).

This places India behind England by 180 years. (*Supra*, pp. 20, 89-92). One can almost say that the modern technocratic-industrial transformation of the British pattern has hardly commenced in India as yet. But in reference to France and Germany India's chronological position is, as we are aware, more favourable. (Pp. 19-20). All the same, primitiveness and poverty are crystal clear.

Japan and Russia vis-à-vis Indonesia

In industrialization a most interesting case is that of Japan. (Pp. 207-212). In automobilism her place is as low as conceivable,—just ahead of India. In this regard her primitivism is almost as conspicuous as in other fields of modern economic life. All the indices examined uptill now serve to place industrial-technocratic Japan at a very insignificant level,¹¹ judged by the standard of the adults, go-aheads or giants like the U.S.A., England and Germany. And yet by 1941 this pigmy has dared embark on a titanic world-war with the Anglo-American giants. Evidently a decade and a half of goalful planning implies more to Japan than to others. And/or perhaps industrial-techno-

¹¹ K. Haushofer: *Japan und die Japaner* (Leipzig 1933). the economic sections, pp. 197-211; B. K. Sarkar: "The Strength and Limitations of Economic Japan" (*Calcutta Review*, November 1933); H. J. Timperley: *Japan: A World Problem* (New York, 1942).

cratic developments do not constitute the exclusive or the most significant factor in war-animus, war-preparedness and war-victories. (*Supra*, pp. 28-29, 37).

No less instructive is the case of another pigmy, namely, Soviet Russia, in this regard, as we have already pointed out. Commencing with the unspeakable backwardness of the Indian and Chinese pattern in October 1928 the Russians¹² have been able to modernize themselves in technocracy and industrialism in a terrific manner. During the two winters 1941-43 the German giant has been compelled by the Russian upstart to know the limits of his military-aerial ambition in two consecutive attempts. Some of the projects and achievements of the third five year plan (1938-42) can be seen in *We're in this with Russia* by the American author, Wallace Carroll (Boston, 1942 pp. 212-216).

Evidently industrial-technocratic pigmies are not always and everywhere negligible. The backwards and laggards also can have a place in the sun,—and this in not very remote future,—provided, as Hem Banerji the poet says, *barek jagiya karile pan* (one wakes up and makes the determination).

Such conceptions are foreign to the ideologies of the Dutch economist, Jan Broek. In his *Economic Development of the Netherlands Indies* (New York, 1942) the thesis is established that Indonesia's prosperity will depend in future on Dutch officials. It is the "post-war reconstruction and prosperity of Holland" such as may be served by Indonesia on which he focuses his attention. This is albinocracy and colonialism

12 The pre-Gosplan situation may be seen in the Government publication, *U.S.S.R. Annuaire Politique et Economique pour l'année 1925-26* (Moscow 1926). *Supra*, pp. 207-212.

carried to the n^{th} term. World-economic experts have learnt nothing from Russia and Japan. (*Supra*, "Shortcomings of World-Planning Schemes," pp. 95-97, *Infra*, chapter VI, the section on "Indonesian Economy").

Planified Land-Reclamation in Italy

A specimen of planned economy for which India has great need is to be found in the methods by which malaria has been combated and land reclaimed in Italy since 1876.

Bonifica or land-reclamation commenced in Italy with the birth of this state (1861-70) as a simple measure of *lotta anti-malarica* (anti-malaria campaign). From 1876, the first year of *bonifica* legislation in action, down to 1923 it maintained its character as an agency in public health and sanitary reconstruction. In 1923 it began to get transformed into one of the most powerful planks in the entire applied economics, politics and sociology of Italy. Corresponding to this factual or contentual transformation there was a change in the category also, namely, from *bonifica* to *bonifica integrale*. The Act of *bonifica integrale* (comprehensive land reclamation) was passed in 1928.

A very important departure was made in principle by the *bonifica* legislation of 1923 and 1924. The decrees declared state intervention admissible not only in regard to insanitary lands as heretofore but in regard to other lands as well. Among such other lands were signalized those soils which found themselves in backward agrarian condition but were capable of being transformed by economic measures. *Bonifica* was thereby defined in law not only as the technical process of elimination of malaria and improvement of malarial lands from the *sanitary* aspects but also as comprising *economic* improvements. The

period from 1923 to 1928 may be described as that of gestation for this tremendous revolution in the socio-agricultural economy of Italy in modern times.¹³

During 1926-27 decrees were passed favouring the economic transformation of backward soils. The breaking up of lands was thereby encouraged as well as motor-cultivation. Subsidy was promised to irrigation. One of the decrees had bearing on the improvement of agricultural credit.

The Act of 1925 was designed to promote deep ploughing (40-70 centimeters = nearly 16-28 inches) with steam-driven machines under state auspices.

From 1926 to 1929 the acreage brought under deep ploughing was 22,418 hectares (1 ha = 2½ acres). The outlay amounted to 4,626,689 liras.

The grants sanctioned for the period 1926-1930 were as follows:¹⁴

- | | |
|------------------------|-------------------|
| 1. For Irrigation: | 62,611,000 liras. |
| 2. For Water Research: | 3,810,000 liras. |

In September 1928 Mussolini issued a circular to the prefects saying that 500,000,000 liras would be granted annually by the *Cassa Nazionale per le Assicurazioni Sociali* (National Fund for Social Insurance), *Istituto Nazionale delle Assicurazioni* (National Institute of Insurance) and the Savings Fund Association. All these are Government institutions of Italy.

13 For *bonifica* during the first half a century of its operations see the chapter on "Italy's War-Budget Against Malaria" in B. K. Sarkar: *Economic Development*, Vol. I. (Madras, 1926), based in the main, as it is, on *La Malaria in Italia ed i Risultati della Lotta Anti-malarica* (Rome, 1924) and the Report of the *Federazione delle Bonifiche* (Rome, 1922).

14 *Annuario Statistico Italiano*, 1930 (Rome), p. 188. See also A. Serpieri: *La Politica Agraria in Italia* (Piacenza, 1925).

On Dec. 24, 1928 was passed the *Legge sulla bonifica integrale* (Law of integral or comprehensive bonification). It furnished the entire system of bonification with a strong rural stamp. The orientations were diverted from the previous efforts at urban improvement to the special needs of land reclamation in the villages and agrarian prosperity.¹⁵ The measure was considered by Fascists to be as important as the "labour charter" (*Carta del Lavoro*) of 1927 and is generally known as the *Legge Mussolini* (Mussolini Act).

The planned economy of *bonifica integrale* as decided on by the Mussolini Act of 1928 actually commenced in 1930 and comprised the following scheme of execution in six items:

Categories	Value of Enterprise in million lire	Government grant in million lire	Period in years
1. Hydraulic Improvements	4,500	3,060	14
2. Irrigation, independent of <i>bonifica</i> in South Italy	300	204	14
3. Irrigation, independent of <i>bonifica</i> in Central Italy	500	200	8
4. Rural Buildings	500	340	8
5. Rural Waterworks	200	150	7
6. Farm roads	1,000	400	14
	<hr/> 7,000	<hr/> 4,354	

Some of the items were to be executed in full within seven years and others were to take as many as fourteen years. The Government was to be responsible for 4,354,000,000 lire so far as financing was concerned. In Italy as elsewhere the rôle of the state in agricultural "*Geopolitik*" has been decisive.

¹⁵ Papi: "Migrazioni interne e Bonifica integrale" (*Proceedings of the International Congress for the Scientific Study of Population Problems*), Rome, 1931, Vol. IX (Rome, 1933) pp. 406-410.

The economic planning of synthetic land-reclamation, like all other "plannings" in Italy and in other countries of Eur-America and Japan, is but an Italian edition of the Russian *Gosplan*, first, in regard to state initiative, state administration and state control, secondly, in regard to state financing, and thirdly, in regard to the fixed period of time in each instance during which the state planning was to be carried through. But it is entirely non-communistic as every planification in Italy, Germany, England, Japan, France or the U.S.A. is. (*Supra*, pp. 192-193).

The finances of bonification from 1870 to 1930 are indicated below:¹⁶

1. By State:	1,025,800,000 liras
2. By <i>cessionaires</i> (private individuals and companies):	
i. State Subsidy	1,881,500,000 ..
ii. <i>Cessionaires</i>	923,100,000 ..
	Total 3,830,400,000 ..

During sixty years Government budget was responsible for 2,907,300,000 liras. The state responsibility in *bonifica* amounted to over 76 per cent of the total outlay.

The first minister of agriculture and forests under the Mussolini Act is Acerbo. In his judgment as declared in 1930, the year of assumption of office, *bonifica* has lost its primitive character as observed during the previous sixty years. The Mussolini legislation on *bonifica integrale* has endowed the country with the "instrument of rural mobilization." Ruraliza-

¹⁶ *Annuario Statistico Italiano 1930* (Rome), p. 185. See also F. Virgili: *L'Italia Agricola Odierna* (Milan, 1930).

tion has become thereby the "fulcrum of politics," and the means of maintaining an increasing population.¹⁷

In February 1933 all previous land-reclamation provisions were formally unified into a consolidating Act.

A great example of the new regime was on view when in December 1933 the bonification of the Pontine marshes was officially declared complete. A new province, Littoria, was established, and a new city, Pontinia, founded. The total area of this city covered 17,000 hectares. It was equipped with 200 kilometers of roads and 976 kilometers of canals. (1 km = 5/8 mile).

The Fascist Institute of Integral Land Reclamation (*Istituto Fascista della Bonifica Integrale*) was established by the Government in October 1934. Its creation was necessary in order to enable the *consortia* (associations or companies) to supersede landownership, if necessary, and promote land-transformation. The finances were of course guaranteed by the state. Another prominent object was declared to be the establishment of small farms on reclaimed land. The purchase of such lands by prospective farmers was facilitated by the system of payment by instalments.

Agricultural "Geopolitik" in India

In no economic field is the discrepancy between *absolute* and *relative statistics* more palpable than in the realms of Indian

¹⁷ Serpieri: *La Legge sulla Bonifica Integrale nel Primo Anno di Applicazione* (Rome, 1931); G. Pajano: "*Aspetti di alcuni Problemi della Popolazione*", a paper for the International Congress for the Scientific Study of Population Problems, Berlin, 1935, published in *Bevölkerungsfragen*, edited by Harmsen and Lohse, Munich, 1936, pp. 798-801. See C. Longobardi: *Land Reclamation in Italy* (London, 1936) and M. Moulík: *Italian Economy and Culture* (Calcutta, 1940), ch. on the "Agricultural Re-making of Italy."

agriculture. The Government reports leave no doubt that reconstruction is visible in the most diverse sectors and in mentionable dimensions. But in view of the vastness of population and extensiveness of territory the work is mostly in the nature of homœopathic doses. Inadequacy is the chief mark of the agricultural modernization going on in India. The primitiveness of the situation is conspicuous.¹⁸ (Pp. 3, 77-81, 213).

Measures for the improvement of cattle are still in their non-age. Other branches of agricultural (and forestry) economy indicate likewise some infantile attempts at remaking. The control and training of rivers, for instance, are not unknown. Soil survey is already an Indian agricultural category. The problem of soil erosion has been demanding some attention. Indian irrigation works exhibit the efforts on a continental scale in the field of agricultural "*Geopolitik*." Road-construction has also been taken up with some seriousness. But in all these items the achievements or experiments per square mile of territory are very modest. The allied problems of "bonification" (land-reclamation) and malaria-control, so far as Bengal is concerned, may hardly be said to have reached the dimensions of serious endeavour or campaigning. In *relative* statistics it is a far cry from these Indian reconstructions of agrar-geography to the canal works of France and Germany, the American flood-control measures in the Mississippi Valley, the *bonifica integrale* of Italy or the river engineering establishments of Soviet Russia.

18 See the Map of India showing forests, irrigation, and water power prepared for the Census Commissioner for India 1942 (*Census of India 1941*. Vol. I. *India*. Part I. *Tables*, Delhi 1943). For a few observations on the Punjab and Eastern Bengal "as swarming areas" from the habitation point of view see pp. 23-24. *Supra*, p. 200. See also B. K. Sarkar: *Economic Development* (Madras 1926), ch. on "A New India in Agriculture."

(*Infra*, Ch. VI., section on "Rice and Wheat Productivities," "Indo-Balkan Parities in Agriculture", ch. IX., section on "The Indian Farmer-Tenant of Today").

Planning, Communistic and Capitalistic

At this stage it is worth while to call attention to the fact that in contemporary economic discussions the category, economic planning, planned economy, or planified economy is being loosely employed in season and out of season. Another category is being no less loosely employed. This has become current coin during the atmosphere of World-War II as reconstruction or post-war reconstruction. It is extremely difficult to avoid these conventional and much too popular categories while dealing with current economic questions. No less difficult is it to avoid employing these categories in the loose manner of common parlance. (*Infra*, ch. VII, section on "What is Post-War" Reconstruction?)

Everybody who has some idea in regard to the economic welfare of his people considers himself to be the author of an economic planning or planned economy. Any and every scheme or plan is said to belong to "planning" or "planification." And since we all happen to be living (July, 1943) in what is perhaps the second phase of World-War II each one of these economic plans is treated as being equivalent to a scheme of post-war reconstruction. In India, especially, planning and reconstruction have grown to be almost synonymous or identical categories.

In a living science or art looseness in the use of expressions can hardly be prevented or avoided. Virtually every category has to be taken in an elastic sense.

And yet to prevent misunderstandings care has been taken in this publication, whenever necessary, to pin these categories down to specified contents of thought. Literally speaking, be it observed, reconstruction ought to imply nothing more than the transfer or transition of economic morphology from war to peace. We ought to visualize the withdrawal of finance and employment from war industries to normal occupations. This is an aspect of "demobilization," which automatically involves unemployment. Re-employment in certain industries is another item of importance. The re-establishment of trade, tariff, currency, prices, wages and what not on pre-war(?) or rather non-war foundations belongs to this phase of economy. The entire complex may be called stabilization or rehabilitation and is generally given over to a five-year period. Be it noted that a literal restoration of or reversion to pre-war conditions is neither assumed nor possible.

During the first year or two (1939-40) of the present war Indian economists, businessmen and politicians managed invariably to identify the "war effort" with all-round "economic planning." Every body wanted the Government to utilize the situation in such a manner as might equip India with every conceivable industry and business. It was hardly possible for them to comprehend that war effort could not aim at anything more than a specific and temporary economic development for a well-delimited period. Now (1942-43) that the war has been presumably looking forward to its close Indian economic statesmanship is as a general rule bent upon advising the Government to envisage "post-war reconstruction" as identical with India's techno-industrial development of a comprehensive character. It is invariably difficult for Indian publicists to realize

that post-war reconstruction cannot possibly have more than a short-period and very limited scope. In the present study both "war-effort" and "post-war reconstruction" have been taken in the narrow sense of occasional and temporary or transitional measures.

Planning or planification, in its simplest and most naïve form implies the attempt of even the pre-historic cave-man to save his first stone implement for use on a future occasion. It is as old as conscious and self-conscious man. (*Supra*, p. 9). A goalful futurism is to be found in the soul of a plan. In its somewhat mature form it covers the budgetary activities of all states—ancient, medieval or modern,—in regard to the incomes and disbursements of a twelve-month period. Every improvement-trust or road-scheme is an instance of planning. Finally, in its most hyperdeveloped form, planification means nothing but the communistic economy under state auspices introduced by Soviet Russia in October 1928. Strictly speaking, planned economy is communism as concretely realized in Soviet Russia since then. (*Supra*, pp. 192-194).

But the success of the first five-year plan of Russia set the world in 1933 thinking of the merits of some of the features,—e.g. *étatisme*, centralized control and despotism, etc.,—associated with Sovietic planning. And so virtually every non-Sovietic state¹⁹ from Germany, Italy, Japan, England, France and the U.S.A. down to the most undeveloped regions in the two hemispheres has pounced upon planning or planification as a new

19 The common socio-economic features of the "managerial society" established in Soviet Russia, Germany, U.S.A. and England are emphasized by J. Burnham in *The Managerial Revolution: What is Happening in the World* (New York, 1941).

panacea, slogan or technique of public life and national welfare. Today we have to visualize two entirely distinct types of planned economy or economic planning. One is the original, Sovietic, Bolshevistic or communistic type. Its fundamental feature is the abolition of private property, private capital, private interest, private rent and private profit. The other planning is non-communistic, that is, capitalistic or bourgeois. It recognizes the private property and private capital of age-long traditional economy. But both are united in state control. (*Infra*, ch. VI., the section on "Prospects of Communism in Backward Economies").

These distinctions have been duly recognized in the present publication, and attention has been drawn to them more than once. Be it noticed, further, that in these studies, as elsewhere, socialism has been taken in two distinct senses or forms. One is the communistic socialism of Soviet Russia. The other is the non-communistic or capitalistic and bourgeois socialism of all non-Soviet territories. Thus considered, socialism is the prevailing economico-political system throughout the world. (*Supra*, Ch. III., Section on "War Effort, Socialism and Communism", pp. 133-134).

Whether capitalistic or communistic, planification is state control, *étatisme* or, what is virtually the same thing, socialism. In B. E. Lippincott's compilation entitled *Government Control of the Economic Order* (Minnesota 1935) pro-control ideas are expressed by Colm, Feiler, Lederer, Means and Nathan. This symposium may be placed by the side of the anti-control symposium edited by F. von Hayek as *Collectivist Economic Planning* (London 1936).

CHAPTER VI

PROBLEMS OF PLANIFICATION FOR BACKWARDS AND GO-AHEADS

Indonesian Economy

In *The Structure of Netherlands Indian Economy* (New-York 1941) the Dutch economist, Boeke, takes a thoroughly imperialist view about Asian economic regions. This, indeed, is the orthodox and traditional ideology of empire-holders and colonialists in regard to the inevitable primitivenesses and socio-economic lags of their colonies or dependencies. Such experts are much too antiquated and illiberal in scientific attitudes to understand the problems of world-planning and mankind's *arbhik unnati* (economic progress) in the fifth decade of the twentieth century. (*Supra*, "Japan and Russia *vis-à-vis* Indonesia," pp. 216-218).

The name of Eur-American economists like Boeke is legion. They belong as a rule to the Nordicist school of Spengler, who in *Der Mensch und die Technik* (Munich, 1931) laments that Asians, Russians, and Latin Americans have already mastered enough technocracy and industrialism to be able to stand up to the "superior races."

It has been the systematic plan of interested parties to keep certain regions at a safe industrial-technocratic and scientific or cultural lag with a view to maintaining their own domination. The lag can be remedied by counterplans. The records of such counterplans are being studied with interest in India as in Indonesia and elsewhere. Truptil's "Second Five Year Plan" (in the *Llyods Bank Monthly*, London, 1938), Dobb's *Soviet Plan-*

ning and Labour in Peace and War (London 1942) and other publications serve to militate against and neutralize the socio-economic postulates and economico-political *statusquoism* of works like those of Boeke.

In regard to India Ladejinsky writing in the *Agricultural Situation* (Washington D. C., August 1942) makes it a point to observe that the "intensified industrial development of India would involve, among other things, a basic and positive change in the attitude of Great Britain regarding a rapid industrialization of India." Such a viewpoint is ignored by economists like Boeke. There is no place for it in Furnivall's *Progress and Welfare of South-East Asia* (New York, 1941) either.

Boeke's method is unrealistic. As an exponent of Dutch colonial policy he forgets certain very elementary considerations. He overlooks the fact that Indonesia has for over a year been independent of the Dutch Empire. Holland itself is for three years a colony of the German Empire of Pan-Europa. In case Holland continues to remain such a colony for some time the application of Schacht-Göring principles of *europäische Neuordnung* may reduce the natives of Holland to "pre-capitalist" conditions by the Anglo-German or Anglo-American standard. German infiltration would not fail to create at the same time a "dualistic economy." The clash between the German-imperial and the native-Dutch socio-economic systems may then turn out to be as interesting to the economists and statesmen of colonial powers as the present intercourse between the Dutch people and Indonesians.

The equations of world-economy are powerfully influenced by sinister forces set in motion by international politics. Economic dynamics is not all economics. A great deal of *arthik*

unnati and the transformation of economic structure is conditioned by political forces. The economic lags or backwardnesses of Indonesia are to attributed to a considerable extent to the absence,—in the administrative machinery and *personnel*,—of pro-Indonesian economic and financial planning. Political independence is a *sine qua non* for all economic backwards and laggards in order that they may rise up to mentionable levels of technocracy and industrialism, of science and culture. (*Supra*, "The Economic Progress of a Dependency," pp. 93-95).

Mortality General and Infantile

Another problem of techno-economic laggards may be seen in the field of vital statistics. We have noticed it in connection with the figures about the "expectation of life" (pp. 34-35). Some more data may be furnished here.

In *Census of India* 1941, Vol. I. Part I. (Delhi, 1943) attention is drawn to the fact that general mortality has come down from 31 per thousand inhabitants in 1920 to 22 in 1940. It is no doubt a striking phenomenon. But the real significance of this decline in mortality, i.e., of socio-economic progress, so far as it goes, can come out in the perspective of the figures about other countries. For 1931-35 the general mortality was as follows for a large number of countries (*Statistical Year Book of the League of Nations*, Geneva, 1938, p. 42):

Group A.		Group B.	
Countries	Mortality	Countries	Mortality
Holland	8.2	Italy	14.4
Australia	9.0	Poland	14.6
U.S.A.	10.9	Bulgaria	15.5
Germany	11.2	France	15.7
Sweden	11.6	Spain	16.2
Switzerland	11.8	Greece	16.5
Argentina	12.1	Portugal	17.0
United Kingdom	12.2		

Group C.		Group D.	
Countries	Mortality	Countries	Mortality
Japan	17.9	India	22.0 (1940)
Jugoslavia	17.9	Guatemala	22.0
Venezuela	18.0	Salvador	23.0
Soviet Russia	18.0 (1928)	Mexico	24.1
Philippines	18.5	Ceylon	24.7
Rumania	20.6	Chile	24.7
Formosa	20.6	Egypt	27.6
Palestine	20.9		

India's mortality continues to be high. It is interesting to observe that in mortality as in natality India's socio-economic peers are to be found in the Balkan Complex and in Latin America. Russia and Japan are again to be encountered more or less in the same *milieu*. But at the International Congress of Population, Paris, 1937 Roubakine reported that the mortality of Soviet Russia about 1935 had become equal to or even less than that of the *grands pays civilisés de l'Europe occidentale* (great civilized countries of Western Europe).

In infant mortality India's record during twenty years is not discouraging. From 195 per thousand living-born during the first year of birth in 1920 the figure came down to 160 in 1940 (*Census 1941*, Vol. I. Part I. p. 36). The international situation in infant mortality for 1931-35 can be seen below (*Statistical Year Book* etc. p. 44):

A.		B.		C.	
Countries	Infant Mort.	Countries	Infant Mort.	Countries	Infant Mort.
Australia	41	Italy	105	Palestine	151
Holland	45	Spain	113	Philippine	151
Switzerland	48	Japan	120	Jugoslavia	153
Sweden	50	Greece	122	India	160 (1940)
U.S.A.	59	Poland	136	Egypt	165
United Kingdom	65	Salvador	140	Ceylon	182
France	73	Portugal	146	Rumania	182
Germany	74	Bulgaria	147	Chile	248
Argentina	94	Venezuela	150		

There is considerable room for improvement in India's infant mortality. In the diverse fields of vital statistics India's equations are discernible with more or less the same countries. They belong invariably to the lowest socio-economic groups. Considerable doses of socialistic finance will be required in the administration of public health in order to reduce the general and infant mortality rates in India to those of *grands pays civilisés*. (*Supra*, pp. 22-26, 35-54-57).

Foreign Capital in Economic Planning

While investigating the problems of economic planification for laggards and go-aheads our attention is invariably drawn to the question of finance-capital. A very important item in the economic morphology of international trade is furnished by the exports and imports of finance. Trade in commodities is generally well understood. But students of world-economy very often overlook the fact that without the exports and imports of capital much of the exports and imports of goods may not function at all. The need for external capital is a paramount ground for the inevitable annihilation or diminution of economic autarchy in any region (pp. 186-187).

The employment of foreign capital *per capita* in the different countries of the world during 1925-30 may be seen in the following groups (in £)¹:

¹ *Die wirtschaftlichen Kräfte der Welt* (Berlin, 1930); Woytinsky: *Die Tatsachen und Zahlen Europas* (Vienna 1930). For foreign debts contracted abroad see Giusti: *I Prestiti Pubblici contratti all'Estero* (Milan 1921) and for foreign investments see Preuss: *Die Kapitalanlage im Auslande* (Berlin 1923). In regard to the export and import of capital during the period 1914-30 see *The Course and Phases of the World-Economic Depression* (Geneva 1931). See also B. K. Sarkar: *Economic Development*, Vol. I. (Madras 1926), pp. 394-399.

Group I.		Countries		Per Head
Countries	Per Head			
1. New Zealand	128	14. Peru		17
2. Canada	127	15. Brazil		13
3. Australia	122	16. Rumania		11
4. Cuba	74	17. Hungary		11
5. Chile	64			
6. Argentina	55			
Group II.		Group III		
Countries	Per Head	Countries		Per Head
7. Norway	45	18. Colombia		9
8. South Africa	34	19. Poland		7
9. Denmark	27	20. Czechoslovakia		6
10. Venezeuela	25	21. Indonesia		5
11. Germany	20	22. Jugoslavia		5
12. Austria	18	23. Japan		4
13. Greece	18	24. Uruguay		2
		25. India		2
		26. China		1½

The supply of foreign capital for India as for China is very small, almost negligible. It is to be noted that, economically speaking, foreign capital belongs to the techno-industrial complex of several prosperous regions. Not less noteworthy is the absence of correlation between large doses of foreign capital and political subjection. Regions commanding a large supply of foreign capital are not necessarily all subject to foreign countries. National sovereignty and foreign finance may go hand in hand. These aspects of world-economy must not be ignored by experts in industrialization or economic planning for backward regions. Sentimental nationalism should not be permitted to militate against the pressing requirements as much of economic development as of political efficiency. (*Supra*, "Planned Industrialization for India," p. 196).

In 1913, the pre-war year in relation to World-War I (1914-18), Italy's debts abroad were distributed as follows (Fisk: *The Inter-Ally Debts*, New York, 1924, pp. 291-292):

Foreign Enterprises in Italy	Number	Foreign Capital in million Dollars
1. General Companies	292	88
2. Insurance Companies	—	6
3. Navigation Companies	—	6
Total foreign capital		100

Some of the sources of this external capital were as follows:

Countries	Capital in million Dollars
1. Belgium	36
2. France	30
3. Switzerland	9
4. Germany	6

The Italian industries in which foreign capital was functioning were chiefly public utilities. There was little *swadeshi* (indigenous) enterprise in the water-works, gas works, electric companies, tramways and railways of Italy. Foreign capital was substantial if not predominant in these businesses.

The above tables indicate only the foreign businesses registered in Italy. External capital was functioning in other enterprises as well. Foreigners used to buy the securities of Italian municipalities and the Government of Italy. Besides, in the *swadeshi* (indigenous) business of Italy also foreigners used to buy large shares and bonds. France was the chief holder of Italian Government and municipal consols. The principal foreign investor in Italian businesses was Germany.

The total foreign indebtedness of Czarist Russia in 1914 was distributed as follows (Fisk; pp. 297-302):

Items	Million Dollars
1. Loans contracted by the state direct or through guarantee	2,890
2. Foreign investments in Russian industry and commerce	1,154
Total foreign debts	4,044

The nationality of the foreign investments in Russian industry and commerce was as follows in amount and proportion:

Countries	Million Dollars	Percentage
1. France	377	32·6
2. Great Britain	261	22·6
3. Germany	227	19·7
4. Belgium	165	14·3
5. U.S.A.	61	5·2
6. Holland	19	1·6
7. Switzerland	17	1·5
8. Sweden	12	1·1
9. Denmark	8	0·7
10. Austria	4	0·4
11. Italy	1	0·1
12. Norway	1	0·1
13. Finland	1	0·1
Total	1,154	100

The kinds of Russian enterprises in which the foreign finance indicated above was invested can be grouped as follows in amount and proportion:

Enterprises	Million Dollars	Percentage
1. Mining	429	37·2
2. Metallurgy	202	17·5
3. Real estate	134	11·5
4. Banks	122	10·6
5. Textile industry	99	8·6
6. Chemicals	43	3·7
7. Foodstuffs	19	1·7
8. Printing	16	1·4
9. Shipping	14	1·2
10. Lumber	13	1·1
11. Mineral exploitations	9	0·8
12. Animal products	7	0·6
13. Insurance	5	0·4
Total capital	1,154	100

The total foreign investments in Russian Government loans as well as in Russian industry are indicated country by country as follows (in million dollars):

Countries	Russian Govt. and Municipal Bonds	Russian Industry & commerce	Total Maximum
1. France	2,720	323-377	3,097
2. Great Britain	333	261	594
3. Belgium	205	165-470	675
4. Germany	554	227-446	1,000
5. U.S.A.	10	58	68
6. Other countries	503	63	566
Total	4,325	1097-1675	6,000

French capital was operating in the mining, metallurgy, platinum, machinery, locomotives and shipbuilding industries of Czarist Russia. British capital was interested in 144 different enterprises. Naphtha, copper, thread and tobacco were some of them. Belgium participated in 107 industries comprising glassware, plate-glass, mining, foundry, chemicals, textiles, and public utilities. German participation was seen in chemicals, electricals, banking and life insurance. The U.S.A. had interest chiefly in insurance business.

It is interesting to observe that this entire debt (\$6,000,000,000) was repudiated by Lenin in February 1918. The most fundamental cause of the enmity of the bourgeois world to Bolshevism, Communism or Soviet Russia, is to be found in this cancellation of foreign debts. To what extent the mere ideology of communism or state-capitalism is responsible for this enmity is an open question. Part of this capitalistic enmity to communism may be due to the Bolshevik atrocities perpetrated on millions of Russian bourgeoisie or bourgeois-minded men and women. Like everything else, the evocation of anti-Sovietic sentiments in the capitalistic world has to be explained by more than one circumstance.

About foreign investments in the U.S.A. Fisk observes as follows (p. 311): "From the foundation of the government up

to 1914 we had borrowed abroad for every conceivable purpose. We depended upon foreign capital to fight the Revolutionary war to a successful finish. France, Holland and Spain were the backers of the infant republic." This sums up the economics of emancipation from foreign rule. In 1790 the foreign loans for the American war against England amounted to \$12,081,000.

In 1899 foreign investments in mortgages on farms and off town and city real estates, in agricultural operations and in other lines of business came up to \$3,000,000,000. The amount rose to nearly \$7,000,000,000 by 1914. In this amount the British share was 4,000 millions, the German 1,250 millions, and the French, 1,000 millions. About this time foreigners owed the U.S.A. 2,500 millions. The U.S.A. was therefore a debtor nation to the tune of 4,500 millions net.

These considerations about the nineteenth and early twentieth century will loom large again in post-war years. For every national economy in the world today, backward or go-ahead, the question of foreign finance is bound to be an item of substantial importance. Hardly any planification can be conceived without reference to the export and import of capital (*Supra*, p. 196; *Infra*, ch. VIII., the section on "Unitas and Bancor").

French Experience in Land Fragmentation and Consolidation

Planned Industrialization as understood by the present author comprises agricultural transformation as a matter of course. (Pp. 5, 194-195). In this connection it would interest students of land-economics in India to know that rural property

continues to be much too parcelled out in France. We encounter here a planning problem in which an economic laggard and an economic go-ahead find themselves to some extent as sailing in the same boat.

The French situation for the nineteenth century is well described in De St. Genis's *Propriété Rurale en France* (Paris, 1902). But according to certain sections of French economic thought it is unwise to pass judgment over-hastily and conclude that this state of things is necessarily harmful. It is true that small and medium peasant holdings² are obliged to make up for shortage of capital by an undue amount of hand work. But there is nothing, it is said, to show that the social standing of those subjected to it is any lower on that account or the general economy of the country necessarily more unsound. French economists find it extremely difficult to pronounce a general verdict. They believe in reviewing all the different "regions" one after the other in order to get an accurate idea of the advantages and disadvantages of land-parcelling or fragmentation of holdings. This is a specimen of realistic economics.

Many French economists are, be it noted *en passant*, pro-agrarian and opposed to excessive industrialization. Terrel's *Le Problème de la terre dans l'économie nationale* (Lyons 1924)

² Woytinsky: *Die Welt in Zahlen*, (Berlin), Vol. III, pp. 98-105 (Statistics and relative proportion of small, medium, "large" and "giant" farms throughout the world). For Italy see Ciasca: *Il Problema della Terra* (Milan 1921). In regard to the *onze régions économiques* of France see Busson, Fevre and Hauser: *La France d'Aujourd'hui* (Paris, 1924). (Cf. also G. Peel: *The Economic Policy of France*, London, 1937, pp. 24-27). For American agriculture see I. Lippincott: *Economic Development of the U.S.A.* (New York, 1921) and E. L. Bogart: *Economic History of the U.S.* (London, 1908).

is a valuable document of this school of economic thought. The census taken in 1929 was the first to specify for every *departement* (district) the area or areas in which this fragmentation must be considered harmful. The whole of these areas represents approximately 9,711,000 hectares (1 ha. = 2½ acres). With the totals for each *departement* available a reliable comparison can be drawn between the several *departements* as regards the extent of the "harmful" areas. The Charente and the Marne are the worst off in this respect: the areas it would be well to bring under fewer owners cover some 420,000 hectares in each of these *departements*. Next come the Somme, the Côte du Nord and the Vienne with 400,000 hectares; then the Hautes-Alpes, the Haute-Marne, the Saone-et-Loire and the Yonne. Be it stated that in 11 *departements* there would be none such parcels to be thus welded together, viz., the Ardennes, Ariège, Finistere, Lozere, Oise, Hautes-Pyrenees, Pyrenees-Orientales, Sarthe, Seine, Seine-et-Marne and Seine-et-Oise *departements*.³

To sum up, it may be observed that for the whole of France the percentage of cultivated land parcelled out to excess amounted to 28% in 1929 and this is the fragmentation it was thought advisable to remedy. But French economists emphasized that in such matters extreme caution was necessary. On the one hand, account must be taken of rural stubbornness, said the French experts in social economy. Nor should this stubbornness be necessarily denounced according to them as unreasonable, for the smaller rural holdings where a peasant family grows "a little of everything," as the saying goes, and makes a living thereby were far from being unproductive. The French

3 This information is derived from material furnished by Monsieur Paul Dubois, Consul-General for France at Calcutta.

situation is not without its moral for Indian economists. (Cf. Sachin Sen: *Land Economics of Bengal*, Calcutta, 1935).

Furthermore, after World-War I (1914-18) which led to extensive devastation in Northern France it may have seemed necessary to rationalize production with a view to greatly intensifying the output. But by 1929 there was a disquieting and widespread "overproduction" as regards many articles. The marketing difficulties encountered in such cases became a matter of concern both for governments and producers. Could it be held necessary to grow too much wheat, French experts were asking, only to be compelled to use it for making methylated spirits or to feed the cattle? A national interest was alleged to justify the bringing together of small holdings under one owner. But a world interest was at stake, said they, when it was a question of overproduction, dumping and the vertical fall of prices. It seemed that scientific cultivation, the wider use of mechanical agricultural implements and the popularization of fertilizers were tending to lead to an increasingly large output which it was inadvisable to intensify. (G. Peel: *The Economic Policy of France*, London, 1937, pp. 26-29).

Socio-economic thought in France as indicated here had its practical aspects too. These considerations could but strengthen the "liberal" case which would leave farmers, small owners and peasants free to manage their own cultivation and direct their enterprises as they chose. Apparently it was felt preferable to resort to persuasion, and it was believed that the farmers themselves eventually might come to recognise in what cases the process of consolidation or regrouping served both the country and their own interests. As a rule, *laissez faire* was holding the ground among French legislators and *intelligentsia* generally.

The restriction of fragmentation was effected slowly, but it has by no means been abandoned. To the mind of the framer of the law of 1918, the initiative lies chiefly with the groups of private interests constituted into Unions and the part of the Administration is chiefly to assist such bodies while itself taking a helpful initiative when required in certain cases. In the main the farmers concerned certainly object to majority constraint. But the *Académie d'Agriculture*, several technical experts and a few consecutive *rapporteurs* for the Budget actually declared in favour of action to be taken by the Government.

In France there is a perpetual tug of war between *laissez faire* and state-control or *étatisme*. This has not been in abeyance even in regard to the planning of holding consolidation. It would be interesting to know what has been happening in France under German occupation since June 1940.

It is not necessary to go into particulars concerning the operations in connection with such regrouping or consolidation. They are generally conducted by a local body whose business it is to arbitrate any disputes that may arise and to endorse the agreement when actually carried out. From 1919 to 1929 the process of regrouping, applied in 541 cases, dealt with 218,972 hectares,—an inconsiderable proportion, in view of the fact that 198,225 of these hectares belonged to 4 *departements* only: the Somme (85,109 hectares), the Ardennes (57,606 hectares), the Meurthe-et-Moselle (36,502 hectares) and the Oise (19,000 hectares).

Attention may be called to the exchange of plots. Such exchanges involved between 1919 and 1929 as many as 916,889 parcels with a total area of 447,955 hectares— or more than twice the area dealt with by the regrouping process

during the same period. In the Marne *departement*, 87,850 parcels—29,926 hectares—were thus exchanged; and the same was the case in the Bas-Rhin with 93,789 very small parcels covering an area of 5,266 hectares only.

In 1933 consolidation operations were completed in 10 instances, 44 were in course of completion and 10 given up. The Meurthe-et-Moselle *departement* would seem to have displayed the greatest activity in the matter, the relevant figures at that date being: 6 operations completed, 18 in course of completion and 19 given up. These figures refer to the operations carried out under the law of November 1918. To the above should be added the operations effected under the law of March 1919—bearing upon 7 *departements* (Aisne, Ardennes, Oise, Meurthe-et-Moselle, Meuse, Somme and Morocco) and aggregating 376 completed and 128 unfinished operations.

Altogether, in contemporary France the rôle of *étatisme* in land-questions is not to be belittled although *laissez faire* happens still to be the dominant factor in the social mind. In contrast with the *Académie d'Agriculture* the *Société d'Economie Politique* of Paris, the oldest Economic Society of the world, continues still to be in favour of *laissez faire*. So far as the equations of world-economy are concerned the operations relating to the regrouping of land-parcels are no longer unknown in India.⁴ The Punjab has been leading off in this item

⁴ See R. K. Mukerjee: *Land Problems of India* (Calcutta, 1933), and Sudhir Sen: *Land and its Problems* (Calcutta, 1943) as well as the Government of India annual, *Agriculture and Animal Husbandry in India* (Delhi), latest number. Among other things the regroupings or consolidations and exchanges are reported in this official annual from year to year.

as in land mortgage banking. The lag of India in this regard *vis-à-vis* France is to be measured by *relative* quantities.

Rice and Wheat Productivities per Hectare

The agricultural indices of India cannot be ignored in any scheme of planned economy for this region. As already indicated at the outset, agriculture belongs by all means to the complex of industrialism and technocracy. A few Indian agricultural data are therefore being placed in the perspective of world's agricultural statistics. (p. 5).

Students of world-economy,—especially in Asia,—as a rule overlook the fact that Eur-America is no less agricultural than industrial and commercial. These world-statistics would not fail to disabuse the scientific mind of the obsessions by prejudices or popular notions in this regard. In Eur-America industrialism has not militated against farming, forestry, animal husbandry, and allied occupations. Agriculture has by all means received a tremendous fillip in association with and on account of progress in manufacture and mining. Indeed, the progress of chemistry, biology, soil physics and allied sciences even of the theoretical plane has directly helped forward the development of agri-flori-horticulture in the modern West. On the other hand, it is well to observe with interest that the so-called monsoon-regions, e.g., India, Ceylon, Indonesia, etc. are not necessarily the greatest agricultural powers in the world. Rather, in agricultural productivity the monsoon-lands,—in spite of their tropical and humid climate,—are by far inferior to the temperate, dry and cool regions of Europe. In the world-economy today the U.S.A. is perhaps known more as an agricultural power than as an industrial.

The output of rice per hectare ($2\frac{1}{2}$ acres) is shown in quintals (= 220 lbs.) as follows for 1928⁵:

Group I.		Countries	Output
Countries	Output	9. Portugal	17.8
1. Spain	63.6	10. Brazil	17.5
2. Italy	49.0	11. Siam	17.2
3. Egypt	32.7	12. Mexico	15.5
4. British Guiana	29.3	13. Indonesia	
5. Formosa	21.4	(Dutch Indies)	15.0
6. U.S.A.	20.5	14. India	13.9
		15. West Africa	11.4
Group II.		Group III.	
Countries	Output	Countries	Output
7. Korea	19.7	16. Guatemala	9.8
8. Bulgaria	19.0	17. Ceylon	7.8

India's productivity is very low. It is one of the lowest in the world. The greatest productivity is to be found in Europe (in Spain and Italy).

For the period in question we get a rice-equation like the following:

$$\text{Italy (49)} = 3.5 \text{ India (13.9)}.$$

Italy produces per hectare 3.5 times the amount of rice produced by India.

Wheat productivity is as follows⁶ (in quintals of 220 lbs. per hectare):

⁵ *Annuaire Statistique de la Société des Nations* (Geneva), 1928, pp. 63-64. Variations in the productivity may be followed in subsequent issues. See Sudhir Sen: *Land and its Problems* (Calcutta, 1943), Ch. XVI. "Paddy Yield in Birbhum, Bengal and Abroad," Chs. XV and XVI. "Low Yield and its Causes."

⁶ *Annuaire Statistique* (Geneva), 1928, pp. 54-55. The primitive agricultural conditions of the Balkan Complex have been examined at length by E. Wagemann: *Der neue Balkan* (Hamburg, 1939).

Group I.		Group II	
Countries	Output	Countries	Output
1. Belgium	28.0	14. France	14.2
2. Irish Free State	27.7	15. Sudan	13.
3. Holland	23.8	16. Canada	13.2
4. Denmark	23.1	17. Poland	13.0
5. U.K.	22.0	18. Hungary	12.9
6. Sweden	18.8	19. Chile	12.4
7. Egypt	18.8	20. Bulgaria	12.0
8. Germany	18.8	21. Lithuania	12.0
9. Czechoslovakia	17.2	22. Esthonia	10.9
10. Japan	16.9	23. Italy	10.8
11. Norway	16.6	24. U.S.A.	10.0
12. Finland	16.7		
13. Austria	15.9		
Group III.		Countries	
Countries	Output	Countries	Output
25. Greece	9.5	30. Morocco	7.2
26. Spain	8.7	31. India	7.2
27. Argentine	8.7	32. Portugal	7.1
28. Jugoslavia	8.4	33. Russia	6.6
29. Syria	8.0	34. Australia	6.6
		35. Turkey	6.5

We get the following wheat-equations of world-economy :

$$\text{Belgium (28)} = 3.9 \text{ India (7.2).}$$

$$\text{U.K. (22)} = 3 \text{ India (7.2).}$$

In Belgium the productivity of wheat per ha. is 3.9 times that of India. The productivity of the U.K. is 3 times. Such equations cannot but be eye-openers.

The relatively lower indices of rice and wheat productivity in India are not all due to geography. Temperature, rainfall, sun's rays, soil conditions, river-drainage and so forth must not be considered to be the sole factors in this agricultural poverty. Nor should regionalism or geographism as such be appraised as the exclusive consideration in the higher agricultural productivities of Europe. The rôle of capital or finance invested *per*

hectare is to be adequately appraised. Noteworthy also is the rôle of science and its applications. The tools, implements, engineering equipment, irrigation and other artificial drainages, manures or fertilizers both natural and chemical, and so forth belong to this count. Last but not least must be considered the business organization in general and the supervision by trained experts in particular. The absence of such factors may be verified by a reference to Sudhir Sen's survey of fifteen Sriniketan villages in Birbhum (West Bengal) published as *Land and its Problems* (Calcutta, 1943). It is the poverty of the peasants that is in the last analysis the fundamental factor in the primitiveness of Indian agriculture.

Indo-Balkan Parities in Agriculture

These human factors are more in evidence in Europe than in India. During the last few generations agricultural revolutions have gone *pari passu* with the industrial revolutions in Eur-America. In India too some amount of agricultural transformation⁷ has been proceeding along with the industrial-technocratic transformation since, say, 1850, especially since

⁷ See the chapter on "A New India in Agriculture" in B. K. Sarkar: *Economic Development* Vol. I. (Madras, 1926); also his "*Modernisierung der indischen Landwirtschaft*" (*Berichte über Landwirtschaft*, Berlin, Feb. 1931); *Economic Development* Vol. II. (1932, 1938), the section on Rationalization in Agriculture. In J. P. Niyogi: *Co-operative Movement in Bengal* (London, 1940), the reader will notice the increasing reluctance of the state in the matter of loans, grants or subsidies for the co-ops and the primitive features of agricultural finance as prevalent in India. For the beginnings of the Federal Farm Loans movement see I. Lippincott: *Economic Development of the U.S.A.* (New York, 1921) pp. 374-378. The earlier stages of modernism in American agriculture can be visualized in E. L. Bogart: *Economic History of the U.S.A.* (London, 1908) and I. Lippincott and H. Tucker: *Economic and Social History of the U.S.* (New York, 1927).

1905. Only, in agriculture as in industry, technology, education, banking, insurance, transportation, roads and commerce the doses of re-making or revolution are modest. Indian agriculture is already somewhat modernized in technique, finance and organization. Familiarity with the facts and figures in *Agriculture and Animal Husbandry in India* (Delhi) published annually by the Government of India would not fail to establish this thesis. Proceedings of the Indian Institute of Agricultural Economics (e.g. the conference held at Lahore in April 1941) may likewise confirm this idea of progress. But this modernization belongs, as would appear from Helfferich's paper about Germany 1886-1911, to the earlier stages of modernization in Eur-America. We may refer likewise to the American agriculture of 1840-60 as described in Bogart's *Economic History of the United States* (London, 1908, pp. 238-242). The equations of world-economy are once more visible. In the interest of planned industrialization India's agricultural equations have need to be carefully surveyed. The historico-comparative agricultural economy of many countries in East and West down to c. 1925 may be conveniently referred to in the third volume of Woytinsky's *Welt in Zahlen* (Berlin).

The problems of Indian agriculture with special reference to the application of science and engineering will be found almost identical with those of contemporary agriculture in Albania, Bulgaria, Greece, Jugoslavia, and Rumania as analyzed by Reithinger in *Das wirtschaftliche Gesicht Europas* (Stuttgart 1936) and by Wagemann in *Der Neue Balkan* (Hamburg 1939). The Balkan situation described by Delaisi in *Les deux Europes* (Paris, 1929), Woytinsky in *Die Tatsachen und Zahlen Europas* (Vienna, 1930) and the British scholars of the

Institute of International Affairs (London) in *The Balkan States, I. Economic* (1936) can likewise exhibit parities with the agricultural situation in India.

It is curious that the Government in India takes pride in refusing to make any financial grant to the co-operative societies and sits tight on teaching the capitalless peasants the sublime philosophy of hundred per cent self-help. This metaphysics of self-help is unknown to the co-operative movements in Eur-America and elsewhere. In India the state as well as publicists and economists have yet to unlearn quite a lot. It will be long before the government grants, loans or subsidies of the Federal Farm Board of the U.S.A., the *Credit Agricole* of France and the *Banque Agricole* of Turkey can be profitably and adequately assimilated by India's legislators, statesmen, and economic theorists. We encounter here but another specimen of lag in capitalism and finance. Other specimens of lag are obvious in Russell's *Report on the Work of the Imperial Council of Agricultural Research in Applying Science to Crop Production in India* (Delhi, 1937) as well as in Wright's *Report on the Development of Cattle and Dairy Industries in India* (Delhi 1937).

Comparative Cattle-and-Milk Economy

The primitiveness of Indian agriculture is manifest in all its nakedness in the cattle-economy and milk-economy. The cattle population of India is to be counted at 214 millions. This is to be seen against 389 million inhabitants. India's cattle per head of population is, then, 0.61.

In international statistics the cattle-position of India may be seen in the following figures :

Countries —	Cattle Per Head of Population	Countries —	Cattle Per Head of Population
1. New Zealand	2.76	7. Norway	0.47
2. Australia	2.12	8. France	0.37
3. Denmark	0.86	9. Holland	0.33
4. Canada	0.85	10. Poland	0.30
5. India	0.51	11. Germany	0.29
6. U.S.A.	0.49	12. Great Britain	0.19

In the above comparative estimate India with 0.51 cattle per head of human population appears to have a rather high place. But this is misleading. The quality of the cattle,—e.g. weight, substance, milk etc.,—is ignored in this consideration.

The output of milk per cow per year (in lbs) is furnished for several countries including India in the following table:

Countries —	Milk Per Cow <i>p.a.</i>	Countries —	Milk Per Cow <i>p.a.</i>
1. Holland	7,467	6. Canada	4,290
2. Denmark	7,348	7. Australia	4,255
3. New Zealand	6,037	8. France	3,843
4. Germany	4,880	9. Great Britain	3,136
5. U.S.A.	4,530	10. India	886

India's output of milk per cow *p.a.* is as low as 886 lbs. The following equation exhibits the average Indian cow by the side of the average American:

$$\text{U.S.A. (4530)} = 5.1 \text{ India (886)}.$$

The American cow in general yields more than 5 times the milk of the Indian cow. We understand, then, that although per head of human population India (0.51) has almost the same number of cattle as the U.S.A. (0.49) the amount of milk available in the latter country is above 5 times that of the former. Too palpable is India's milk poverty.

During 1936-37 certain breeds maintained at the more

important dairy farms of India yielded as high as 6,000 to 11,720 lbs. in the course of the year. These are to be taken for quite a long time as curios (*Agriculture and Animal Husbandry in India 1936-37*, Delhi, 1939, p. 288).

A more concrete picture of the comparative cattle situation is furnished by the amount of milk consumed per head per day (in ounces) in diverse countries. The following table gives a few figures:

Countries	Milk Consumed	Countries	Milk Consumed
—	Per Head	—	Per Head
—	Per Day	—	Per Day
1. New Zealand	56	8. Holland	35
2. Australia	45	9. Germany	35
3. Norway	43	10. Belgium	35
4. Denmark	40	11. France	30
5. England	39	12. Poland	22
6. Canada	35	13. India	6
7. U.S.A.	35		

The average Indian does not consume more than 6 ounces of milk per day. The Indo-French equation in milk consumption is as follows:

$$\text{France (30)} = 5 \text{ India (6)}.$$

The average Frenchman consumes 5 times as much milk as the average Indian. One can easily figure out the kind of planification that may be required in order to raise the Indian cattle-and-milk standard up to any decent heights consistent with health, strength and efficiency.

Mechanized Agriculture in the U.S.A.

In contemporary planning projects a sample may be presented here of what is certainly the highest grade of agricul-

tural modernism. In mechanized agriculture American achievements are much too high even for Anglo-German giants.

It is estimated that 350,000 to 500,000 farm workers will be displaced in the next decade, but the number of workers displaced by mechanization depends not only on the type of equipment but also on the kind of farm, says the *Agricultural Situation* (Washington, September 1940). Displacement is not necessarily in proportion to the time saved on a specific job. On large farms operated with a flexible supply of hired labor, equipment that reduces the time of performing work by half may at the same time reduce the working force by half. But on the family farms the labor force represented by members of the family may not be reduced by labor-saving equipment. Less additional labor may be hired, but the actual reduction of workers would be considerably less than working time saved.

With the machinery and power in common use in the central winter wheat areas about the year 1900, the approximate time to prepare land and haul wheat to the granary was 8.8 hours per acre. With the use of a tractor, tractor equipment, and a 12-foot combine, the time for comparable work was reduced to 3.3 hours. The time required for corn production in the Corn Belt was reduced from 15.1 hours to 6.9 hours an acre.

No mechanical developments now under way seem likely to affect the use of labor in the near future as drastically or on as large a scale as did developments in wheat machinery in the 1920's. However, perfection and adoption of the cotton picker or the use of sugar-beet tillage and harvesting machinery would have effects comparable to the recent mechanization of wheat production.

The traditional plantation and share-cropper system of farm organization in parts of the South are passing even without mechanical cotton picker. Prices of cotton and wages of labor have given an income advantage to the operators using hired rather than share labor. The result has been an increase in the proportion of cotton grown with wage labor. This has been particularly true where additional economies in cost of operation could be achieved through the use of wage labor and power machinery.

On the plantations shifting toward mechanization during 1932-38, 36 tractors were put into use for each 10,000 crop acres; 91 families, or 22 per cent of the original number, were displaced from 10,000 acres of cropland. The second group, on which tractors per 10,000 crop acres increased from 18 in 1932 to 24 in 1938 displaced 65 families or 16 per cent. The third group, on which tractors were not used, displaced 22 families, or 6 per cent.

The introduction of tractors in the South will release for other purposes land that has been used for corn, hay, and pasture for mule-feed. Most of this land has grown corn. It may continue to grow feed for other livestock, but some of it may be shifted to cash crops. The relative profitableness of the different alternatives and the extent to which special inducements are provided for shifting will determine the choice.

Further adoption of tractors and complementary equipment in the North Atlantic States will release land formerly used to produce feed for work stock and make it available for other uses. In view of the importance of dairying and the relative shortage of feed crops, it seems likely that a large part of the released land will be used to produce feed for dairy cattle.

The probable shift to more dairy feed resulting from mechanization must also be relative to the adoption of soil-improvement practices. The agricultural conservation program appears to have encouraged dairymen to step up the normal rate of adoption of soil-improvement practices. In other words the conservation program seems to be hastening a desirable adjustment, but it is an adjustment which means more dairy feed and more milk.

The above lengthy extract indicates the powerful impact of mechanized agriculture on labour as well as land changes. These are phenomena of the "second industrial revolution" and not yet quite assimilable in the general European economy. For countries like India and China it is the earlier stages in the mechanization of American agriculture (say, during 1840-60), such as are described by Bogart in *Economic History of the U.S.* (London, 1908, pp. 238-242), that should appear to be significant and useful. The data about the use of new implements and fertilizers as furnished from year to year in *Agriculture and Animal Husbandry in India* (Delhi) should leave no doubt on this point. In the *milieu* of Indian agricultural geography the American experience would appear to belong to a genuine utopia. Planification for the U.S.A. is described in a language the alphabet of which is incomprehensible in India as in China and the Balkan Complex.

In the mechanization of agriculture today tractors play the leading rôle. For *arbhik unnati* (economic progress) agricultural modernists are no less interested in tractors than in fertilizers. It is ambitious peoples like Germans and Soviet Russians that can understand the real meaning of the words used by American agricultural experts. The production of tractors in the U.S.A.

in the perspective of Soviet Russia and Germany is exhibited below (in '000):⁸

Year	U.S.A.	Soviet Russia	Germany
1928	176	1·4	7·6
1929	229	4·5	5·8
1930	202	12·8	2·9
1931	72	38	2·2
1932	—	51	1·5
1933	—	78	2·9
1934	—	94	5·0
1935	161	114	8·5
1936	227	116	12·9
1937	—	—	16·8

The U.S.A. continues to top the list in the production of tractors. In 1936 she manufactured 227,000 as against Soviet Russia's 116,000 and Germany's 12,900. Obviously Germany's need for the mechanization of agriculture is not so pressing as that of the U.S. In this respect Soviet Russia's problem is different from that of Germany. Her hectarage as well as population are much larger than Germany's. Besides, her general economic structure has been and will continue long to be more agricultural than industrial. There are more affinities between Soviet Russia and the U.S.A. than between her and Germany. Naturally, therefore, she has been following the American example. But the jump from 1,400 tractors to 116,000 tractors in nine years (1928-36) is that of a giant. This is another reason why Soviet Russia's experience should not be talked of glibly by the patriots and publicists of backward regions. (*Infra*, pp. 262-264).

⁸ *Annuaire Statistique de la Société des Nations 1937-38* (Geneva, 1938) p. 196.

Etatism in the Industrialization of China and Turkey

An almost invariable feature in all planning schemes—both for backwards and go-aheads—is the state initiative, state-finance and state administration in the national economy. China is an example. Towards the beginning of 1941 there were 1354 factories in the fifteen new industrial bases, i.e. in South-west and North-west China (under the Chungking administration). A factory was an industrial concern operated with a minimum employment of 30 workingmen. The additional test of a factory was the employment of power. These 1354 factories are listed below:⁹

1. Mechanical	312	4. Chemical	361
2. Mining & Metallurgical	93	5. Textile	282
3. Electrical	47	6. Miscellaneous	259

The finance for all these concerns belongs almost entirely to the state, as has been gathered from a conversation with Dr. C. J. Pao, Consul General for China at Calcutta.

Previous to 1937, i.e., the outbreak of Japan-China hostilities industrialization was virtually concentrated in the Eastern districts and coastal cities. The war has led to the geographical re-making of industrial China. The rôle of *Geopolitik* in *arbhik unnati* (economic progress) is manifest. New regions have emerged as the centres of modern technocracy and industrialism.

Some figures are available about the output of the factories

⁹ *China After Five Years of War* (Chungking, 1941). The rôle of state guarantees and subsidies may be seen in "Wartime Economic and Social Organisation in Free China" (*International Labour Review*, Montreal, December 1942). See also H. D. Fong: "Die Industrialisierung Chinas unter Berücksichtigung der ländlichen Industrien" (*Weltwirtschaftliches Archiv*, Jena, March 1937) and *The Post-War Industrialization of China* (Washington, D.C. 1942). The references to China in C. Clark: *The Conditions of Economic Progress* (London, 1940) serve to place her in the scale of nations.

under direct control of the Chungking Government. The values may be indicated as follows (in million dollars):

1. Coal	114	6. Antimony	10	12. Chemical	1,438
2. Iron & Steel	127	7. Tin	160	13. Textile	1,763
3. Gold	280	8. Mercury	5	14. Food	39
4. Copper	1,2	9. Other metals	2,5	15. Power	99
5. Tungsten	65	10. Machine	67	16. Miscellaneous	342
		11. Electrical	181		
				Total	4,693

It is obvious that the main industries are a concern of the state. *Etatisme* is the chief force in the industrialization of China. The supply, demand, marketing and prices of commodities have been placed under Government control in regard to iron, steel, copper, cement, coal, cotton yarn and cotton piece-goods. This, of course, is war-communism as practised everywhere during World-War II as during World-War I. (P. 133).

No less prominent is *étatisme* in the economic life of new Turkey since 1923. In 1932 the *Banque Agricole*, a Government institution, furnished the agricultural co-operative societies with loans to the tune of 6,617,000 Turkish pounds. In 1935 the loans rose to £T. 8,146,000. The total loans received by cultivators within or outside co-operative societies rose from 1923 to 1935 in the manner indicated in the following table as given by O. Conker and E. Witmeur in *Redressement économique et Industrialisation de la Nouvelle Turquie* (Paris, 1937, pp. 127-128):

Year	Turkish £ (in '000)	Year	Turkish £ (in '000)
1923	8,077	1931	34,634
1925	19,976	1933	34,229
1927	20,375	1934	32,895
1929	27,176	1935	31,931

The rate of interest at which loans are received by cultivators is 9%. The significance of the loans granted by the state in Turkey can be appreciated nowhere better than in India where the Government is proud of not helping co-operatives with loans.

As for industries an Act was passed in 1927 with the object of promoting them. It was supplemented and enlarged in 1933 when the first five-year plan was introduced. By 1937 something above 600 large, medium and small factories and workshops were newly established by companies and individuals on the strength of the privileges and concessions accorded by the state on account of this Act.

The *Banque de l'Industrie et des Mines*, a state institution, was established in 1925. Among other things it took charge of four state factories (1 for shoes and 3 for cloth) operating at a capital of £T. 5,511,000. Sixteen other establishments (for sugar, tanning, electricity, copper, ceramics etc.) were furnished with part of their capital by this credit institution.

Along with the inauguration of the five-year plan the Sümer Bank was established by the Government with a capital of £T. 20 millions, which rose to £T. 62 millions in 1934. The functions of the Sümer Bank are, among other things, first, to administer the state industries and secondly, to project the industries to be started with state capital. By 1937, as we understand from the publication by Conker and Wilmeur (*loc. cit.*, pp. 187-190), the industrial finance furnished by this Bank amounted to £T. 58,061,000. The categories of the concerns were as follows:

Industries	Capital Turkish £
1. State factories placed under the direct charge of the Sümer Bank	12,458,000
2. Concerns in which the Sümer Bank participates financially	2,693,000
3. Industries created or to be created by the Sümer Bank	42,910,000
Total	58,061,000

Funds necessary for the carrying out of these projects were every year placed at the disposal of the Sümer Bank out of the

general budget of the Turkish republic. In 1937 the Turkish £ was nearly equivalent to Rs. 2.

Turkey like China is still an economico-technocratically under-developed and backward region. The *etatistic* foundation of planification in both these economies is conspicuous.

The Beveridge Plan of Social Security

Let us once more watch the planification programme for a hyper-developed region. We shall refer to social insurance as undergoing an epochal renaissance in England. Social insurance legislation is in the estimation of the present author the greatest single achievement of modern civilization and spirituality as embodied in technocracy and industrial capitalism. It is indeed a *differentium* of the "second industrial revolution."

Primitive peoples *en route* to the first steps in industrialization can at best comprehend the production of consumption goods. The manufacture of production goods (*Produktionsmittel*) is, generally speaking, beyond their capacity and imagination. In the same manner it is inconceivable for them to imagine, on a large scale, a pattern of society in which the insurance premium of workingmen and clerks is paid in part or in full by their employers and / or the state. But it is just the intensification and diversification of this pattern that constitutes the A.B.C. of socio-economic planning in the futuristic programmes of go-ahead territories.

The expansion of social insurance for which Beveridge has issued a Plan is indicated in the *Daily Express* (London) of December 2, 1942, in the following table:¹⁰

¹⁰ For Beveridge's previous ideas, see B. K. Sarkar: *Social Insurance Legislation and Statistics* (Calcutta, 1936), p. 394. See also "Social Security Plans in Great Britain" (*International Labour Review*, Montreal, January, 1943).

WHAT IT DOES

*Security Provision for Man and Wife and Two Children
(Present Contributory Classes)*

	Present		Proposed in Plan for Social Security	
	Amount	Period and Conditions	Amount	Period and Conditions
Unemployment	38/- a week	26 weeks (followed by assistance on means test).	56/- a week	Unlimited in time, without means test. Subject to attendance at training centre if unemployment prolonged.
Disability (other than industrial)	18/- a week	26 weeks (followed by 10/6 a week in disablement. Additional benefit in some cases).	56/- a week	Unlimited in time, without means test at any time.
Old Age	£1 a week	Supplemented by Assistance Board according to needs.	£2 a week	On retirement, 2/- a week increase for each year of postponement. (Full rate only after transition period of 20 years. Assistance pensions on means test meanwhile.)
Widowhood	18s a week	--	£2 a week	Reduced by part of any earnings, 52s a week for first 13 weeks without reduction.
Maternity	£2	--	£4	--
Maternity (if wife gainfully occupied)	£2 additional	--	36/- a week for 13 weeks additional.	--
Funeral	Nil	--	£20	With smaller sums for children.

Present			Proposed in Plan for Social Security	
	Amount	Period and Conditions	Amount	Period and Conditions
Industrial Disability	Half earnings up to maximum of 35/- a week (plus 8/- for the two children)	Subject to compounding for lump sums	56/- a week for 13 weeks followed by pension of two-thirds earnings up to maximum of 76/- a week, but not less than 56/-. No compounding for total disability.	—
Medical Treatment	General practitioner for man, with additional treatment benefits in some cases.	—	Comprehensive medical treatment including hospital, dental and ophthalmic, nursing and convalescent homes for whole family. Post-medical rehabilitation.	—

WHAT IT COSTS

Expenditure	£ Million			
	1942	1945	1955	1965
Retirement pensions	94	126	190	300
Unemployment benefit	84	110	109	107
Disability benefit	43	72	83	86
Other insurance benefits	69	41	42	42
National assistance	15	44	38	30
Children's allowances	11	110	108	100
Cost of administration	20	24	24	23
Health services	79	170	170	170
Total	415	697	764	858

Income	£ Million			
	1942	1945	1955	1965
Contributions of insured persons	69	194	196	192
Employers' contributions	83	137	135	132
Interest on funds	15	15	15	15
Charges on Exchequer	265	351	418	519
Total	432	697	764	858

The most noticeable feature is to be found in the income schedule. The Government contributions rising from £265 m in 1942 to £519 m in 1965 imply,—in the perspective of the total income,—61·3% in 1942, 50·3% in 1945, 54·7% in 1955 and 60·4% in 1965.

The new category, "social security," is American, the old category, "social insurance", is German. Neither of these categories is acclimatized in the British mentality. In England the traditional slogan is "national insurance." For the British people to get more than 50 per cent., nay, somewhere about 60 per cent. of their pensions, unemployment benefits, children's allowances, health services, etc., from the Government is a well-established state-socialism of the good old Bismarckian type.¹¹ Whether this is adequate in the present moods of the British masses and classes remains to be seen. But, on the other hand, as *John Bull* (London, 28th November, 1942) observes: "vested interests are talking darkly of their protection. The Beveridge Plan is being assailed openly and by tricky insinuation. Die-hards are pulling political strings." Be this as it may, from the standpoint of the present situation, the Plan envisages by all means a thorough-going social revolution of the first rate importance. Nothing like the centralization, unification and universalization of social insurance contemplated by Beveridge is to be found, for instance, in the centralized system of France as described by Hubert and Leproux in *Les Assurances Sociales* (Paris, 1931). For India and China this is another *ultima thule*.

¹¹ For recent social insurance developments in Germany see F. Zahn: "Fünfzig Jahre deutscher Sozialversicherung" (*Allgemeines Statistisches Archiv*, Jena, 1932), F. Seldte: *Sozialpolitik im Dritten Reich* (Berlin, 1935) and C. W. Guillebaud: *The Social Policy of Nazi Germany* (Cambridge, 1941); cf. *British Health Services* (Political and Economic Planning, London, 1937) and Epstein: *Insecurity A Challenge to America* (New York 1937).

*The Prospects of Communism
in Backward Economies*

American achievements in mechanized agriculture or the Bismarck-to-Beveridge schemes of social insurance do not normally belong to questions of practical politics in any backward economy. But the experiments and achievements of Soviet Russia in and through the three five-year plans (1928-1942) are appreciated by all primitive, agrarian, backward and half-developed peoples as eye-openers and path-finders for them. The situation is interesting. These peoples *en masse* as well as the few admirers of Soviet Russia in well-developed, nay, hyper-developed nations ignore, however, the most crucial item in the Sovietic complex. The phenomenal expansion of Russia in industry, technocracy, and general culture is based essentially on the finance of state-capitalism (Ch. IV). We have to objectively visualize the thorough-going annihilation of private capital, private savings, private profits, etc. The totalitarian accumulation (concentration) of all the economic resources of the entire population in the hands of the Government must arrest our serious attention. It is because of this concentration that the extraordinary progress of Russia could be consummated.

But how has the annihilation of *private capitalists* been carried through? The ugly realities cannot be ignored or minimized. *It is in this annihilation that we have to see the Bolshevik revolution.* It is annihilation (not only legal and political but also physical extermination) of the bourgeoisie, aristocracy and feudalism. The dog days of 1917-20 under the regime of Lenin and his despotocracy are identified with this annihilation-pattern,—the assassinations, massacres, pogroms. Obviously, it is hardly possible for any and every people, primi-

tive or advanced, to embark upon this kind of totalitarian Bolshevistic blood-bath,—liquidation not only of private capital but of private capitalists,—in order to pave the way for state-capitalism that we see in Russia today. This mystery, riddle or secret of Soviet Russia must not be overlooked by the economic theorist or political planner (Chapter IV.).

Soviet Russia cannot in the main be depended upon as furnishing an example to the poor and the pariah of the two hemispheres. The world-economy is likely to proceed haltingly and limpingly more or less on traditional, *laissez faire*, and non-communistic, *although somewhat state-socialistic*, and nationalistic channels. The Russian revolution cannot be standardized for and utilized by all and sundry in Asia and Africa or Eur-America as a universal panacea of mankind. (*Supra*, the sections on “Soviet Urbanization through Indian Eyes”, “Lags in the Socialistic Complex”, “Production as National Income”, and “Planning Communistic and Capitalistic”).

Moreover, even within the boundaries of Russia the Sovietic patent has already got acculturated to inequality in income, differential wages, piece-work rates and other non-communistic and bourgeois or traditional traits.¹² In the psychosocial *Gestalt* of interhuman relations it is chiefly as short-period phenomena that revolutions are effective forces. They get quickly toned down to the prevailing *milieu*. Some sort of a mutual acculturation takes place between the revolution and the *status*

12 *Pol. Phil.* Vol. II. Part I. (1942), Section on “Transformations of Communism under Stalin as the Manager of Leninism No. II.” pp. 38-49, 85-87. But about the long range programme down to, say, 1970 see “Soviet Aims and Hopes” in W. Carroll’s *We’re in this with Russia* (Boston, 1942), pp. 216-219.

quo. The post-war economy (c. 1946-65) that is to emerge will be but another specimen of such mutual acculturations between the existing regime and the eventual revolutionary forces or processes,—if any happen to be generated towards the end of the war,—in the economic, social, political and international order. A world-epoch of Leninistic communism,—spread over a rather long period,—cannot belong to scientific and realistic thinking in economics.

Revolutions are by all means necessary. But in economic life as in political their rôle is limited. This is how we encounter today neo-socialism, neo-capitalism, neo-democracy and neo-despotocracy as the latest phases of economico-political compromise.¹³

In the theory of *arbhik unnati* (economic progress) no ideology is acceptable which is based on short cuts. Even in warfare *Blitz* (lightning) tactics may not often pay in the long run. Leninistic communism commenced as international class war against the nationalists or patriots of all countries. It has been settling down as patriotism, nationalism or national socialism for the Russian masses and classes *vis-à-vis* the Germans, Americans, Britons and Japanese. Backward economies have each to evolve its own system of *arbhik unnati* adapted to its capacities for adventure, creativity, self-sacrifice, and utilization of *vishwa-shakti* (world-forces). Nothing but vague hints and suggestions can come to India, China, Turkey, Iran, the Balkan Complex and Latin America from the recent achievements of Soviet Russia since 1917 as from the older French achievements, the revolutionary “ideas of 1789.”

13 *Pol. Phil.* Vol. II. Part I. (1942), pp. 36-37, 49-58, 72.

CHAPTER VII.

THE WORLD-ECONOMIC RECONSTRUCTION OF YESTERDAY

What is Post-War Reconstruction ?

No reconstruction can possibly realize the ideals or principles, should there be any, of world-wide economic salvation. The coming post-war world-economy or economic reconstruction bids fair to be but a continuation, in the main, of the world-economy at 1939.

Aribik unnati (economic progress) is a social phenomenon of doses or degrees. It is essentially gradualistic and can never claim finality or all-round comprehensiveness.

It is the equations of comparative industrialism and technocracy such as were in evidence in pre-war years that would set *the general lines* along which the new transformations within the reconstruction-complex are likely to proceed. The disturbances or modifications of pre-1939 equations generated by World-War II,—in and through war-industries, inflated employments, inflated currencies, inflated wages and inflated prices,—are to be treated in the main as aberrations of not much permanent value. They are fundamentally short-period emergences. The post-war equations may be taken chiefly as not very great deviations from the pre-war. Reconstruction as such is considerably limited by these positive considerations,—pious wishes or idealistic planifications notwithstanding. (Pp. 224-225).

Let us begin by defining two terms, post-war economy, and world-economy. It is not necessary to indulge in speculation in

order to explain the two categories. The economic evolution between World-War I and World-War II, i.e., from 1919 to 1939 furnishes the objective data about these phenomena.

First, then, post-war economy is, realistically considered, the economy of preparation for the next war. Secondly, world-economy is not equivalent to the economic organization of the entire world. (Chapter V. pp. 183-187). It is to be understood pragmatically as the economy of that much of the two hemispheres which it is possible for a people to utilize. This utilization is not, however, to be taken in a sinister sense. The spirit of "mutuality" with the other peoples of the same region is not to be excluded.

The present war (since September, 1939) may come to an end by 1945, as has been maintained all along by the present author. Sweeping proposals for dealing with defeated Germany are set out in a memorandum published (on May 15, 1943) by the Post-war Policy Group of members of the House of Commons and Lords of which Wardlaw-Milne is the Chairman. The memorandum, signed by 34 members of the Group, urges effective occupation of Germany and setting up of an Inter-Allied Council of Control. The first duties of such a Council should be, it is said, preservation of all order and complete demobilization of all German armed forces within six months; dismantling of the aeroplane industry and control, and, where necessary, closing down of German war potential including heavy and chemical industries to the extent to which they are the basis for production of munitions; arrests and bringing to trial of persons alleged to be guilty of war crime, disbanding of officers' *corps* and training *corps*. The essential points of the subsequent peace treaty in this plan should be that Allied army

and air-forces will occupy Germany until the Allies agree that this may with safety be terminated or relaxed, independent states in East Prussia and Rhineland, restoration of the sovereignty of all countries invaded by the Axis, Allied control of radio, printing and education in Germany, no German army, navy and airforce, civil aviation or aircraft industries until allied nations decide otherwise, return of all loot or compensation in kind, all costs arising from Allied occupation to be paid by the German States.

The paper on "A Plan for Germany's Economic Disarmament" by Einzig in *The Economic Journal* (London, June-September, 1942), throws likewise a flood of light on post-war world-reconstruction. It may be said that the world-economy is expecting a Super-Versailles by 1946. World-War II cannot therefore be the last war of history. Humanly speaking, a war of revenge may be expected by 1960-65 in spite of the efforts of the victors to prevent that consummation. Some idea of such efforts to be directed by Anglo-American "peace force" may be seen in King-Hall's *Total Victory* (New York 1942) and Gelber's *Peace by Power* (London, 1942). In June, 1943 the British Labour Party also at their conference declared for the totalitarian disarmament of the German people. They proceeded on Vansittart's hypothesis that there were no "good Germans" in Germany. Post-war world-economy, then, is tantamount to the economic structure and dynamics of the world during these two decades (1946-65) of universal war-preparedness or continuation and maintenance of war-organization. Some of the items may be seen in Condliffe's *Agenda for a Post-war World* (New-York 1942), a work, *en passant*, that fights shy of idealistic and millennial world-recipes.

War-Preparedness in National-Socialism

National-socialism is essentially a system of war-preparedness. Hitler is but one of the thousands of Germans bent upon wreaking vengeance upon England and France as the victors of World-War I (1914-18). As soon as the Germans started invading Poland on September 1, 1939 Hitler's mission may be said to have been fulfilled. He might with self-satisfaction announce to Germany and the world:

"Now my task is smoothly done,
I can fly or I can run."

The commencement of World-War II (1939-) is the justification of Hitlerism or for that matter of entire German national spirit. The subsequent course of military operations may be considered as not belonging to the life's function of Hitler. That is a purely technical affair,—the question of strategy, tactics, and finance. This belongs to other experts.

The aim of his life was to spiritualize the people of Germany into the will of revenge upon the humiliating *Geopolitik* of Versailles (1918-19). In the course of six years and a half (1933-39) he or his national-socialism succeeded in demonstrating to the world that the German masses and classes could not be rendered impotent or null and void for centuries as the victors of Versailles and the League of Nations had believed. It did not take the teeming millions of Germany more than two decades (1919-39) to rise to a man and annihilate the entire world-political complex of 1918-19 and tear the *Versailler Diktat* to pieces. It is this spiritual *élan* of vindictive war with which alone Hitlerism or national-socialism is supremely associated. Everything else is subordinate to this grand psychomoral, socio-military and economico-political reconstruction. It

would be quite worth while to consult Poole's *German Financial Policies 1932-39* (Harvard, U.S.A., 1939) in this connection.

No other socio-economic philosophy or specifically metaphysical significance is to be attached to the Hitlerite brand of patriotism. Erzberger, Rathenau, Wirth, Helfferich, Stresemann, von Papen, Ludendorff and of course Hindenburg as well as thousand and one other veterans might differ from Hitler as well as between themselves in formal party slogans or words and phrases addressed to France and England. But patriotism, revindication of the fatherland, and *revanche* or *Rache* furnish the common life-blood of all and sundry. In Germany there has hardly been any socialist hide-bound enough to be a sincere and permanent submissionist to the terms of Versailles. It is wrong to make any substantial distinction between the socialism propounded by Hitler and the other isms, socialistic or nationalistic, associated with any creative individual of Germany. Their French counterparts are Poincaré, Herriot, Briand, Blum and Petain, who, however they may differ in party ideologies, are all nationalists or patriots of the first rank interested, above all, in the "security" of France. Nothing but patriotic, nationalist or imperialist is likewise the British tradition from Grey, Lloyd George and Ramsay Macdonald to Chamberlain, Churchill and Eden. Hitler is not *sui generis* in Germany or Eur-America.

Nazism does not embody the sentimentalism of a single individual or group. It is nothing short of the combined intelligence and will of an entire people to assert itself and maintain its place in the sun in the teeth of opposition from the collective armed forces of the world-dominants. War-preparedness against conquerors is then to be taken as a natural and necessary goal of post-war reconstruction from the angle of the

vanquished. (*Pol. Phil. Since 1905*, Vol. II, Part I., 1942, ch. on the "Hitler-State").

The military and techno-economic position of Germany towards the end of July 1943 (the fall of Mussolini) was described before the Commons (July 27) by Premier Churchill, the embodiment of hard-headed optimism and the greatest British patriot and conqueror of defeatism after Pitt, in his usual realistic manner. The statement was in part as follows:

"Nevertheless let us not allow this favourable inclination of our fortunes to blind us to the immensity of the task before us or of the exertions still to be made and privations and tribulations still to be endured and overcome."

"German national strength is still massive," said Churchill. "The German armies, though seriously mauled by three Russian campaigns, are still intact and quite unbroken. Hitler has under his orders over 300 German divisions, excluding satellites. Three quarters of them are mobile and most of them continue to be well-equipped. We are fighting some of these divisions in Sicily at this moment and as we see they offer stubborn resistance in position well adapted to defence. The authority of the central government of Germany grips and pervades every form of German life. The resources of a dozen lands are in their hands for exploitation. Harvest prospects are reported to be fairly good. This Nazi war machine is a hateful incubus upon Europe which we resolved utterly to destroy and the affairs of Italy must be handled with the supreme object constantly in view."

We are not interested in the correctness or otherwise of Churchill's appraisal of Germany's strength and resources towards the end of July 1943. It is clear that he did not mince

matters. Perhaps he was not over-valuing German power. Be this as it may, in this statement about the power of Germany after nearly four years of World-War II economists should not fail to get a realistic conception of what post-war reconstruction aimed at at the end of World-War I. This should also serve to furnish in part a picture of the post-war reconstruction that may be expected at the end of World-War II. National-socialism is bound to reappear in other and,—humanly speaking,—more formidable guises. The greatest ideology that post-war reconstruction can possibly evolve is war-preparedness.

The Demobilization Quinquennium

Be it observed incidentally that the category "post-war" has a narrow, specialized significance as well. For instance, in connexion with World-War I (1914-18) post-war economy implied the economy of five years (1919-23). In case World-War II sees the end by 1945, post-war economy would then imply the economy of the five-year period (1946-50). This is the time generally taken to repair some of the damages of the war and re-establish the countries on more or less stable, normal or un-inflated foundations. The quinquennium is known also as the reconstruction period or the period of transition from war basis to peace conditions, from inflation to deflation.

Some of the reconstruction ideologies may be seen in the following reports published in the *International Labour Review* (Montreal) of 1942:

"Reconstruction Programme of the British Labour Party" (April), "Post-War Planning in the United States" (July), "British Employers and Reconstruction Planning" (September), "Reconstruction Planning in Great Britain" (October).

In this rehabilitation one great problem for solution is the unemployment due to "demobilization." Another problem lies in the re-employment of *personnel* in civilian occupations. Famine and epidemics belong to the post-war reconstruction complex as a matter of course. In regard to all these problems it may be found expedient in every country to maintain intact for some time doses of the control system, *étatisme*, inflation etc. of the war period. (*Supra*, "Planning Communistic and Capitalistic," pp. 224-227, *Infra*, Ch. IX., section on "Economic India Tomorrow").

Yesterday and Tomorrow

In regard to the world-economic planning or post-war reconstruction of yesterday, it is not our object to attempt a comprehensive picture. We propose just to analyze the statistics of exports and imports of the U.S.A., France, Germany, Japan, the United Kingdom, and India from 1913 (1909-13) to 1936 (1939). The simple aim is to examine the relative importance of diverse suppliers and markets in regard to each economic region. Three periods are being selected. The first is the 1913 (or average of 1909-1913) period which represents the "old pre-war" conditions. The second period is that of 1927-31 (or 1919-23) in order to indicate the conditions of the "old post-war" reconstruction. The third period is that 1932-36 (1939) and may be taken to represent the pre-war conditions in relation to the present war (since September, 1939). It may, indeed, be taken to describe the preparations for World-War II.

In the next chapter we shall try to visualize, on the objective basis furnished by the factual and realistic investigation of yesterday, the general configuration or pattern of world-eco-

onomy such as is likely to manifest itself tomorrow, i.e., at the end of the present war. This will be followed by a brief survey of the British Empire-economy in regard to certain items and end with a few recommendations of a reconstructional character. Naturally, topics of world-economy, past, present or future, and especially of post-war economic reconstruction are essentially political in nature. An effort will be made to focus attention on the economic as contrasted with the political aspects. It will not be possible, however, to ignore altogether the ideologies of international politics. The political references, wherever they occur, should in any case be taken as but the observations of a speculative academician who has no political affiliations of any sort.

The Foreign Trade of the U.S.A.

Let us then commence by analyzing some aspects of the world-economy in international trade as it obtained during 1913-39.

In 1913 the total imports into U.S.A. from all the countries of the two hemispheres were valued at 1,813,000,000 dollars.¹ The British countries comprising the U.K., the Dominions and the Colonies as well as India accounted for nearly 565,000,000 dollars. In percentage of the American total the British trade was 30.6.

The average of 1927-31 for the total imports of the U.S.A. was nearly 3,565,000,000 dollars in which the British Empire's share was 1,107,000,000 dollars. The British trade was, therefore, 31.0% of the total American import trade.

¹ *Report on International Trade*, May 1937 (PEP, Political and Economic Planning, London), p. 252.

In the perspective of the pre-war year 1913 the situation in the quinquennium 1927-31, a decade after the peace of 1919, remained unchanged so far as this particular item is concerned. From 1932 to 1936 the fluctuations in the percentage were as follows:

Year	Percentage	Year	Percentage
1932	26.0	1935	33.6
1933	29.7	1936	36.5
1934	32.8		

The average of this quinquennium was 31.7 which may be placed in the background of 30.6 of 1913. It may be said that there was hardly any change. The fluctuation was, in short, relatively slight.

We shall now take the exports from the U.S.A. In 1913 American exports to the rest of the world totalled 2,466,000,000 dollars, the share of the entire British Empire being 1,112,000,000 dollars. The British trade was then 45.1 per cent of the U.S.A.'s total export trade. For the quinquennium 1927-31 the average annual export trade of the U.S.A. was 4,301,000,000 dollars in which the British Empire's share was 1,787,000,000 dollars. The British percentage of the American total was 41.5, having come down from the 45.1 of 1913.

For the quinquennium 1932-1936 the percentages were as follows:

Year	Percentage	Year	Percentage
1932	38.9	1935	41.6
1933	36.9	1936	42.3
1934	39.7		

The average for this quinquennium was 39.9 as against 45.1 of 1913. One may say that it was 40 against 45 of 1913 and 42 of 1927-31. The change was not unsubstantial.

Both in regard to imports and exports as between the U.S.A. and the British Empire we may observe that the war of 1914-18 produced hardly any changes. Or rather, the few fluctuations were almost immaterial, taking a broad view of the question, i.e., if we ignore the fortunes of individual trades and industries, the variations in their direction and tendencies, and the changes in the internal organization of the economy in the two regions. During the first half of this war the U.S.A. was neutral. America became ally of the British Empire for the second half. But these politico-military contacts of a specially friendly character could not work like a magic. They failed to bring about a substantial transformation of the trade relations between the two countries in the immediate post-war period or the subsequent three or four quinquennia.

The Foreign Trade of France

The analysis of commercial relations between France² and the British Empire is equally instructive. During the five-year period 1909-13 the total imports of France from all the countries of the world amounted to 7,627,000,000 francs *per annum* on the average. The British Empire's contribution was 1,661,000,000 frs. In the total import trade the British percentage was 21·8. During the five-year period 1927-31 the average was 51,915,000,000 frs. and the British 11,029,000,000 frs. Compared with the total the British trade was 21·2 per cent. This is to be placed in the background of 21·8 per cent during 1909-13. The relative position remained virtually unchanged.

² *Report on I.T.*, (London, 1937), p. 253. See also G. Peel: *The Economic Policy of France* (London, 1937).

For the next quinquennium the percentages were as follows:

Year	Percentage	Year	Percentage
1932	16.5	1935	16.3
1933	16.1	1936	14.9
1934	15.9		

The average for this period was 15.3. The decline from 21.8 and 21.2 is not immaterial.

The total exports from France during 1909-13 amounted on the average to 6,324,000,000 frs. per year, the exports to the British Empire being 1,388,000,000 frs. The British Empire commanded 22.0 per cent of the total export trade of France. The average for 1927-31 was total 46,142,000,000 frs. and 9,026,000,000 frs. for the British Empire, the average percentage of the British being 19.6. This was not far from 22.0 of 1909-13.

For the quinquennium 1932-36 the percentages were as follows:

Year	Percentage	Year	Percentage
1932	13.3	1935	12.0
1933	11.6	1936	20.6
1934	10.6		

The average came to 13.6. This decline from 22.0 of 1909-13 and 19.6 of 1927-31 is to be treated as substantial.

Franco-British commercial relations are interesting. The French and the British Empires were allies from the start to the end. Down to 1931, i.e., for thirteen years after the peace, the British percentages both in the import and the export trades of France were almost identical with those in the pre-war period. People might say, on the strength of such data, that the war by itself failed to generate any mentionable transformation.

But subsequently there have been changes and these changes are noteworthy. Both in imports and exports the British percentage has been showing a substantial decline. This decline cannot but be instructive. Even a political and military alliance has not been able to maintain the pre-war proportion. Nor could the international comradeship of the two Empires in the *milieu* of collaboration under the auspices of the League of Nations succeed in preventing the decline of the British Empire's percentage in the import and export trade of the French Empire. The "magic" of war, the "magic" of alliance, the "magic" of war to end war, the "magic" of post-war "reconstruction," the "magic" of world-economic "collaboration,"—all failed to work miracles in international trade. In economics as in religion magic may have a rôle. But it does not always work.

The Foreign Trade of Germany

Not less instructive is Germany's trade relation with the British Empire. In 1913 Germany's imports totalled 10,770,000,000 M. in which 2,083,000,000 M. represented the British Empire's share, constituting 19.3 per cent. of the total.³ The annual average for 1927-31 was total 11,769,000,000 M., 2,260,000,000 M. for the British Empire and 19.2 as the British percentage. During the third five-year period after 1919 Germany was importing from the British Empire nearly the same percentage of her foreign requirements as in the pre-war year. This is curious, to say the least.

Germany and the British Empire had been enemies. And

³ *Report on I.T.*, (London, 1937), p. 254. See also K. E. Poole: *German Financial Policies 1932-1939* (Harvard, 1939).

yet the former's commercial behaviour with the latter was identical with that of the latter's allies, U.S.A. and France. Military enmity or military alliance as such produced no impacts on international trade in post-war periods. One should say that these four economic regions were alongside of one another in 1931 almost exactly as they had been in 1913 and *as if the war of 1914-18 had not intervened.*

For the five-year period 1932-36 the British percentages of the German import trade can be seen in the following figures :

Year	Percentage	Year	Percentage
1932	17.3	1935	14.9
1933	18.6	1936	16.8
1934	16.7		

The average of the period 1932-36 was 16.8, as against 19.3 of 1913. There was a decline of 2.5, which, although not considerable, is yet noteworthy. The German-British situation was parallel to or identical with the Franco-British.

Let us now examine Germany's export trade. In 1913 the total value was 10,097,000,000 M., the British Empire's share being 1,960,000,000 M. The British trade was 19.4 per cent of the total. The annual average for the period 1927-31 was total 11,594,000,000 M. and British 1,725,000,000 M. The average British percentage of Germany's exports was 14.9. This was considerably lower than 19.4 of 1913.

For the five-year period 1932-36 the British percentages can be seen below :

Year	Percentage	Year	Percentage
1932	12.1	1935	15.2
1933	13.0	1936	15.6
1934	15.1		

The average was 14.2, slightly lower than or almost the same as in the period 1927-31. The decline in the British per-

centage of German export from the *niveau* of 1913 may be treated as identical with that in the field of French export during the same period (1913-36).

The Foreign Trade of Japan

In 1913 the imports into Japan⁴ from all the British Empire countries were valued at 319,100,000 yens out of the total imports of 834,600,000 yens. The British trade was 38·2 per cent of the total. The average annual percentage of the British trade during the five-year period 1927-31 was 30·5. The decline from 38·2 per cent was palpable.

The percentages during 1932-1936 were as follows:

Year	Percentage	Year	Percentage
1932	28·4	1935	31·3
1933	31·7	1936	31·7
1934	31·5		

The average for this quinquennium was 30·9, almost identical with the average for 1927-31. The decline in import percentage from the level of 1931 has remained a steady fact.

The exports from Japan to the British Empire in 1913 were worth 120,700,000 yens in a total export trade of 729,050,000 yens. In percentage of the total export the British trade was 16·5. During 1927-31 the annual percentage rose to 21·5. From 1932 to 1936 the percentages were as follows:

Year	Percentage	Year	Percentage
1932	26·8	1935	26·7
1933	25·7	1936	26·6
1934	27·6		

The average was 26·7. The expansion (from 16·5) is remarkable. Japanese exports to British countries may be said to have increased, so to say, by leaps and bounds.

⁴ *Report on I.T.*, (London, 1937), p. 255.

In actual figures it may be pointed out that while Japanese exports to the British Empire were worth 120,700,000 yens in 1913 they were worth 712,500,000 yens in 1936. The two biggest items may be singled out, for instance, the exports to the U.K. and India-Ceylon (in million yens):

Countries	1913	1936	1938
U.K.	32.9	147.3	147.3
India & Ceylon	29.9	272.9	272.9

We get the following equations:

1. Japan in U.K. (1936) = 4.5 Japan in U.K. (1913).
2. Japan in India-Ceylon (1936) = 9.1 Japan in India-Ceylon (1913).

In 1936 Japan exported to the U.K. 4.5 times her quota of 1913 and to India-Ceylon 9.1 times.

During the same period the imports of Japan from the U.K. declined absolutely from 122,700,000 yens to 72,900,000 yens and from India and Ceylon rose from 173,200,000 yens to 374,600,000 yens.

How shall we describe Japan's political orientations to the British Empire? Rival? Inimical? or Friendly? Whatever they be,—commercially speaking, her expanding markets are to be found in the British Empire which takes more than a quarter of her exports.

The Foreign Trade of the U.K.

A somewhat long-period view of commercial transformations may be obtained from an examination of the course of British trade during three quarters of a century.⁵

The imports of the United Kingdom from non-Empire countries have been somewhat steady in percentage of the total

⁵ A. Bowley: *England's Foreign Trade in the Nineteenth Century*

imports. The following table indicates the evolution from 1856 to 1929:

Year	Percentage	Year	Percentage
1856	75.1	1901	79.8
1871	78.0	1913	75.1
1881	76.9	1929	73.8
1891	77.2		

Nearly 75 per cent of the United Kingdom's total imports came from foreign countries. This percentage may be taken to have been more or less constant, the fluctuations being rather slight.

British imports from the Empire and the non-Empire countries from 1931 to 1936 are shown in percentage as follows:⁶

Year	Empire	Non-Empire	Total
1931	28.7	71.3	100
1932	35.5	64.5	100
1933	36.9	63.1	100
1934	37.1	62.9	100
1935	37.6	62.4	100
1936	39.2	60.8	100

The percentage of Empire trade in the British imports has increased from 28.7 to 39.2 while that of the non-Empire trade declined from 71.3 to 60.8.

As for exports from U.K. the share of the foreign countries can be seen below from 1856 to 1929:

(London, 1905), *Some Economic Consequences of the War* (London, 1930); *Statistical Abstract for the United Kingdom* (London, 1934), pp. 348-349; B. K. Sarkar: *Imperial Preference vis-à-vis World Economy* (Calcutta, 1934), p. 121; *Britain in Recovery* (London, 1938, Economic Science and Statistics Section of the British Association); H. Clay: "The Place of Exports in British Industry After the War" (*Economic Journal*, London, June-September, 1942).

⁶ *Report on International Trade* (PEP, London, May, 1937), p. 248.

Year	Percentage	Year	Percentage
1856	71.2	1901	62.4
1871	77.0	1913	62.8
1881	66.3	1929	59.0
1891	65.2		

The trend of exports to non-Empire countries is towards a decline in percentage from 71.2 in 1856 to 59.0 in 1929. In other words, British exports have been on the increase to the Empire countries. The percentage increased from nearly 29 in 1856 to 41 in 1929. The Empireward advance of exports is then a fact of the evolution of some seventy-five years.

The trend of British exports to Empire and non Empire countries from 1931 to 1936 may be seen below in percentages :

Year	Empire	Non-Empire	Total
1931	43.7	56.3	100
1932	45.3	54.7	100
1933	44.4	55.6	100
1934	46.9	53.1	100
1935	48.0	52.8	100
1936	49.2	51.8	100

The percentage of British exports to Empire countries increased from 43.7 in 1931 to 49.2 in 1936 while that to non-Empire countries declined from 56.3 to 51.8. Imperial Preference may be said to have made itself felt.

The Foreign Trade of India

The imports of India⁷ from non-Empire countries during the pre-1913 quinquennium constituted 30.3 per cent. of the total imports. For the period 1919-23 the percentage was 34.8. India's dependence on non-Empire countries was mentionably

⁷ *Review of the Trade of India* (Delhi), 1928-29, p. 171, 1938-39, p. 190; B. K. Sarkar; "Il Movimento industriale e commerciale dell'India ed i suoi rapporti internazionali" (*Commercio*, Rome, June 1931).

larger at this date. Political ties as a member of the Empire could not prevent expansion of this dependence.

During 1938-39 this dependence on non-Empire countries rose still higher, up to 41.9 per cent (from 30.3 per cent of 1913, be it emphasized).

The pre-1913 average of India's exports to non-Empire countries in percentage of total Indian exports was 58.9. The same percentage during the 1919-23 period was 58.6, i.e., almost identical with the previous. The percentage declined to 46.4 during 1938-39. (Chapter III, the section on "Indian Industrialism during World-War II," Ch. V., the section on "India's Industrial Autarchy").

In regard to commercial relations one cannot, then, trust to war-psychology or diplomatic contacts for the establishment of any desired or particular direction, at any rate, for a long period. The international trade contacts establish themselves, *generally speaking*, on non-war and non-political considerations. In order to produce a desirable result one is required to cultivate a conscious and goalful commercial policy. And the working of this policy necessitates careful watching of business from month to month. The business realist can often afford to cultivate indifference to political or international ideologies.

Trade Realities vis-à-vis War Ambitions

The experiences from World-War I (1914-18) are, then, rather curious.

The sum-total of changes or transformations that take place during a war is, in general, very modest, rather insignificant. At the end of a war the world starts, so to say, as if the war did not exist. War-enthusiasms, war-idealisms, war-hatreds,

war illusions and war-schemes may not endure. Post-war changes are almost invariably generated by non-belligerent considerations. They may, to a certain extent, be regarded as the aftermath of the war. But, as a rule, it is "business" and not "politics" that in the last analysis rules the world-economy, taken in a broad sense (Pp. 98-101).

In the instance referred to, technocratic changes of a tremendous character constituted, however, the most dramatic events. Every war is organically associated with inventions in tools, implements, and machineries. Drastic changes in social (labour) legislation were also some of the characteristic features. But even in both these fields the start, already made at 1913, might have explained,—without a war,—many of the phenomena of the world-economy at 1925. This is, undoubtedly, an extreme position and need not be stressed but cannot by any means be overlooked.

But it is implied that, on statistical and inductive considerations, economists ought as a rule to fight shy of employing the category, "revolution," while describing the transformations in the economic pattern. The processes in the transformation appear on a somewhat longer view,—say, a half-generation-long survey,—*generally speaking*, to be rather slow and gradual. In economic curves, realistic as they are, the short-period revolutionary phases may be nearly ignored.

The period 1927-31 witnessed two economic phases. The first was the economic boom which reached its zenith in 1929. The second was the world-economic depression 1930-32. The period 1932-36 saw the *nadir* of depression in 1932. The next four years 1933-36 were years of new economic policies in every country. They comprised trade agreements as well as currency

manipulations of all sorts. It is these economic policies that mainly account for the changes in the export-import proportions indicated above.

These policies were chiefly protectionist. They were generally undertaken to combat unemployment.⁸ Economists and statesmen referred to them as attempts at economic autarchy, *swaraj* or self-sufficiency in diverse forms or doses. Imperial Preference was comprehensively adopted for the British Empire as well as the French Empire (1932-34). Germany adopted national-socialism as her economico-political and socio-economic creed. Her industrial and commercial manifesto was that of the four-year-plan (1933-36). The alleged Anglo-French and German autarchies or "*swadeshi* movements" were then substantially well lodged in the world-economy.

The five-year period previous to September, 1939,—the commencement of the present war,—may be taken as the period of preparation for it. But even during this period neither the allies or enemies of the last war nor the prospective enemies or allies of the war to come behaved in a specially mentionable,—i.e., friendly or unfriendly,—manner, so far as *factual exports and imports* are concerned. This is the objective verdict of international statistics.

The changes in *the directions of trade* between region and region during 1933-39 cannot be treated as, on the whole, unsubstantial, although not very considerable. But they have

8 B. K. Sarkar: *Indian Currency and Reserve Bank Problems* (Calcutta, 1934), pp. 75-84; *Economic Development*, Vol. II (Calcutta, 1938), chapter on "The World-Crisis in its Bearing on the Regions of the Second and the First Industrial Revolutions;" M. S. Gordon: *Barriers to World-Trade* (New York, 1941); K. E. Poole: *German Financial Policies 1932-1939* (Harvard Economic Studies 1939), pp. 94-101

been directly promoted,—in a deliberate manner,—by the commercial policies adopted by each region. In every instance the primary motive was economic,—the promotion of the agrar-industrial strength on as diverse fronts as possible. The prospective or eventual war was also an ingredient in the commercial or political mentality. This tended in each instance to look for national prosperity on a self-sufficiency basis rather than according to some inter-allied or international ideal.

It is for the shrewd businessman to ascertain,—realistically from quarter to quarter,—to what extent he can depend upon the war atmosphere and how far his commitments should be governed by pure economics. Humanly speaking, it should be extremely rash to *generalize* about the proportional rôle of the two factors,—war and economics,—in the world-economic developments.

Autarchy in Fact and Speculation

The objective statistics of exports and imports point but to one or two very elementary things.

A political friend or military ally is not necessarily the most worth-while commercial client. Nor is a political rival or military enemy the worst paying market. A politico-military interpretation of economics in a monistic, monocratic or deterministic manner turns out, inductively speaking, to be as unwarrantable as the Marxist economic interpretation of politics, military movements or culture. In every instance the attempt on the part of businessmen has remained, *as a rule*, to find contacts not with eventual military allies but with persons or groups that happen to be good paymasters.

National autarchy or self-sufficiency in the economic

sphere was statistically unknown during this period. The international or inter-regional trade contacts were as great factors of the world-economy as during any other period.⁹ For the present, it is not necessary to go into the historical fluctuations in the volume of international trade from decade to decade.

The ideal of economic autarchy was no doubt prominent everywhere. But the realizations of this ideal were very limited and relative. In no significant sense could autarchy be regarded as a fact of substantial value. (Chapter V., Sections on "Italo-German Autarchy" and "National Autarchies in India", pp. 183-187, 212-214).

The absence of autarchy in the different units of the British Empire may be assessed by a reference to the ratio of "retained merchandise imports" to "net national income." The percentages of imports to income, *as thus defined*, were as follows (imports for 1929, income for 1925-34).¹⁰

Imperial units	Percentages	Imperial units	Percentages
South Africa	47.2	Canada	25.6
New-Zealand	33.7	U.K.	24.7
Australia	27.8	India	6.1

The dependence of the Imperial units on foreign imports in 1929 ranged from 6.1 per cent (India) to 47.2 per cent (South Africa). These differential ratios may be ignored in case the entire British Empire be envisaged as one economic unit. Thus

9 B. K. Sarkar: "Industrial Planning and Economic Autarchy" (*Calcutta Review*, August, 1939).

10 "Degrees of National and Regional Self-sufficiency" in *The Bulletin of International News* (Royal Institute of International Affairs, London, April 19, 1941), pp. 475-479. For the general American tradition see the section on "Domestic Commerce of the U.S." in E. L. Bogart: *Economic History of the U.S.A.* (London, 1908), pp. 459-460.

considered, the British Empire's dependence on the non-British world,—and, therefore, its absence of autarchy, was registered in 1937 by 8·0 per cent.

The absence of autarchy was an universal phenomenon. Relatively speaking, autarchy was enjoyed in 1929 by the exceptionally large-sized regions. Somewhat low ratios of dependence on foreign imports were exhibited by the following regions:

Regions	Percentages	Regions	Percentages
1. U.S.S.R.	2·6	3. India	6·1
2. China	3·6	4. U.S.A.	6·6

With the exception of these "relative" autarchies in the U.S.S.R., China, India and the U.S.A., the world-economy was essentially a system of "interdependence" or mutual dependence. The ratios of dependence on foreign imports in regard to certain regions are indicated below in the perspective of the U.K. and the British Empire:

Regions	Percentages	Regions	Percentages
U.K.	24·7	Germany	18·2
Italy	21·4	Japan	12·3
France	18·3	British Empire	8·0

In regard to the economics of autarchy it should be observed, in the first place, that it is not necessarily a mark of or a factor in economic prosperity. In the second place, in case it be regarded as a factor in military-political strength the British Empire with its 8 per cent dependence on foreign imports was, humanly speaking, normally in the most solid position in 1937. (See Chapter V. Section on "Foreign Trade in Percentage of Production").

CHAPTER VIII.

THE WORLD-ECONOMIC PLANNING FOR TOMORROW

World-Planning: Japanese and German

We shall now indicate some of the lines along which the economic morphology of the world is likely to be transformed in post-war years. The category, post-war, is being taken as equivalent for certain purposes to the quinquennium 1946-50, and for others to some two decades down to, say, 1965.

The economic configuration of the two hemispheres, such as can be reasonably deduced from the statistical study of recent economic evolution, is quite intelligible. We get the pattern of doses of autarchy amalgamated with doses of internationalism. Post-war reconstruction cannot possibly present us with world-embracing humanism.

World-economy is not to be understood as totalitarian cosmopolitanism, which is the common factor in the popular ideologies of "new order," "world-order" or "world-federation." Nothing more than a number of "organized internationalisms" on the economic plane is, at the present stage of interhuman relations and developments, conceivable as a system of practical business questions. These internationalisms are to be understood as more or less independent planetary systems of the commercial world evolving round certain dominant forces. The existence of a unitary solar system regulating the agricultural, industrial and commercial activities and institutions of the two hemispheres has to be ruled out of the picture. In the place of totalitarian world-economy we have to visualize a number of regional or partial world-economies.

Obviously, the analysis is mixed up with international politics. World-War II. has perhaps concluded its first phase with the unconditional surrender of Italy (8 Sept., 1943). The second,—the tougher,—phase is yet to begin. Germany is still stronger than in 1914. But the atmosphere of military, political, imperialistic and colonial ambitions and rivalries is once more dominating all economic discussions.

The present author is not keen about political forecasts bearing on the international plane. Nor has he affiliations with political parties at home or abroad. But no student of world-economy can possibly avoid references to politics. Economic planning, as has been previously noticed, is not all economics or technocracy. It is politics to a considerable extent. In the discussions that follow, the most dispassionate and thoroughly un sentimental analysis is being presented for purely academic and scientific purposes. It is not likely to serve political propaganda on one side or the other.

Each one of the leading belligerents has its own pious wish in regard to world-order.¹ Both the parties are equally confident of victory. The wishful thinking of each power is integrally associated with its own triumph in the war.

The pious wish of Japan has to a certain extent been realized on account of her military-naval-aerial conquests since 7 December 1941. She is still in possession of the Philippines, Dutch New Guinea, Bismarck Archipelago (Australian), Indonesia from one end to the other, Malaya and Burma. She

¹ Details are to be seen in B. K. Sarkar: *Pol. Phil. Since 1905*, Vol. II, Part II. Ch. iv, Ideas and Ideals of International Relations (see Amery, Barker, Cripps, Gerig, Göring, Hishida, Ishimaru, Konoye, Matsuoka, Molotov, Reithinger, Schacht, Seton-Watson, Tanaka, Tojo, Yagi).

possesses the command of Indo-China (French) and is in alliance with or dictator to Thailand. Last but not least, Japan enjoys or commands the co-operation of the Chinese republic under the Nanking regime. Besides, Japanese predominance in Manchoukuo and imperial rule in Korea are the economic-political realities since pre-1941 times. The enormous mining, industrial, forest and agricultural resources of all these territories are being developed and their man-power equipped and organized by Japan to meet the requirements of the perhaps more strenuous half of the present war. Exports and imports between these regions as well as those of each with Japan are being regulated, controlled and rationalized with a view to the Japanese war-strategy. The currencies of each economic zone are being managed and stabilized on the yen-basis. Japanese East Asia (comprising South-east Asia and South-west Pacific) is functioning in a co-ordinated manner. Objectively speaking, it is already a counterpart of the British Empire or Commonwealth of Nations.

Japan expects that at the end of the war, say, by 1946, this Japanese "co-prosperity sphere" or Japanese Commonwealth of Nations will be treated as a colleague by the British, American, French and other empires. It is England and her British Empire that have taught Japan modernism in imperialistic institutions and phraseologies. Certain doses of elementary privileges, liberties or rights are granted by British masters, as is well-known, to their subjects in the two hemispheres. Japan is modernist enough to be able to grant such freedoms to her possessions in the rôle of a "protector," "trustee," "guardian" or guarantor of peace. A *Pax Japonica* can then function as an ally of *Pax Britannica* in regard to the policing of the world and

the guardianship of the "four freedoms", nay, of the thousand and one freedoms for mankind. In case Japan finds herself confirmed in this status of the undisputed ruler of her co-prosperity sphere, she may not have any objection to granting the kind of "open door" in these East-Asian territories to any and every body such as the British people, fortified by imperial preference, is alleged to be granting to non-British powers and nationals in India, Ceylon, Australia, New-Zealand, Canada, South Africa and elsewhere.

The world-order of the German pattern belongs likewise no longer to the realm of wishful thinking. A Pan-Europa under German domination has been factually functioning since the fall of France in June 1940.² For three years there is not an economic resource in the European continent from the Atlantic on the west to the neighbourhoods of Russian Leningrad, Smolensk, Kharkov, Taganrog and Novorossisk which has not been mobilized under German command. Virtually all the European currencies have been linked up with the Reichsmark and the rates of exchange manipulated in consonance with the foreign trade exigencies of the German war-economy. The system of bartering goods against goods, primitive and medieval as it is, had been re-introduced by Germany and Russia on a large-scale in pre-1939 years. The acculturation of Pan-

² Some idea of Germanized Europe from non-German sources may be obtained in R. Worsley: *Europe vs. America* (London, 1942).

The other side of the shield may be seen in P. Einzig: "A Plan for Germany's Economic Disarmament" (*Economic Journal*, London, June-September (1942). In E. Wagemann's *Der neue Balkan* (Hamburg, 1939) as in Reithinger's *Das wirtschaftliche Gesicht Europas* (Stuttgart, 1936) are discussed in detail the methods by which the Balkan Complex may be enabled to function as the agricultural base for Germany's industry and food supply.

Europa to this pattern of international trade, which fights shy of currency and exchange rates, was something like an accomplished fact on the eve of World-War II (Sept. 1939). The European Empire of Germany has been utilizing this barter-economy as a tremendous god-send. Incidentally it may be observed that it has been found to be quite a valuable precedent for the introduction of the lease-lend methodology in America's foreign trade transactions.

This *europäische Neuordnung* (European new order) is the German people's reply to the British imperial possessions in the four quarters of the globe. Germany, it should appear, is prepared to let England alone in her colonies, dependencies and protectorates in case she herself be granted a *laissez-faire* or a free-hand with her possessions in Europe. The European Empire or Commonwealth of Nations under German dictatorship, trusteeship or guardianship furnishes the "balancing" or counterpoise to the Asian, African, nay, global world-domination under British auspices. England knows how to keep her possessions at an economic and cultural "lag" of two generations or more *vis-à-vis* her own industrial, technocratic and scientific might. This sort of world-rationalization is not uncongenial to the German spirit, accustomed as it is to the Nordicism of Spengler's *Der Mensch und die Technik* (Munich, 1931). Germany, as ruler of Pan-Europa, will know how to keep certain regions in the Balkan Complex and Russia eternally agrarian, and certain regions in Western and Southern Europe semi-industrial and so forth. As dictator of such a trusteeship or guardian of such an industrial and social peace on the European continent, Germany expects England and America to be satisfied with their own brands of world-order. It is not

clear as yet as to what German reactions are to the already established Japanese Commonwealth of Nations in the "East Asian co-prosperity sphere." In spite of military alliance for the purpose of World-War II. Germany may not happen to be friendly to this Japanese expansion in the American, British and Dutch Empires. But the world-economy at the present moment has to visualize a *Pax Germanica* along with a *Pax-Japanica* as colleagues or rivals *de facto* to *Pax Britannica* and *Pax Americana*.

Sovietic World-Planification

The Sovietic ideology of world-planification is universally known.³ It is nothing other than a communist international. Communism is the socio-economic foundation of every state in this plan. (Chapter IV). The withdrawal of armies, navies and airfleets from colonies and dependencies by all empires is the *sine-qua-non* of this system in world-planning. So far as Russian imperialism in foreign territories is concerned, it was liquidated in November 1917 when Lenin withdrew the Czarist consular guards from China, Afghanistan and Iran. But the bourgeois empire-holders were too powerful for Lenin. He was, therefore, compelled to renounce his patronage of or association with the movements directed by Soviet Russia with the object of emancipating subject nationalities from foreign rule. The Genoa Conference of 1922 is to be regarded as the grave-yard of direct and open *liaison* of Soviet Russia with the nationalistic

3 J. Stalin: *Marxism and the National and Colonial Question* (New York). See also W. Carroll: "*We're in this with Russia*" (Boston, 1942), ch. on "Russia and Revolution," pp. 237-244.

revolutionary activities or patriotic movements of the subject or colonial peoples in Asia and Africa.

The *status quo* is being maintained by Stalin until today. It is questionable if it is possible for him to break the ice in post-war years. He has no doubt achieved some mentionable victories. But his glorious Battle of Stalingrad (December, 1942) is perhaps not enough to raise Soviet Russia to the status of politico-cultural equality either with the Anglo-American empire-holders or with Germany. For all practical purposes, then, Soviet Russia can hardly have a voice in world planning during 1946-50. In case German armies continue to operate on Russian soil when the war comes to an end Soviet Russia is not likely to have an honourable place at the peace-table. There she has every prospect of being treated as a conquered territory. England and America can very easily appear to the world as her deliverers. She will have to be satisfied with whatever she can get from the conjuncture of circumstances. An active and creative control over the world's destiny she can, then, by no means exercise in the near future. Besides, the Anglo-Soviet Treaty of 1941 binds Stalin down and immobilizes or neutralizes him in the same manner as the Genoa Conference of 1922 neutralized Lenin.

In the second week of September 1943 large slices of Russian territory are being recovered from Germany by Soviet Russia. German troops are evidently withdrawing. But neither the Anglo-American experts nor neutral observers like Turkey and Sweden appear to see in this withdrawal any definite signs of Germany's military-aerial weakness or exhaustion. Soviet Russia's achievements are being watched,—perhaps hypercritically,—by all and sundry.

During the second phase of World-War II. Soviet Russia may, however, still achieve epoch-making military triumphs. In that situation she can pose in an entirely different setting to Germany as much as to the Anglo-American bloc. The total international complex will then be in a melting pot. Be this as it may, the post-war years are likely to be attended with communistic revolutions,—although with slight chances of success,—in vanquished territories. Sympathetic revolutions of socialistic or communistic type may become contagious among neighbours. Under such conditions Soviet Russia is likely to have a chance,—temporarily and sporadically perhaps,—to operate once more as the leader of international communism throughout the world. The formal and official abolition of the Communist International (May 1943) cannot prevent her from factually inspiring such movements and activities of communism in favourable *milioux*.

British World-Trusteeism

The world-order, of which diverse interpretations have been forthcoming among British statesmen, economists and other intellectuals, is typologically in the main but a British Empire writ large.⁴ The category, "commonwealth of nations", is to a certain extent being replaced by or enriched with the new but really old Burkean category, "trusteeship", as a description for the imperial world-domination. On

⁴ An Italian view of the expansion of England may be seen in C. Scarfoglio: *England and the Continent* (London, 1939). See *World Order Papers*, a series of pamphlets issued by the Royal Institute of International Affairs (London, 1939-40). Horsfall's pamphlet is anti-German while Beveridge's paper maintains that a federation without Germany would be but another provocation.

the whole, the new world-order of British imperialists, comprising as they do all ranks and denominations of labour leaders and socialists (excluding perhaps genuine communists), has its sheet anchor or centre of gravity in the British Empire as it has been and continues to be. The British expectations may be conceived, in the first place, to be that this Empire will expand in Africa as well as Asia. New dependencies, colonies or protectorates similar to India, Ceylon etc. are expected to contribute to the territorial and demographic expansion of the British Empire as the definite result of the present war. A situation like this is quite conceivable in case Germany and Japan can be thoroughly crushed on land, at sea and in the air. Acquisitions are normal in British war-tradition.

Apart from these territorial acquisitions there is in British wishful thinking, secondly, the idea that a large number of small states, sovereign or semi-sovereign, in the two hemispheres will voluntarily get themselves affiliated to the British Empire. Such affiliations can take place by tariff legislation and currency linking. Be it observed that the mutuality of preference in tariffs between the factual British Empire and certain non-British states is evidently a question of practical politics. The consolidation and expansion of a *Sterlingaria* in post-war as in pre-war years belong likewise to the normal course of world-economic developments.

In the third place, the formal abolition of extra-territoriality in China⁵ is creating a situation in world-finance to which appro-

5 See the "End of Extra-territoriality in China" (*Bulletin of International News*, London, January 23, 1943) and "The International Fetters of Young China" in B. K. Sarkar: *The Sociology of Races Cultures and Human Progress* (Calcutta, 1939).

priate management will have to be employed by the British Empire. Japan has rendered the Anglo-American domination of China, temporarily perhaps, a thing of the past. But China is like Iran, Turkey, the Balkan Complex, Poland, African colonies, and Latin America one of the numerous undeveloped and finance-hungry territories of the world. The exponents of British world-order are determined to see to it that none of these backward regions be monopolized for the purpose of trade and finance by any rival or potentially inimical empire-holders, say, the Japanese or German, and, nay, American. This is the meaning of the movement in the United Kingdom to promote alleged international investments in needy economic zones. The plan for the establishment of so-called "open doors" in China, Africa, Latin America and so forth is tantamount to the project for the perpetuation of the British *status-quo* and the curtailment or abolition of inconvenient foreign influence in these areas. Extra-territoriality may have been abolished *de jure* in China as in Turkey and other areas. But *de facto* extra-territoriality of diverse denominations will have to be maintained in diverse regions in accordance with the scheme of British world-order. This is hard-headed *Realpolitik* in finance.

Evidently the greatest hindrances to the peaceful management of the economically backward regions in such a manner as to serve British interests can come, first, from Germany and, secondly, from Japan even after these powers are crushed in war. Hence a fourth item in the wishful linking of British world-planners is the establishment,—no matter what be the name,—of some sort of a League of Victors under Anglo-American guardianship. For the period of, say, five years, this League may be expected to police the world, especially wherever it is

likely to be affected by German or Japanese germs. The chief object of such a League can but be to counteract the world-economic trade, tariff and currency measures of Germany and Japan. This is the fundamental message as much of Gelber's *Peace by Power* (London, 1942) as of King-Hall's *Total Victory* (New York, 1942), both British publications.

British statesmanship and economic thought are too realistic to indulge in wild schemes of a world-state or the global federation of equal nations. The British Empire,—consolidated, enlarged and rationalized, dispensing *Pax Britannica* to the subject peoples and administering concessions or favours to non-British states,—is the centrepiece in every scheme of British world-planning. England respects Germany for her industry, culture and character, and may be ready to utilize her as the bulwark of Eur-America against Bolshevik Russia. But the only place that England can afford to give Germany in the British world-order is that of a first-class subordinate or head-clerk to the British boss in a business office. England's attitude to Japan is more or less similar. Indeed, in the "world-orders" conceived by British mentality, every power, not excluding the American, must be prepared to play the second fiddle to the British Empire as the French Empire has been doing since the fall of Napoleon.

Communism. State-capitalism, Sovietism or Bolshevism would remain the chief target of British social policy in post-war years as it has always been. In 1922 Lenin was compelled by British diplomacy to dissociate the Third International or Comintern from the Foreign Office of Soviet Russia. In 1943 Stalin has been forced by Anglo-American overtures to formally disband the Comintern, i.e. to renounce interfering with the communist parties or activities in foreign countries. At the

British Labour Party Conference held in June 1943 the Communist Party has been asked by Labour Leader Morrison to dissolve itself and work loyally with the labour movement. The blue print of post-war British socialism is perfectly clear.

American Imperialism and the British Empire

As an empire-holder the United States happens to be a raw youngster. But her imperialism, especially of the finance-capitalistic type, has been advancing at palpable speed since the conquest of the Philippines from Spain in 1898. During the twentieth century her chief plank in world-planning has consisted in the organization of an anti-Japanese front. The establishment of pro-American groups among the intellectuals and businessmen of China has been America's greatest *modus operandi* in her campaign against Japan. Her second great plank in world-order has been the Monroe Doctrine in regard to the New Hemisphere. The Pan-American Conference at Habana (Cuba) in 1940 may be regarded as a convenient landmark in the establishment of the U.S. hegemony in the two Americas. Her principal concern is to exclude not only European but Japanese influence from Latin America. To what extent this exclusion is feasible, especially in view of her own financial and other commitments in Africa, Asia and Europe, is another question. But this must be recognized as a fundamental item in the world-order ideology of the U.S.A.

During 1942-43 American soldiers,—among whom Negroes constitute a substantial proportion,—have been operating in Africa, India and other parts of Asia. These are lands inhabited by non-white races. American colour-prejudice of the albinocratic type is being intensified by residence in African

and Asian *milieus*. Imperialism and colonialism are thereby being newly fostered as well as multiplied. The impacts of such chauvinism or domineering spirit on American world-order ideologies are likely to be prejudicial to freedom and democracy.

Be it observed that the highest flights of idealism⁶ among American exponents of world-order fail to imagine the emancipation of a single Asian or African people from a European or American empire. In the political field American world-order is virtually an echo of British world-order. It is interested, as one can easily see from Streit's *Union Now* (New York, 1939) and Holcombe's *Dependent Areas in the Post-War World* (Boston, 1941), in the perpetuation of the imperialistic *status quo* throughout the world. The jealousies between Americans and Britons operating in Africa and Asia, as well as the avoidance of social contacts between them are certain new realities of the inter-racial pattern as manifest since 1942. But America's anti-African and anti-Asian animus are not modified thereby. It is quite in tune with British imperialism. (But see, *infra*, "Asia for Asians in American Ideology").

In the international economy of the post-war quinquennium (say, 1946-50) America's position *vis-à-vis* Britain's will be similar to that during 1919-23. The-then problem of interally debts is likely to repeat itself to some extent. In order to

6 Commission to study the Organization of Peace: *Preliminary Report and Monographs* (International Conciliation, New York, April 1941).

American imperialism may be studied in P. T. Moon: *Imperialism and World-Politics* (New York, 1926), H. Barnes: *History of Western Civilization* (New York, 1935) Vol. II., and T. N. Das: *Foreign Policy in the Far East* (New York, 1936).

Some touches of American "liberalism" may be found in *The Atlantic Charter and Africa from an American Standpoint* (Committee on Africa, the War and Peace Aims, New York, 1942).

avoid the question of monetary transfers America has taken recourse to barter of the lease-lend type. But the pattern is not yet clear, for instance, in regard to India's financial responsibilities and risks arising from the acceptance of American goods on this basis. There is the shrewd suspicion that in return post-war India may be compelled to supply raw produce to the U.S. and remain predominantly agricultural for a rather long term. India's industrialization may thereby be considerably retarded and crippled.

Finally, the chances of a financial tug of war between England and America are quite palpable. Conflicts over investments may arise not only in Latin America and Africa but in Asia and Europe as well. America's struggle for world-dominance in post-war years is envisaged by Burnham in *The Managerial Revolution* (New York, 1941) on account of the Pan-American policy of Roosevelt as well as the acquisition of naval bases in the Atlantic.

In the address at Guildhall, London, on June 30, 1943, Premier Churchill described, among other things, the United States as a country "whose power arouses no fear, whose pre-eminence excites no jealousy in British bosoms." But he referred at the same time also to the "many light wayward spirits in both countries who show themselves by word or action" indifferent to the need of Anglo-American harmony. Evidently many Americans and Britons are jealous of one another and there may be fear of American domination lurking in British bosoms. Mankind, after all, is "human, all too human."

No doubt can be felt on this point when one comes into contact with popular observations as, for instance, those in Hulton's "National Weekly", *Picture Post* (London). Writing

in the issue of March 13, 1943 Edward Hulton said in the article entitled "A New Foreign Policy" as follows: "Britain has not got a common policy with the U.S.A., and our rival French leaders are an example of this. Neither have we got a proper understanding with Joseph Stalin. Stalin makes no secret of this in his constant complaints about the absence of a second front. China, the future mistress of Eastern Asia, we are still not treating with enough respect."

The international solidarities of war-time allies may therefore be ignored by students of world-politics and the equations of world-economy. The rôle of America as the virtual "senior partner" or dictator of the allies in the second phase of World-War II is likely to leave a not very pleasant souvenir with them for post-war years. The world of men and women ought to be comprehended in a human way. (*Infra*, "Unitas and Bancor", p. 310).

"Asia for Asians" in American Ideology

Something like a world-order ideology is held in solution in the slogan, "Asia for Asians".⁷ This is the Asian Monroe Doctrine *vis-à-vis* Eur-America. The American Monroe Doctrine for the two Americas is backed by an army, navy and airforce. But the Asian Monroe Doctrine is not.⁸ It has, therefore, failed to arrest much attention among non-Asian exponents of world-order. Japanese co-prosperity sphere in East Asia may not be tantamount to a genuine Asia for Asians.⁹ It may turn out to be a Japanification of East Asia like the Americanization, Frenchification, Anglicization, etc. of the diverse parts of the

7 B. K. Sarkar: *Political Philosophies Since 1905* Vol. II. Part II (Lahore, 1942) ch. iii, pp. 456-485.

world. The world-economic ideas, if any, of an Asia for Asians plan cannot therefore belong to the realms of realistic economics for the time being.

It should be pointed out that heterodox and untraditional views on world-planning are not altogether unknown in American ideology. The anti-imperialistic works of Moon, Barnes and others are well-known. Even during World-War II American liberalism is in evidence. It so happens that certain strands of American thought are interesting themselves in the doctrine of Asia for Asians,—for instance, in the editorials of the *Saturday Evening Post* (New York). On March 12, 1942 this journal observed as follows:

“Edgar Snow asks whether the United Nations can hope to defeat Japan unless we have the native peoples of Asia wholeheartedly on our side. The price of their help, he says, is their liberty. That would mean the end of the white man’s imperialism in Asia, but that is ended anyway, he believes.”

“The American people have had a hard lesson in geography in the past three months,” said he further; “They have learned, and in a way they will remember, where their rubber, tin, silk, tea and spices came from. They have learned abruptly that the Asiatic is not an inferior fighting man, because we have seen what the Japanese can do against us, what the Filipino and the Chinese can do for us.”

The editorial went on: “There is another lesson yet unlearned, one which Mr. Snow is teaching out of a firsthand knowledge of Asia as intimate as that of any living American. The lesson is that the curtain fell on December seventh 1941 upon a two-century era in Asia; dropped finally, regardless of the outcome of this war. From 1700 or thereabouts to 1941

the white man, the *pukka sahib*, dominated much of Asia, dealing with the natives as inferior and subject people. This white man's Asia has had a great fall, and all our men and all our planes cannot put Humpty Dumpty together again, even if we wished.

"This is a fact the American people must face in the midst of war, so that they may understand what we are fighting for in the Pacific. We are fighting first of all to defeat the Japanese, of course, because Japan has stepped into the white man's shoes with a vengeance and is creating a huge Asiatic empire which directly threatens all America, Australia and New Zealand. Whipping Japan, then, is our immediate objective in the Pacific.

"But what of our long-range objective? When Japan is smashed, fenced back inside her little island world, what then? Do we intend to ask our Chinese allies to return to the white man the colonies and concessions which the Japanese have taken over temporarily? And what would be the Chinese answer? Are we committed to restore the white man's Asia in China, Indo-China, Malaya, the Netherlands East Indies, Burma, India?

"The sooner we face these questions, the better, because our answers may have an important effect upon the outcome of the war, certainly upon its duration. If the Asiatic peoples, the Philippines included, get the notion that this is a war to determine whether the white man or the Japanese shall rule them, they might decide that it is immaterial to them who wins, a choice of frying pan or fire. These Orientals will die on our side only if they are convinced that our victory will be their victory.

“Granted that as between the increasingly enlightened rule of the British, the Dutch, the French and ourselves, and the semisavage brutality of Japan, the Orient would learn quickly enough that the frying pan was not so hot as the fire. Still, the lesson would come too late; nor can the Orient see why it should be compelled to choose between the devil and the deep blue sea. What is more, the basis of Japanese propaganda is that the Jap is a fellow Asiatic, an elder brother restoring all Asia to its place in the sun; the white man an alien conqueror.”

According to the *Saturday Evening Post* Pearl Buck, “another American who knows the East’s head and heart, told a New York audience in February (1942), as Singapore was falling: ‘The peoples of Asia want most of all in this war their freedom. Japan aims to show them that if the United States wins, they will not have it. We cannot win this war without convincing our allies that we are fighting for freedom everywhere’”.

The American journal’s liberalism found further expression in the following lines: “It is true, as we believe,” it said, “that the white man’s Asia is gone for ever, outmoded in time. Then the quicker Great Britain and the Netherlands realise and act upon this fact, the better for them and for us. It is easy to give away other people’s empires, but what is the alternative?”

“Chiang Kai-shek’s visit to India to enlist her in a genuine united front against Japan, and the Generalissimo’s warm reception by the Indians, including the powerful All-India Congress Party leaders, is the most hopeful sign yet. Together the peoples of China and India number more than eight hundred millions. Given arms and a cause to fight for they would drive the Liliputian Jap into the Pacific.

"The imperialist will say that these peoples are not yet ready for self-government, that an Asia left to self-determination would return to anarchy; and he can make a plausible case too. But it is Asia that he must convince of this, not Europe and America. In any case, the Four-Freedoms excommunicated him."

The editorial observations of the *Saturday Evening Post* about the incomplete realization of human ideals in contemporary Eur-American mentality are not likely to be of much practical value in *Realpolitik*. But the student of post-war planning may not pass them by. Carroll in *We're in this with Russia* (Boston, 1942 pp. 240-241) makes the following observation about Asia as it is likely to be at the end of the war: "The white man has betrayed his own future in Asia. Everywhere he has lost face, his position will never be the same in India, Burma, China, Malaya. In these lands and in the other vast expansions of the continent, more than half the human races—peoples of ancient cultures—will strive to win some of the freedoms which Americans took for themselves in the eighteenth century."

These bits of American idealism serve at any rate to indicate that in spite of universal albinocracy and ethnocentric chauvinism even pro-Asian ideologies are tolerated in the U.S.A. Whatever be its worth this item need not be ignored by the objective student of world-economic planification.

Post-War China and Soviet Russia

A test case for post-war world-economic planification is China. The industrial and military problems of China consti-

tute a most serious major problem of world-politics in post-war reconstruction.

In the consumption of machineries China's position has been found to be extremely low,—lower even than India's (*Supra*, pp. 27-28). All the references to China in Clark's *Conditions of Economic Progress* (London, 1937) serve to confirm this fact. It is questionable if China can easily or within a short period succeed in elevating herself from this low techno-economic condition. In post-war years she is not likely to get financial support from Eur-American powers. A warning is already before them. ("The Psychosis of Eur-American Finance", pp. 109-110).

The primitive Russia of October 1928 has in the course of some twelve years developed for herself the industrial-technocratic power of giants. During the three campaigns of 1941-43 Germany has been compelled by the machinistic might of Soviet Russia to know the limits of her advances on Russian territory. The technocracy of Soviet Russia has likewise amazed her allies, England and America. Under favourable conditions China also can develop the same industrial-technocratic power within, say, a dozen years or half a generation. She can thereby grow up into a second Russia of the technocratic world. No Eur-American powers are interested in helping forward the emergence of such an industrial-capitalistic giant in Asia.

Eur-American powers naturally suspect that, as international conjunctures generally go, an offensive and defensive alliance between Soviet Russia and China might bring some 600 million human beings together into one solid contiguous territorial unit. In the estimation of the empires that be, that situation cannot be pleasant for the pattern of World-War III

such as may be envisaged for, say, 1965-70. The wars of future are going, in the last analysis, mainly to be land-wars,—although the co-operation of the navy and the air force need not be minimized. The eventual combination of Russia and China into one land-bloc might establish the mightiest rock of techno-industrial power. *Geopolitik* would be revolutionized by such a dangerous consummation.

Eur-America cannot look forward to China's genuine industrialization with sympathy. It will depend on Chinese statesmen to look around and explore the *vishva-shakti* (world-forces) and cultivate them with reference to her longed-for goal. The problems of industrial-capitalistic planning for China are very complicated. The prevention of an adequate and high grade industrialization of China is a military necessity for the world-powers. This is an objective and unsentimental view of *arthik unnati* (economic progress) from the standpoint of world-economic equations.

During World-War II. China, like many other countries, go-ahead and laggard, has learnt a great lesson from Soviet Russia. We have maintained in this study that the real techno-economic as well as other progress of a people is to be measured not by the *absolute*, country-wide or global figures but by the indices *per capita* of *relative statistics*. Thus considered, Soviet Russia's 170 millions in 1943 are inferior as much to Germany's 75 millions as to England's 50 millions. But in the present war the combined techno-industrial and military-aerial-naval resources of all the 75 millions of Germany are not being mobilized and used against Russia. Perhaps not more than 50 per cent of Germany's total strength is available for use in the Russian theatre. In order to compete with Germany, Soviet

Russia, then, does not have to possess as many tanks, planes, engineers, chemists, metallurgists, pilots, officers, commanders, medical men, sanitary officers, etc. per head of the Russian population as Germany possesses per head of German. It is enough if Soviet Russia can place against Germany on the Russian soil as many of these material and human war-requisites as her enemy can possibly place. In case Germany does not command more than, say, 3 million well-equipped men of all ranks for the Russian front it may not be extremely difficult for Soviet Russia to pose against them more or less the same number of Russians of somewhat equal calibre. The ultimate decision, for the purposes of the present war-complex, will depend not on the total capacity of 170 million Russians as against the combined strength of 75 million Germans but on the fighting qualities of 3 million Germans *vis-à-vis* 3 million Russians.

For China's *arbhik unnati* (economic progress) and other socio-cultural or politico-military developments in post-war years Chinese statesmen and patriots need not, therefore, think of attaining the *per capita* level of the U.S.A., England, Germany or Japan. Provided she can build up *just a few million men and women* of diverse professions according to a decent standard of the day she is likely to be in a position to make a fine show in world-economy, world-politics and world-culture. Such a consummation may not be difficult for the Chinese people in the near future. But this is just what does not appear convenient to the empire-holders that be.

Unitas and Bancor as Currency and Trade Measures

The post-war world-economic complications as between England and America are being envisaged by them in no in-

distinct manner. (P. 302). New international currencies are being talked of. Americans suggest *unitas* (Latinized) as the monetary unit. *Bancor* (Bank-gold, Frenchified) is suggested by Keynes. Formally currency ideologies as the two suggestions embody, they are in reality attempts at solving the problems of exports and imports between the nations of the world. The chief pre-occupation of both England and the U.S.A. is to devise measures for counteracting the monopolistic or unilateral trade-cum-currency arrangements that have been established by Germany in her Pan-Europa and by Japan in her "East-Asian co-prosperity sphere". It is the fundamental aim of the *unitas* and the *bancor* economies to demolish the German monopoly in Europe and the Japanese in East Asia. The second aim is to enable the diverse peoples of the European continent and East Asia to enter into direct trade relations with one another and with England and America without the mediation of Berlin and Tokyo. This emancipation from both is to be effected in tariff as well as currency.

According to Reuter (April 5, 1943) the establishment of a united and associated nations stabilization fund of at least \$5,000,000,000 is proposed in a scheme for post-war currency system submitted to the Allies Governments by the U.S. Treasury. The resources of the fund are to consist of the gold, currencies and securities of the participating Governments.

These Governments' contributions will be fixed on the basis of the gold holdings, trade balances and the national incomes of the respective countries. The scheme proposes the establishment of a new international monetary unit called *Unitas* equal to \$10 which will be freely convertible into gold. The consolidated fund would be used for trade purposes and

would assist in supplying foreign exchange for meeting trade commitments of the countries participating.

The Keynes (British) plan for post-war *Bancor* currency sets out proposals for an International Clearing Union as a preliminary contribution to the solution of one of the problems of international economic co-operation after the war.

The proposals as summarized by Reuter (April 7, 1943) provide a generally acceptable means of payment between nations to ensure that any alterations in the exchange values of national currencies are made as the result of an orderly international procedure and not by unilateral action. They are calculated likewise to relieve from excessive strain any nation suffering from temporary difficulty in meeting its obligations to make payments abroad while at the same time subjecting it to additional pressure towards restoring balance. These aims are subsidiary to the one main purpose—the promotion of steady expansion in the flow of international trade and consequent improvement in the standard of life of the participating countries. (*Supra*, Ch. II, the section on “Shortcomings of World-Planning Schemes”, pp. 95-97).

The proposed Union will provide the means of settlement between central banks. *Bancor* is international currency only in the sense that it is a unit of measurement for exchange values and a unit of accounting in books of the Union. A private banker or trader will continue to do foreign business in terms of pounds or dollars or francs but the fact that his Government can borrow *bancor* from the Union will enable it to provide him with foreign exchange at a stable price when otherwise it would have been unable to do so. Thus all exchange fluctuations due to speculation will be eliminated.

The plan recognises certain facts—the high present value still enjoyed by gold and its convenience for certain purposes. But it does not put the fate of international money at the mercy of vicissitudes of the world's gold supply nor give any countenance to the idea that the value of the money is derived from possession of "gold backing."

Evidently, the technical foundations of both *unitas* and *bancor* systems are simple. In the first place, they are essentially based on the gold bullion (or gold exchange) standard ideology. Each is interested in the employment of gold (or rather foreign exchange), if necessary, exclusively for external use. The Ricardian economizing of gold is the dominant consideration. In the second place, the manipulation of exchange rates by the state through the Exchange Equalization (or Stabilization) Fund is the most prominent technique in each system. A third item is obvious in the British plan. It is the recognition of the services rendered to currency and commerce by the International Bank of Settlements at Basel. The principle of "clearing" is well established in the banking structure of modern countries. It was introduced internationally through the Basel institution. The same principle is now proposed to be rendered world-wide in the interest of the currencies. It is clear that the currency discoveries of the period since c. 1923-25 constitute the main theoretical basis of the new post-war monetary reconstruction for the purposes of international trade.

Economically speaking, be it observed finally, the British plan of "clearing" would suit the normal export-import relations between countries in a more realistic manner than the American plan of the stabilization fund. There is no doubt that the fund will have to be drawn upon in season and out of

season. It will have to cast its shadows on the day-to-day transactions of international trade. But the businessmen of the world will require the assistance of the International Clearing Union as the *milieu* of their daily breath.

The political motives behind these international currency and trade proposals are none the less clear in the provisions detailed above. At any rate, they have been precisely formulated by Welles, U.S. Under-Secretary of State at Toledo (Ohio) on May, 8, 1943. *Reuter* reports that, speaking on Germany's pre-war economic policy Welles said that it represented the ultimate in unbridled ruthless and merciless aggression. The German commercial policy was designed to pave the way for conquest. It sought to re-orient the economic structure of central and south-eastern Europe with the purposes of making Germany the industrial centre of the area supplied with raw materials and foodstuffs by European "colonies."

In Welles's judgment the question before the United States at this moment is "whether we shall orient our policy in the direction of a measure of economic aggression such as we adopted in the Tariff Acts of 1922 and 1930 or whether we shall continue to adhere to the policy of economic co-operation laid down in the Trade Agreements Act of 1934. This decision will be made when Congress acts on the legislation for the usual three-year extension of the Trade Agreement Authority." According to Welles it was important to distinguish between economic aggression actuated by "ignorant selfishness" and economic aggression actuated by "the evil ambition of international domination."

"We and Britain and nearly every other country have been guilty of an economic aggression of a selfish and unenlightened

kind," said Welles further. "But the effects of such policies have been realized and their trend has been reversed in the direction of economic co-operation. The whole history of the British Empire's 'preference' is a history of economic aggression in the sense in which I am now using the term."

We understand that American world-order schemes relating to commerce and currency are fundamentally directed against Germany's *de facto* economic hegemony in Europe. No less profound urges are to be seen in America's antipathy to British imperial preference in international trade-economy.

The "differences of emphasis" between the *U.S. Proposal for a United and Associated Nations Stabilization Fund* and the *British Proposals for an International Clearing Union* have been stressed in an article entitled "The British and American Plans for an International Monetary System" in the *Bulletin of International News* (London, May 15, 1943). These differences may "vitally affect the spirit in which international monetary system of the future is managed."

The American plan gives the U.S.A. 45.5 per cent of the voting power, Great Britain 11.8 per cent and the Dominions 9.2 per cent. On the other hand, in the British plan Great Britain is to have 21 per cent, the Dominions 22.5 per cent and the U.S.A. 17.5% only. Even while the war is going on, the two senior partners are adumbrating such differential power-allocations as between themselves for post-war years. No ideologies of difference or discrimination could be more provocative.

Alliances and Enmities in World-Economy

Speaking at Washington D. C. on May 11, 1943, Premier Churchill drew attention to the "danger of an undue prolonga-

tion of the war." "No one can tell," said he, "what new complications and perils might arise before five more years of war; and it is in a dragging out of the war at an enormous expense till the democracies are tired or bored or split that the main hope of Germany and Japan must now reside." Evidently, the chances of a stalemate or draw as between Anglo-America and the German-Japanese combination are still there. Besides, the possibilities of split between the Russian, British, Chinese and American allies are not yet ruled out.

The pattern of alliances and enmities in world-economy is not a structure of simplicist postulates and rational premises. It would be unreasonable to look upon world-economic alliances (and *ententes*) or enmities (and rivalries) as calculated to march along certain natural, fixed or traditional channels for any length of time. Neither geography nor *Geopolitik* can function in a deterministic manner in the field of economic collaboration or economic competition. Nor can the impacts of world-political friendship or jealousy be depended upon as fixing for a long period the terms or frontiers of economic pacts or counter-pacts. The manner in which England and France,—the allies of World-War I,—behaved to each other as soon as the Versailles Treaty (1919) brought the war to a close is but one of the thousand instances of history that testify to the fickleness and kaleidoscopic transformations in international relations.

In regard to Germany, the common enemy of that war, down to the beginning of World-War II (1939), nay, down to the fall of France (June 1940) Anglo-French relations exhibited changes that could be explained neither exclusively by political ambition nor exclusively by economic self-interest. Turkey was another common enemy of theirs in World-War I. These

two allies had even come to a secret agreement in regard to the partition of Turkey. And yet in 1919 there developed a situation *vis-à-vis* Turkey about which it has been possible for H. H. Cumming to write a well-documented *Franco-British Rivalry in the Post-War Near East* (London, 1938). Students of world-economy can therefore reasonably look forward to Anglo-American, Anglo-Russian and Russo-American rivalries as soon as World-War II. evolves its own period of post-war reconstruction.

The Regime of Seven Internationalisms

It is not therefore safe to attempt making prophecy about the fortunes of the present war and the geopolitical surgeries about the frontiers of states, old and new. Of course, it is not unreasonable to take note of pious wishes as they develop from time to time. But, for the time being, it is convenient to overlook all these wishful thinkings. At the end of the war the regionalized and pluralistic world-economies may be envisaged as embodied in and revolving around, say, the following seven economies:

- | | |
|--------------------------------|--------------------------|
| 1. The British Empire-Economy. | 5. The Japanese Economy. |
| 2. The French Empire-Economy. | 6. The German Economy. |
| 3. The American Economy. | 7. The Italian Economy. |
| 4. The Russian Economy. | |

They are to be regarded as "organized internationalisms" or territorially partial world-economies because of two considerations. First, each planetary system will have its own currency. The economic regions normally belonging to this system are bound to one another by a more or less uniform or uniformly manipulated monetary organization. In the second place, the

customs tariff binds each of these systems into a more or less unified whole. Each planetary system may be described as a tariff-union or customs-union.

The economic transactions of the two hemispheres are to be conceived as divided up between these seven zones. These zones of "economic regionalism" may be described, without camouflage, by the notoriously unpopular words, "spheres of influence" or "spheres of interest." It is not to be understood that these seven international systems are hermetically sealed against one another. Transportation, trade, travel and traffic of all forms are to be regarded as normal and daily affairs between these regionalized world-economies. By no means should they be suspected as representing in any way the "closed commercial states" of economic and political theory.

It is quite possible that from time to time some or all of these seven international systems would exchange views with one another. Once in a while it may be felt expedient for some of them to get acculturated to one another in certain currency, banking, transportation or other policies. By way of illustration, the Sterling Bloc may be referred to. But, generally speaking, they are to be taken as constituting a world of mutually suspicious and unassimilative as well as independent and exclusive internationalisms or federations. (P. 322).

International cartels⁸ for production and for marketing have been seeking to regionalize output as well as trade. Institu-

8 B. K. Sarkar: "Trusts and Rationalization: Aspects of the New Industrial Revolution," "International Cartels," and "Cartels in Japan" in the *Journal of the Bengal National Chamber of Commerce* (Calcutta), for September, 1927, December, 1930 and December, 1931. Cf. Hirsch: *Die Bedeutung der Rationalisierung für deutsches Wirtschaftsleben* (Berlin, 1928, *Industrie und Handelskammer*). See also Waffenschmidt: *Technik und*

tions like the International Sugar Council, the International Association of Rubber Producers, the International Steel Cartel, Coppers Exporters, the Mercury Cartel, the International Association of Manufacturers of Rollingstock and numerous other cartellized associations are more or less world-wide in jurisdiction. Their utility has not been gainsaid and indeed has been officially recognized by the grant of Government sanctions,—even during the epoch of autarchistic *swadeshism* throughout the world.

Cartellizations of the international type are no new phenomena. They have been going on for decades. It is only during the last half-generation, especially since the world depression of 1929-32, that they have become popular and household words. Such international interlockings will, off and on, be found quite assimilable to the seven planetary systems conceived in this study for the post-war world.

An international currency such as is likely to be legal tender throughout the world—e.g., the *unitas* or the *bancor*,—is out of the question. Indeed, these systems are being planned by the prospective victors in the interest of “united nations.” Germany and Japan cannot possibly have any interest in such plans. Equally unthinkable is the system of universal free trade which can render tariff walls unnecessary. Polycentric world-economy,—multiple-currencied and hetero-tariffed economic internationalism,—appears to be the type of pluralistic organization that awaits us in the near future and is likely to prevail among mankind for some long time to come.

The economists of the League of Nations were right when in one of their annual publications they declared that “the

Wirtschaft (Jena, 1929), section on Rationalisierung, and von Beckerath: *Der moderne Industrialismus* (Jena, 1930), sections on Kartelle und Konzerne.

prospect of world specialization upon the basis of nationally planned economies is still remote."⁹ This was written some eight years ago in 1935. We should consider this position to be valid for quite a number of eight years from today.

Pragmatism vs. Pious Wishes

It is only when patients suffer extreme agony that they make all kinds of wonderful resolve, especially in the presence of the attending doctor or priest, about behaving in a correct manner once they get well. Patients do not always die. Nor do they always recall their resolve or vow when they start once more to live and flourish. Individuals organized in groups known as nations or states do not happen to possess a new psychology on account of the organization. The fact of coming together in inter-individual patterns does not induce automatically a new mentality. Social man makes pious resolves in the *milieu* of wars as to the spurning of a particular attitude or the banning of some special policy in post-war situations. Wars do not last long, post-war conditions emerge at the proper moment, but men and women forget their war-time pious wishes, and the world muddles on merrily all the same.

Man is undoubtedly a rational animal. But his rationality is neither deep nor constant. Human irrationalities are to be taken as "pragmatic" realities.

It is in this individual and social psychology that we find the justification of Robbins's conclusion in the paper, *Economic*

⁹ *World-Economic Survey, 1934-35* (Geneva, 1935), p. 188. See also C. W. Guillebaud: "Hitler's New Economic Order for Europe" and P. Einzig: "Hitler's 'New Order' in Theory and Practice" in the *Economic Journal* (London), December, 1940 and April, 1941.

Factors and International Disunity,¹⁰ published by the Institute of International Affairs (London). "The root cause of the difficulty," says he, "is not economic, it is political." Further, "while reason and persuasion are important, I do not think that we can trust to reason and persuasion alone to preserve the world from anti-social national policies."

Wars, then, are to be treated as normal and recurrent phenomena in world-economy. Autarchy i.e., *swadeshim* in agriculture, manufacture, banking, insurance and transportation has likewise to be regarded as a constant factor in the international *milieu*. And yet world-orders or new orders, i.e., internationalism of some sort or other may be promoted in the commercial relations of mankind. Not even Schacht, the economist and financial expert of the German autarchism of the Four-Year Plan, is an exponent of the total annihilation of international understandings in commerce.¹¹ The economic world has to proceed pragmatically and watch the steps (*i.e.*, the results obtained) and formulate the objectives or goals (*i.e.*, the results expected) from one short period to another short period. Millennial ideals or projects and policies cannot be entertained as economic realisms or rationalities.

The science of *arthik unnati* (economic progress) does not deal in finalities and ultimate syntheses or last words. It is essentially experimental and envisages the pragmatic evolution of the world-economy from one "creative disequilibrium" to another creative disequilibrium.

¹⁰ *World Order Papers* (London, August, 1940), pp. 44-45. J. B. Condliffe: *The Reconstruction of World-Trade* (London, 1941); W. C. Johnstone: *The United States and Japan's New Order* (New York, 1941).

¹¹ "Germanicus": *Germany: the Last Four Years* (London, 1937); W. F. Bruck: *Social and Economic History of Germany 1888-1938* (Cardiff, 1938).

CHAPTER IX.

THE ECONOMIC RE-MAKING OF THE BRITISH EMPIRE

The British Empire-Economy as a System of Economic Decentralization

The chief consideration for the British Empire-economy is the promotion of its own strength as a territorially partial world-economy or a regionally internationalized economic unit. It is postulated that its impacts on the other international systems and their impacts on it are normal economic phenomena. It is understood also that a number of economic regions which do not legally, constitutionally or politically belong to the British Empire, may get linked up with this economy in self interest. The linking can be done chiefly by currency affiliation and by customs assimilation. (*Supra*, Ch. VIII., section on "British World-Trusteeism," p. 297; see also p. 318).

All those economic regions in the two hemispheres which possess relatively extensive markets in the British Empire or are dependent on it for capital are likely to feel the natural urge for seeking their currency and tariff amalgamation with this international system. The economic linking is not necessarily to be treated as a function or correlate of political or military association. It is to be understood as a purely business proposition, a matter of day to day convenience in trade and transport.

The strengthening of the British Empire with a view to the eventual world developments of the next two or three decades will depend in a large measure on the promotion of economic autarchy or self-sufficiency in its constituent parts. It should not be the policy of British finance to treat India, the

Dominions and the Colonies as complementary to the United Kingdom or to one another in regard to output and supplies. No Dominion or Colony can be safely permitted to specialize in certain lines to the exclusion of others. Nor may it be reasonable to let India move on in a *laissez faire* manner exclusively in those fields in which the Indian people can easily exhibit their special strength. India will have to be deliberately developed into a comprehensively self-sufficient economic unit. The U.K. cannot afford to have itself obsessed by certain specialized activities and depend for the majority of its requirements on the Empire countries or abroad. It is not the line of least resistance, or the field of special facilities, that may be safely attended to in the different units of the Empire.

The paramount desideratum is the conscious and goalful development of diversified economic enterprises of all grades in each and every Imperial region. The British Empire has need to be planfully transformed into an economic federation of strong agrar-industrial or mixed autarchies. This would be economic decentralization on inter-imperial scale. Financial statesmanship will have to allocate the investments in as many different lines of agriculture, manufacture, trade and transportation as possible in the Dominions, Colonies, India as well as the U.K. Altogether, we encounter the problem of an extensive reorganization of the finances and economic structure of the Imperial regions. The diversification of economic activities or business enterprises in each region has to be understood as the "balancing" of Imperial resources in finance, technique, employment and output in a rationalized manner.

The ideology of the present author's recommendation is likely to be treated as quite heretical by the Federation of

British Industries whose plan has been given out in *Reconstruction* (London, 1942). But individually some of the items suggested may not appear entirely unreasonable to British economic theorists or statesmen.

India's Industrial Autarchy

What ought to be India's place in this system of decentralized Empire-finance and co-ordinated net-work of Imperial autarchies or self-sufficient units? Let us examine the present situation. During the three-year period 1936-39 India had to depend annually for nearly 325,000 tons of iron and steel goods on imports from foreign countries. These goods comprised such essentials as steel bars, galvanized sheets, beams, hoops and strips, tubes, pipes, nails, tinned sheets, fishplates, rails and so forth.¹

For machinery and mill work India had to place orders with overseas countries to the tune of Rs. 197,200,000 in 1938-39. The industrialization of India is bound to be halting and limping as long as the Indian people remains incapable of manufacturing tools, implements, and machineries of all classes in adequate proportions. During the present war the situation is not as bad in this field as during the war of 1914-18. The reports of businessmen and bazar specialists indicate that the output of Indian industry for war effort comprises many items in machinery, tool, and equipment. By the last week of July, 1941, it was possible to observe on the strength of statements from the Eastern Group Supply Council that nearly 75 per cent of the requirements of the British armies east of Suez had been

¹ *Review of the Trade of India 1938-39* (Delhi, 1939), pp. 94, 95, 96, 99-100, 104.

produced in India. Among these supplies are to be found engineering stores, guns, munitions, and armour plating as well as textiles and leather products. Small-sized ships, mine-sweepers and submarine chasers have been built in India as a part of the war effort. Repairs of the mercantile fleet have also been undertaken in the Indian shipbuilding yards. (Chapter III, section on "Indian Industrialism during World-War II," pp. 98-101).

All the same, the primitive and infantile condition of many of the lines in machine-building industry cannot be doubted. Some of these industries for the production of *Produktionsmittel* (i.e. machine-tools and other implements and instruments of manufacture) have not gone beyond their experimental stages. India continues to be a heavy drag on the British Empire in these as in many other lines of modern efficiency.

In the textile machinery, oil crushing machinery, lathes, printing presses, electric installations and several other lines elementary beginnings have been made. For all practical purposes they are not really mentionable. The production of boilers, prime movers, paper mill machinery, sugar machinery and so forth remains still a will-o'-the-wisp of India's industrial ambition. Machines of quality are *ultima thules* in every line.

Another will-o'-the-wisp is the production of motor vehicles of which nearly 13,000 cars and 10,300 omnibuses, vans, etc., were imported per year during 1936-39. To the same group belongs the manufacture of ships as well as of aeroplanes. Incidentally, it may be observed that the first aeroplane has already been produced at Bangalore (Mysore), and the foundation of the first Indian modern shipbuilding yard laid at Vizag (Madras).

In chemicals India's dependence on foreign imports was to be measured by Rs. 30,500,000 in 1938-39. The lines covered sodium carbonate, caustic soda, acetic acid, citric acid, potassium compounds, zinc compounds, calcium compounds, bleaching powder, copper sulphate, glycerine and so forth. In this sphere India's deficiencies ought not to remain as they are for any lengthy period. The industry of chemicals and drugs is waiting for a vigorous push.

The Eastern Group Conference or an institution similar to this ought to be a permanent fixture in post-war years. Its functions should be somewhat different from those with which it is or was entrusted in order to serve and accentuate the war-effort. It should function with the prime object of promoting the industrial autarchy of India and those Empire regions which are not up to the mark in industrial fields. (Pp. 103-104).

Machine-building (*Produktionsmittel*) industry is one of the fundamental *differentia* between the second and the first industrial revolutions. It is in this industry that the go-aheads or adults of technocracy and industrialism are prominent and are likely more and more to specialize. On the other hand India and other backwards or laggards will have to depend for their progress in industrialization, however slow and halting, substantially on the importation of such machineries from the go-aheads. The lag of India and her peers of the first industrial revolution is to be measured by the relative absence or weakness, among other things, of machine-building industry. (Chapter V, sections on "Techno-Economic India", pp. 207-212 and "Nominal Autarchies in India", pp. 212-214). In contrast the recent progress of technocracy may be watched in *Japanese Trade and Industry* by Mitsubishi Research Bureau (London, 1936), pp. 294-295.

Economic India Tomorrow

As in every other country, belligerent or neutral, in India also post-war reconstruction will have to attend to the problems of famine, epidemics, business failures, and unemployment. The immediate economic requirements of India tomorrow will have to be met, no matter what be the ultimate goal. Post-war economy is essentially the economy of demobilization. The fundamental problem is to decide as to how much of the war time state controls in industry, trade, currency and agriculture, as well as employment, prices and wages ought to be maintained in order that demobilization may be prevented from producing its worst effects. Reconstruction problems before India are bound to be in the main of the same order as those before other countries. (Ch. V., section on "Planning Communistic and Capitalistic," pp. 224-227, Ch. VII., sections on "What is Post-War Reconstruction?", pp. 265-267 and "Demobilization Quinquennium," pp. 271-272).

In the present conditions of underdevelopment the temptation to indulge in comprehensive schemes² and fundamental principles of planned industrialization is bound to be great. For the time being let us combat that temptation in a deliberate manner. Since 1907 the present author has been issuing schemes, plans or creeds for theorists and public workers. Some of the most pressing needs of India in the immediate future which have been discussed in one or other of those creeds are

² Reference may be made to "The Seven Creeds of Benoy Sarkar" by Ida Sarkar in *The Social and Economic Ideas of Benoy Sarkar* edited by Banerjee Dass (Calcutta, 1940). The poverty, ill-health, illiteracy and other miseries of India may be felt in the stories, essays and lectures of Tagore, a study of which is available in Sudhir Sen: *Rabindranath Tagore on Rural Reconstruction* (Calcutta, 1943).

being enumerated below. The object is to suggest a few channels along which the demobilized resources in finance and *personnel* may be utilized.

The plan, designed as it is for all the provinces of India, comprises the following items:

A. *Techno-Industrial*

1. Electrification of every municipal area,—in order that, among other things, cheap power may be conveniently rendered available to small and medium industries. (The municipalities of India are approximately 1,000 in number).
2. Construction of roads, inter-district and intra-district, with a view, among other things, to facilitate the marketing of agricultural goods. The poverty of Bengal, especially of East-Bengal and Assam, in roads is notorious. Motor roads between Dibrugarh and Chandpur on the one hand and Sadiya and Chittagong on the other have long been overdue. Perhaps some of them are already under construction as military necessities.
3. Erection of shipyards and equipment of harbours at diverse maritime centres and river-mouths. Narayanganj (Dacca) and Chandpur (Comilla), for instance, may be singled out as first-class sites for seaports in East Bengal no less worthwhile than Calcutta.

B. *The Standard of Living of Peasants, Workingmen and Clerks*

1. Allocation of special funds (of large size) such as may be rendered available to individual cultivators through co-operative societies at convenient rates of interest.

2. Introduction of compulsory social insurance among work-
ingmen and other employees with adequate state grants.
(A Bill is in preparation).

The standard of living and efficiency of the masses in villages and towns is likely to be raised in a special manner by the above two measures.

C. *Socio-Economic*

1. Training and employment of women in health and other social services at the rate of one per each union board. (The number of union boards is about 5,500 in Bengal).
2. Intensified campaign (large scale pumping, land-reclamation, training of rivers, irrigation etc.) for the eradication of malaria, district by district.
3. Enactment of consolidated Public Health Act. (A Public Health Act has already been passed in Madras in 1939).

This may be regarded as the irreducible minimum of techno-industrial and socio-economic planning during the period of "reconstruction" in the narrow sense, say, five years from 1946 to 1950. A large part of the *personnel* technocratically educated and disciplined during World-War II. is likely to be absorbed through road-making, electrification, port construction, river-engineering and allied industrial projects. An avenue may then be found for taking charge of large numbers that are bound to be thrown on the unemployed list, as soon as demobilization commences.

For an outsider who is not in the know as to the exact kinds of industries that the war-economy has brought into life or expansion it is not possible to say precisely how many of them ought to be maintained and under what patterns.

The re-distribution of workmen and clerks also among new workshops and business concerns can likewise be suggested only by persons acquainted with the activities of the war supply and other offices.

Of course this prescription, modest as it is, cannot be expected to bring the Indian infant mortality down to the Anglo-American level or raise the expectation of life up to the German level in seven or ten years, as reconstruction planners would wish. Nor can the national income *per capita* be possibly augmented fivefold within a quinquennium or so as a result of the carrying out of the simple scheme of eight items formulated here. It would be but crying for the moon if on the strength of these recommendations India were to emulate within a decade or so the figures exhibited in *Japanese Trade and Industry* by the Mitsubishi Economic Research Bureau (London, 1936) or *National Income in Japan* (Japanese Economic Federation, Tokyo, 1939). No economic millennium is in contemplation. And as for the federated world-state of human brotherhood and inter-racial amity, this humble plan is the furthest removed from that consummation.

It is superfluous to observe that the plan put forward in this modest fashion would appear too elementary and primitive by the side of the programme suggested for England in *The Condition of Britain* (London, 1937) by G. D. H. and M. I. Cole. That work, of course, deals with pre-war conditions and formulates fundamental policies. Nor is it possible to encounter here the planifications attempted in Turkey under Kemal Ataturk since 1923 and especially since 1933, the year of her first five-year plan. It is from a hated condition of *semi-colonie* prevailing during the previous half-century that

Turkey has been emancipated by comprehensive state intervention in the domain of agriculture as well as by state aids to industry, as one understands from Conker and Witmeur's *Redressement économique et Industrialisation de la nouvelle Turquie* (Paris, 1937, pp. 41-54, 123-153, 174-239).

Demographic Fallacy about India

In regard to reconstruction planning for post-war India the population question cannot be overlooked.

An *idée fixe* of certain statisticians who have to deal with Indian demography may be pointed out in this context. They are obsessed by the *idola* that the birth rate in India has not changed. In a paper entitled "The Population Problem in India" published in the *Indian Journal of Medical Research* (Calcutta, October 1935, p. 558) A. Russell and K. Raja quote the figures for the birth rate from 1901 to 1933. The figure 38 is given by them for 1901-10 and 34 for 1933. The decline is 10 per cent. And yet they conclude that the birth rate "has been more or less stationary."

One of these authors, Raja, has a paper on the "Probable Trend of Population Growth in India" in the same journal for July 1935 (pp. 208-209). There also he harps on the same string. He discusses the age-distribution of women since 1901 in order to establish the "favourableness towards growth." But factually it is proven that not all the seven age-groups analyzed by him indicate this tendency. Besides, wherever the tendency is manifest, it is mainly towards a small increment.

On the whole, the calculations or interpretations of Russell and/or Raja are fallacious and the conclusions are wrong or unwarranted in the form in which they are presented. It

is strange, therefore, that the census authorities of 1941 should have devoted section VII. ("Age Distribution Among Women") to a summary of Raja's ideas without criticism and modification (*Census of India*, Vol. I. Part I. 1943, pp. 51-52). The fallacies of Russell and Raja have been examined in my paper on "The Population Trend in India with Reference to Food and Nutrition" in the *Indian Journal of Economics* (Allahabad, January 1940) as well as in the articles in *Science and Culture* (Calcutta, December 1939) and the *Calcutta Review* (September 1940).

This *idée fixe* belongs to the stock-in-trade of other demographers as well both at home and abroad. In *World-Population* (Oxford 1936, pp. 270, 275, 277) Carr-Saunders is emphatic in his assertions. "There is no sign whatever," says he about Indian demography, "of a decline in the rate during recent years as in Japan."

Births and Growths in India and the World

In comparative demography India's birth rate (33) of 1940 may be seen as follows in the perspective of certain countries during 1931-35:

Group A.		Group A.	
Countries	Birthrates	Countries	Birthrates
Sweden	14.1	Italy	23.8
United Kingdom	15.5	Argentina	26.5
Switzerland	16.4	Spain	26.9
France	16.5	Poland	27.6
Germany	16.6	Venezuela	28.5
U.S.A.	16.9	Portugal	29.1
Australia	16.9	Bulgaria	29.3
Holland	21.2	Greece	29.5

Group B.		Group B.	
Countries	Birthrates	Countries	Birthrates
Japan	31.6	Salvador	41.0
Jugoslavia	31.8	Mexico	41.9
Rumania	32.9	Guatemala	42.1
India	33.0	Soviet Russia	42.7 (1930)
Chile	34.0	Egypt	43.2
Philippines	35.4	Palestine	44.6
Ceylon	36.9	Formosa	45.1

The international birth rates are taken from the *Statistical Year Book of the League of Nations* (Geneva, 1938, p. 42).

As in other items of comparative economics, India's general affinities with the Balkan Complex, Latin America, etc. are obvious in regard to the equations of international birth rates also. (*Supra*, "Equations in Birth Rates," pp. 20-22). The chart relating to the birth curves of nations may be seen in my *Villages and Towns* (1941, p. 376c).

The figures for China are unknown but may be taken to be high as those of Group B., i.e. the countries from Japan to Formosa.

In demographic questions the fundamental item is the growth or natural increment (i.e. birth minus death). In 1940 India's growth rate was 11 per thousand. In international growth rate (1931-35) India's position (1940) is indicated below :

Group A.		Group A.	
Countries	Growth rates	Countries	Growth rates
Formosa	24.5	Philippines	16.9
Palestine	23.7	Egypt	15.6
Soviet Russia	21.0 (1927)	Argentina	14.4
Guatemala	19.4	Jugoslavia	13.9
Salvador	18.0	Bulgaria	13.8
Mexico	17.8	Japan	13.7

Group A.		Group B.	
Countries	Growth rates	Countries	Growth rates
Poland	13·0	Italy	9·7
Greece	13·0	Chile	9·3
Rumania	12·3	Australia	7·9
Holland	12·3	U.S.A.	6·9
Ceylon	12·2	Hungary	6·6
Portugal	12·1	Germany	5·4
India	11·0 (1940)	Switzerland	4·6
Spain	10·7	U.K.	3·3
Venezuela	10·5	Sweden	2·5
		France	0·8

India's growth rate (11·0) is not low. But it is exceeded by many countries in the two hemispheres. Some of them like Russia and Japan possess an extensive demographic potential as regions of large-sized population. To the same group of large population and high growth rate belongs presumably China also, whose figures are not definitely known. Be it observed that the growth rate of Soviet Russia in 1935 came down to 12·3, as we understand from A. Roubakine's *Le Mouvement de la Population dans l' U.S.S.R.* presented at the International Congress of Population, Paris, 1937 (Report, Vol. III, pp. 146-154).

While embarking on reconstruction, whether specifically post-war (i.e., with reference to the demobilization quinquennium) or for the general or long-period economic planning, the Indian economist does not have special reasons to be sicklied o'er with the *idola* of overpopulation or the propaganda for birth control. On the other hand, measures like the training of rivers, construction of roads, eradication of malaria, establishment of harbours, supply of working capital to cultivators, etc. are well calculated to give a fillip to the growth rate. Regions like East

Bengal and Assam may thereby be enabled during the next decades to be the seats of large-sized and relatively prosperous populations. (*Supra*, "Census of India 1941," pp. 197-200).

Permanent Settlement = Enclosure Movement

We shall now turn to reconstruction in regard to the land-system of India. The beginnings of modern capitalism in India are to be traced to the Permanent Settlement of Bengal in 1793. For, if we exclude the political and administrative features associated with it, the system was essentially an instrument in the concentration of landed estates in a relatively few hands. This implied nothing but the establishment of large-scale capitalism in land-values or agrarian enterprises.

Large-scale *zamindaris* or *latifondi* as generally known in Europe were considered in those days to be economically most worthwhile propositions in the mentality of British statesmen. England had got used to the eviction of small tenants, the extinction of the yeomanry and the aggrandisement of the big few as normal features of the socio-economic order. The enclosure movements of economic Britain since the sixteenth century could not fail to foster the tradition of large estates as being the sources of prosperity, although with buts and ifs, to the British people. It was the sociological *milieu* of these enclosures consummated in England with the utmost enthusiasm towards the end of the eighteenth century that,—in addition to the local Indian socio-economic circumstances,—furnished the intellectual background of the British legislators responsible for the Permanent Settlement in India.

The social motives and economic origins of the British enclosures are by no means identical with those of the Indian

Permanent Settlement. But in certain economic consequences, for example, the evolution of big-scale *zamindari* capitalism it is possible to establish an equation between the enclosure movement of England and the Permanent Settlement of Bengal. Historically, at any rate, it was at the peak of the enclosure legislation in England that the Permanent Settlement was enacted in India.

After this it took Europe nearly a century to look for new principles in land-legislation. The sociology of large-scale landed capitalism gradually gave place to that of small holdings, family farms, etc. Positive law was ultimately established on novel foundations. It was during the 80's of the nineteenth century that Bismarck became the architect of a new world by initiating the principles of land-legislation adapted to modern requirements. Those principles of Bismarck are the leading ideas in the land-reform of every country in the modern world.

The Indian Farmer-Tenant of Today

It is to be observed that neither economically nor juridically has the agrarian system of India been nailed down to the *status quo* of the Permanent Settlement. Social mobility is manifest no less in economic India than in the Western economy. The rights or privileges of the large landowners or landholders were curtailed by the Bengal Tenancy Act of 1886 and perhaps in the same proportion the tenant (*ryot*) rose as a socio-legal person. This relative ascendancy of the *krishak-praja* (farmer-tenant) in the enjoyment of economic freedom has gone on increasing ever since. In the eye of law the cultivator of today is not identical with the cultivator of the middle of the nineteenth century, nor of course of the end of the eighteenth. The status

of the small man in the land-system *vis-à-vis* the upper ten thousand is unquestionably quite decent at the present moment.

On the other hand, the economic bearings of the Permanent Settlement on the *zamindars* have undergone a tremendous transformation on account of the sheer impact of generations. The "commercial revolution" engendered in economic India on account of contacts with the world-economy since the American and the Napoleonic Wars (1776-1815) of the British Empire has led to the creation of new forms of wealth and the transference of wealth from older to newer families and classes. The transformations and transferences of wealth have been promoted, further, in India on account of the industrial transition facilitated by new technocracy since the middle of the last century. The landed estates have, therefore, changed hands and moved into the pockets of the *nouveaux riches* as a result of purchases with cash. The alleged "permanent" proprietors of yore have very often been replaced by the "upstarts" of the day. The "permanency" of the Permanent Settlement refers factually, therefore, not to the proprietors but to the property.

The *zamindars* of today have among them very few who may be regarded as having any blood-contacts with the beneficiaries of the Act of 1793. So far as the family or class composition is concerned, the landholders of the present generation are, like the proprietors in other concerns, industrial and commercial, enjoying their properties in most instances on account of the capital invested by themselves or by their immediate predecessors in the acquisition or enlargement of landed estates. The persistence of the category, "permanent settlement," must not blind the student of economic realities to the processes of family, class or social revolution that has been going on through genera-

tions. The disappearance of old families and classes in India and their substitution by new is as great an embodiment of the Paretian "circulation of *elites*" as the disappearance of the old individuals and their replacement by new in the race-histories of East and West.

Transformations and revolutions, then, have affected both land-holders and tenants of the Permanent Settlement category as of the other agrarian categories in India. It is in the atmosphere of these socio-economic and socio-legal revolutions that the social metabolism of revolutionary land-legislation as prominent in contemporary Europe,—from Bismarck to Hitler,—is likely to be regarded as worth adapting or assimilating by Indian legislators and economists.³

Bismarckian Land-Legislation in Europe and India

The *Rentengutsgesetzgebung* (rent-land legislation) of Bismarck (1890) restricted the right of the individual in regard to landed property in favour of the nation. Original landowners were deprived of much of their freedom both as regards transfer as well as indemnity. New owners were created. *Ansiedlungspolitik* (policy of settlement) could thereby be promoted in a systematic manner. Landless labourers or peasants began to grow into proprietors of "family-farms" or "small holdings" as adequate economic units. Sering's *Innere Kolonisation* (Leipzig, 1893) furnishes the theory and facts of this "internal

3 The existing socio-legal system with suggestions for reform along the lines of least resistance may be seen in Sachin Sen: *Studies in the Land Economics of Bengal* (Calcutta, 1935) and *The Tenure of Agricultural Land* (Calcutta, 1937). See also: P. K. Mukherjee: *The Economic Services of Zamindars to the Peasants and the Public as Analyzed by Benoy Sarkar* (Calcutta, 1934).

colonizing" or land-settlement as developed in Germany under the inspiration of Bismarck.

Denmark is known to be one of the model countries in regard to modern land-reform and agricultural reconstruction. It is the German land-legislation on which Denmark based her agrarian planning (1899). The Bismarckian land-policy touched England *via* Denmark, and the British Small Holdings Act was passed in 1908. All the land-reforms in Europe after World-War I (1914-18) owe their inspiration to the German Act of 1890.

The British and German land-legislation of 1919 served but to carry the previous movements forward. Wygodzinski in his *Agrarwesen und Agrarpolitik* (Leipzig, 1920) describes the fresh legal developments in Germany as constituting a veritable *Magna Carta* of land-settlement. The British situation has been described in the *Report of the Agricultural Tribunal of Investigation* (London, 1924).

The family-farm movement has been pushed forward in the Hitler-state (since 1933) with tremendous enthusiasm under the management of Darré, the minister of "food-estate." The idea was carried to a metaphysical height when in 1936 propagandists declared the *Bauer* (small farmer) to be the "bearer of the Nordic element" and the backbone of the national army.⁴

The land-reforms or agrarian revolutions of the Balkan Complex, Central-Eastern Europe and even Soviet Russia during 1919-25 were likewise efforts in the direction of modernism as achieved during pre-World-War I. years in Western Europe. Only, Soviet Russia confiscated the properties and

⁴ J. B. Holt: *German Agricultural Policy* (North Carolina, 1934). W. F. Bruck: *Social and Economic History of Germany 1888-1938* (Cardiff, 1938).

expropriated the land-owners ruthlessly, i.e., without indemnity. Besides, she did not subsequently care to establish new peasants on proprietary or private-capitalistic basis. On the contrary, Jugoslavia, Rumania, Poland, Czechoslovakia and other countries followed the ordinary, i.e. non-Bolshevistic, bourgeois and capitalistic or traditional German-British method in land-acquisition and land-redistribution. All these land-surgeries of the capitalistic economy with their messages for the Indian Complex have been described at length in the present author's *Economic Development*, Vol. I. (Madras, 1926) and *Naya Banglar Goda-Pattan* ("The Foundations of a New Bengal," 2 Vols. 1932).⁵

The Land Revenue Commission (Floud) for Bengal has issued its report and recommendations in 1940. It is the same Bismarckian principles of land-redistribution, land-transfer and land-control that have furnished the guiding principles. But an Act remains yet to be passed. Even when the law is enacted the necessary finance may not be forthcoming. And so India will continue to move on her mid-nineteenth century agrarian belly in the middle of the twentieth century.

These are some of the positive socio-economic data which counsel us to be very modest in our programme of post-war reconstruction for India (pp. 327-331). *Arthik unnati* (economic progress) is not governed by fatalistic determinism. But no scheme of self-determined and creative choice of ends and means can afford to overlook the objective realities.

⁵ See also B. K. Sarkar: "Land Reform in Czechoslovakia" (*Calcutta Review*, June 1937); cf. Ciasca: *Il Problema della Terra* (Milan, 1921), Westergaard: *Economic Developments in Denmark* (London, 1922), Damaschke: *Bodenreform* (Jena, 1923), Schullern: *Agrarpolitik* (Jena, 1924), Gruber: *Czechoslovakia* (New York, 1924), Terrel: *Le Problème de la Terre dans l'économie nationale* (Lyon, 1925).

The Re-agrarization of the United Kingdom

So far as the United Kingdom is concerned, the most important item that needs special re-making is the occupational structure of the people. As low as 6·7 per cent of the gainfully employed men and women of England-Wales is occupied in agricultural activities (1931).⁶ Both economically and socially as well as politically and militarily this index should deserve the most serious consideration of experts in Empire-reconstruction. The meaning of this index will be apparent in the perspective of the corresponding indices of some other countries, e.g.,

Countries	Agricultural Employment Index	Countries	Agricultural Employment Index
England-Wales	6·7	Italy	46·7
U.S.A.	22·0	Japan	49·6
Germany	28·8	India	66·5
France	35·7	Russia (1926)	85·0

In terms of competitive economics there is no harm, be it said at once, in a region's abandoning agriculture to the dogs and specializing itself in non-agricultural pursuits. The prosperity of a country can be expanded and maintained at an increasingly higher rate by industry and commerce to the almost total neglect of agriculture. As long as the output in other lines is plentiful and relatively cheap (or less expensive) it is possible to exchange a part of it for food and raw materials from other countries. This line of reasoning is quite valid in economic theory.

But in the interest of Empire economy the purely economic considerations of a theoretical character should not be permitted to hold the ground. The experiences of the war of 1914-18

⁶ *Statistisches Jahrbuch für das deutsche Reich*, 1931 (Berlin), pp. 37*-38*

as well as of the present war should not fail to be eye-openers in regard to the value of an eventual food-autarchy of the British people. The Agricultural Tribunal of Investigation examined the problem in 1924. Steps have been taken since then to expand or rather accelerate the operation of the Small Holdings Act of 1908. A fillip has thereby been rendered to the re-agrarization of the British people. Besides, the Agricultural Marketing Acts of 1931 and 1933 have served to offer protection to agriculture on almost continental lines. The agricultural chapters of *Britain in Recovery* (Economic Science and Statistics Section of the British Association, London, 1938) leave no doubt on this point.⁷

All these measures are movements in the right direction. And yet the fact remains that the percentage of British food requirements imported from abroad is exceptionally high, for instance:⁸

Articles	Percentage Imported	Articles	Percentage Imported
Butter	90	Mutton and Lamb	58
Wheat	75	Beef	50
Bacon and ham	69	Eggs	44
Sugar	66		

It is to these and allied fields that British investments have to be diverted. These are some of the essential or key trades

7 B. K. Sarkar: *Economic Development*, Vol. I (Madras, 1926, 1938), ch. on "The Small Holdings Movement in British Land Legislation"; J. H. Richardson: *British Economic Foreign Policy* (London, 1936), ch. on "Agricultural Policy"; J. H. Clapham: *An Economic History of Modern England, 1887-1929* (London, 1938). A criticism of British agricultural protection is furnished by L. Robbins in *The Economic Basis of Class Conflict* (London, 1939).

8 *Report on International Trade* (PEP, London, 1937), p. 206.

which deserve relatively greater outlay and solicitude. If India's essential or key trades are to be encountered in the domain of engineering, chemistry, manufacture, or, in one word, industry, the U.K.'s essential or key industries are to be seen in agriculture and animal husbandry. The "balancing" of occupations and employments takes two different forms in the two economic regions. (Ch. II., section on "Techno-Industrial Great Powers," pp. 42-45).

Coming back to the agricultural employment index it should appear that the British people cannot afford any longer to rest content with 6.7 per cent. The index will have to be raised not, indeed, to the Russian *niveau* of 85 but perhaps somewhere near the American, say, to 20. The problem of re-agrarization of the British people ought to command the greatest amount of economic statesmanship in regard to the post-war economy. It is in this manner that the ideology of diversified economy for the U.K. in the place of the present state of ultra-industrialization may be realized in practice. Statesmanship should not fail also to be convinced that a relatively larger farm population is likely to be a source of military, political and social strength to the U.K. Psychologically, besides, the British people ought to get used to the idea that a somewhat larger level in agrarization need not automatically imply a backwardization or decline in culture and modern progress.

The British Industrial Employment Index

The raising of the agricultural employment index,—the re-agrarization—would involve, as a matter of course, the lowering of the industrial employment index, *i.e.*, some doses of de-industrialization. In England-Wales (1931) 49.9, say, 50 per

cent of the gainfully employed is occupied in the industrial and mining enterprises. The corresponding industrial indices for the countries mentioned in connection with the agricultural employment index are as follows:⁹

Countries	Industrial Employment Index	Countries	Industrial Employment Index
England-Wales	49.9	Italy	28.7
Germany	40.6	Japan	22.0
U.S.A.	35.2	India	10.6
France	35.1	Russia (1926)	8.9

The hyper-industrialized character of British occupational structure is obvious. It becomes much too palpable in the background of excessively low agricultural employment index. But de-industrialization is likely to be a damaging category in British thought. It will require extraordinarily bold statesmanship and profoundly realistic Empire-view to be convinced that the industrial employment index should be deliberately and planfully brought down to a certain extent.

Perhaps the most fundamental preliminary consideration in this regard is the psycho-sociological. The British social *mores* have got to acculturate themselves to the idea that a relatively-lower dose of industrialization cannot signify a somewhat lower level of culture, civilization or prestige by the world-standard. Nor can a relative de-industrialization spell a comparatively reduced military strength. The objectives aimed at are entirely otherwise. (Chapter II, section on "The Claims of

⁹ *Statistisches Jahrbuch für das deutsche Reich*, 1931 (Berlin), pp. 37*-38.* For the recent industrial position see *Britain in Recovery* published by the Economic Science and Statistics Section of the British Association (London, 1938).

U.S.A., Germany and U.K. as Techno-Industrial Doyen," pp. 77-81).

What should be the *ideal* industrial employment index for the British people in view of the new Empire-economy recommended in this study? The question may be left open. But certain indications suggest themselves at once. The index is not, of course, to be brought down to the Russian or Indian level, nor even to the Japanese or the Italian. Perhaps the Franco-American level of 35 may not appear too revolutionarily low in case British economic statesmanship be wide-awake enough to the needs of comprehensive Empire development. This becomes a few points lower than the present German level (40.6). But it is to be understood that the U.K. is asked to plan for the entire Empire in one rationalized scheme whereas with Germany the question of overseas possessions and planning for them does not arise.

Altogether, the post-war Empire-economy as envisaged in this analysis would comprise the following two items:

1. Relatively greater doses of the U.K.'s independence *vis-à-vis* the Dominions, Colonies and India in regard to agriculture. (U.K.'s agricultural autarchy).
2. Relatively greater doses of independence enjoyed by the Dominions, Colonies and India *vis-à-vis* the U.K. in regard to the industries. (The industrial autarchy of these Empire regions).

These two orders of autarchy for the diverse Empire-regions,—the agrarization of the U.K. and the industrialization of India, the Colonies and Dominions,—in order that each may be rendered as diversified in occupations as possible should constitute the fundamental lines of reconstruction that the British

Empire planners may be called upon to examine in a careful manner. This problem may be taken up with the question of the "need for balanced regional development" discussed by Political and Economic Planning (PEP), London.¹⁰

It should be pointed out that the items of inter-Imperial balancing have been overlooked by PEP. But they are too important to be ignored by economic statesmanship.

In *The Crucial Problem of Imperial Development* (London, 1938) the discussions are very often quite wide-awake. But they have hardly risen to the height of the occasion. The lessons of the war since 1939 may perhaps tell their tale during the reconstruction period.

The Repopulation Problem of the U.K.

Another recommendation for the strengthening of the British people with an eye to the furtherance of the interests of the Empire economy should be the inauguration of the policy of repopulation. Depopulation by birth control has been systematically promoted in England-Wales since the 80's of the last century,—and especially since 1910.¹¹ Family *mores* have got acculturated to the purely economic considerations of a higher standard of living. A child has thus been treated as an alternative to an automobile or summer-excursion in a foreign country.

The crude birthrate of the U.K. declined from 24·1 per 1000 inhabitants in 1911-13 to 15·5 in 1939. During the

¹⁰ *Report on the Location of Industry* (London, March 1939), pp. 194-211.

¹¹ B. K. Sarkar: "Comparative Birth, Death and Growth Rates" with nine charts (*Journal of the Indian Medical Association*, Calcutta, May 1932), *The Sociology of Population* (Calcutta, 1936).

same period the crude death rate declined from 14.2 to 12.1. The crude growth rate declined, therefore, from 9.9 to 3.4.¹²

How serious the decline is can be understood somewhat more realistically from an examination of the "net reproduction rate." This would give the number of girls born to 1000 women between 15 and 50, allowance being made for female deaths between those ages.

In 1920-22 the net reproduction rate of the U.K. was 1.11. In 1935 it came down to 0.764, *i.e.*, 764 per 1000. The rate rose to 0.782 or 782 per 1000 in 1937. It is to be understood that until the net reproduction rate is 1, *i.e.*, 1000 per 1000 women of 15-50 (excluding deaths) the population cannot remain constant at the present level but bids fair to steadily go down in an absolute manner.

British statesmen cannot but feel convinced that this mischief has got to be counteracted. The United Kingdom cannot afford to continue this system of economics and family morality. The socio-economic reconstruction will be called upon to assimilate the system of enlarged family if the British people, as the centre of an international system, chooses to compete efficiently in world-economy with the nations of 75 or 130 to 170 millions, *i.e.*, with regions like Germany, the U.S.A., and Soviet Russia.

The large family movement has already been the topic of discussion in the U.K. for the last six or seven years.¹³ But

¹² *Statistique Annuaire de la Société des Nations 1939-40* (Geneva, 1940), pp. 37, 38, 44, 49.

¹³ R. R. Kuczynski: *Population Movements* (Oxford, 1936), D. V. Glass: *The Struggle for Population* (Oxford, 1936); and *Population Policies and Movements in Europe* (Oxford, 1940). G. F. McLeary: *The Menace of*

it is questionable if the seriousness of the problem has yet been brought home to the generality of the population. Anti-birth control will have to replace the birth-control morality in a totalitarian manner. Besides, it is not enough to propagate the cult of the three-child family in the place of the existing two-child unit. Perhaps the four-child family should appear to be reasonable if one seriously considers the requirements of the new situation in the international *milieu*.

Like re-agrarization and de-industrialization this four-child family is undoubtedly another unpalatable recipe for the British public to swallow even in the interest of Empire development. It is worth while to recall, however, that the birth rate among the English people was never less than 30 down to 1890. Between 1871 and 1880 it was as high as 35.5. The repopulation programme for today is, then, nothing but a matter of the "will to population."

I regret that from top to bottom my analysis of post-war world-economy has been much too un-idealistic, matter-of-fact and prosaic. There is no romanticity or sentimental world-view in my figures or interpretations.

The Autarchies in Empire Development

The reconstruction of the Empire-economy as conceived in this study does not contemplate, be it repeated, an autarchy of the conventional sort, *i.e.*, exclusion of imports from foreign countries. International trade is not being banned. The autarchies contemplated here are the *relative* autarchies of each of the Imperial regions. Somewhat larger doses of self-sufficiency in

British Depopulation (London, 1937), T. H. Marshall, ed: *The Population Problem* (London, 1938).

inter-Imperial relations are being recommended. It is a purely internal affair of the Empire and involves chiefly a *rationalization of the British investments with regard to the diverse territories of the Empire.*

A region like India, for instance, has been financially starving. This accounts for the backwardnesses and lags in India's industrial power. She is in need of much larger doses of British capital to co-operate with Indian capital than have been rendered available. (*Supra*, pp. 106, 186-187, 196, 232-237).

Changes in the direction of enterprise between one Imperial region and another belong to this programme. It comprises transfer of certain activities from old to new centres overseas. Not the least important items are the redistributions of finance among the diverse zones of economic life in such a manner as to ensure comparatively uniform rates of business growth and expansion. Last but not least, the place of Indian emigrants and settlers in the British Colonies and Dominions would demand an equitable reconsideration. The complete freedom of movement for Indians overseas throughout the British Empire and the right of "equal citizenship" are some of those questions on which Indians of all classes, politically minded or otherwise, are united beyond doubt. (*Infra*, Ch. X., section on "Asian Emigrants as a World-Problem").

The promotion of the fitness and power of the Imperial units to help one another effectively is the fundamental objective of the autarchy, self-sufficiency or diversified development programme for the post-war Empire-economy or inter-Imperial economic structure.¹⁴

¹⁴ B. K. Sarkar: *Imperial Preference vis-à-vis World-Economy* (Calcutta, 1934), pp. 137-148.

CHAPTER X.

WORLD-ECONOMIC EQUATIONS AND WORLD-POLITICS

The Political Milieu of Arthik Unnati (Economic Progress)

It is not in a political vacuum that the equations of world-economy make their appearance. The economic go-aheads, backwards or laggards, and peers have each a political pattern. But it is not possible to ascribe every go-aheadness, backwardness, and parity or equality to internal or external politics. The world-economic equations are not the functions or correlates of world-politics.¹

A political *milieu* or ecology is to be envisaged in every economic situation at home or abroad. But all *arthik unnati* (economic progress) cannot be explained as due to political forces. In any case, an *advaita* (monistic) explanation of economic progress as determined exclusively by political independence, democracy or the like is unwarrantable. The political factor has to be analyzed on its own merits in every economic situation and its rôle ascertained according to the circumstances.

— The something over two billion men and women of the world can be politically grouped into three main classes as follows: (1) free, (2) free and colony-ruling or empire-holding, and (3) unfree, subject or enslaved colonies and dependencies.

¹ The bearings of internal politics (democracy etc.) on industrialism are discussed by H. von Beckerath in *Der moderne Industrialismus* (Jena, 1930), pp. 433-436.

Among these two thousand millions very few, indeed, are techno-industrial or capitalistic-cum-socialistic adults, go-aheads or great powers. England, Germany and the U.S.A. account for some 250 millions only. But hundreds of millions of men and women in free states are economic laggards. Even among political great powers the position of France and Italy is techno-economically that of backwards or laggards,—by the Anglo-German-American standard. As for Spain, Portugal, the Balkan Complex, the Baltic Complex etc. in Europe, Turkey, Iran and China in Asia, and the great majority of states in Latin America hundreds of millions are economically more or less on the same level as unfree regions like India.²

Another item deserves consideration. The importance of political idealism, pious wishes, ambitions etc. in the industrial-technocratic field is not to be overlooked or under-estimated.³ The capital-socialistic greatness of Germany as developed since c. 1870-85 is in a great measure a function of political ambitions. So also is the rise of Japan as an industrial-commercial great power since c. 1885-1905. The tremendous upheaval of

2 The treatment here is different from that in the section on *Vergleich der industriewirtschaftlichen Lage und Aussichten Lerschidener Länder* in Beckerath: *Der moderne Industrialismus* (Jena, 1930), pp. 444-450.

3 *Soziale, Kultur und Volkswohlfahrt während der ersten 25 Regierungsjahre Kaiser Wilhelm II.* (Berlin, 1913). One of the chapters in this William II. Jubilee Celebration Volume is by Karl Helfferich which has been referred to several times; Sombart: *Die Volkswirtschaft im neunzehnten Jahrhundert* (Berlin, 1903); Wygodzinski: *Wandlungen der deutschen Volkswirtschaft im neunzehnten Jahrhundert* (Cologne, 1907); W. F. Bruck: *Social and Economic History of Germany 1888-1938* (Cardiff, 1938); *Japanese Trade and Industry* by Mitsubishi Economic Research Bureau (London, 1936) and *The National Income of Japan* (Japan Economic Federation, Tokyo, 1939). See the chapters on Soviet Russia in H. E. Barnes: *History of Western Civilization* Vol. II, (New York, 1935).

Soviet Russia in technocracy and industrialism since c. 1928 is another instance of political ideals or ambitions considerably shaping or re-shaping the economic destiny of a people. The equations of world-economy have been shifted to new points by the political energism of Germany, Japan and Russia. The theory of economic progress will have to take due note of this political fact.

In *Modern Production among Backward Peoples* (London, 1935) J. C. Greaves virtually singles out those peoples, tribes or nations, both African and Oriental, which happen to be colonies or dependencies of Eur-American empires. From the viewpoint of economic morphology this treatment is entirely unscientific. There are "backward peoples" in Eur-America also. Most of the territories lying between the Baltic and the Aegean Seas—the Baltic Complex, the Balkan Complex, Poland, etc.—and Eastern Europe comprising Russia until the emergence of Sovietic *Gosplan* are by all means backward, laggard and primitive. Then in Eur-Asia there is Turkey which belongs to the same category even after the inauguration of the first five-year plan under Kemal in 1933. Iran, Afghanistan and China are equally backward in technocracy, industrialism and modern capital power. Further, it is only since 1905,—the victory over Russia,—that Japan has succeeded in extricating herself from the plane of economic backwards. It is curious that Greaves has decided, without explanation, not to touch any of these regions in his analysis of modern economy in its bearings on backward territories. In case India and Indonesia deserve his attention there is no scientific ground for not bestowing it on Bulgaria, Slovakia, Lithuania, Poland, Turkey, Iran, China, Mexico, Colombia, Venezuela, Brazil, Chile and so forth. (Pp. 52-60).

*The Rôle of Imperialism in the Equations
of World-Economy*

A few more fundamentals may be indicated here in elucidation of the position maintained by the present author throughout these studies in comparative industrialism and the equations of world-economy.

In the first place, extensive regions constituting the major portion of the two hemispheres, be it repeated, are in technocratically undeveloped, semi-developed and under-developed conditions. The Balkan and Baltic Complexes, Eastern Europe (comprising Russia), Spain-Portugal, virtually the whole of Africa, large sections of Latin America, China and India, parts of Japan and the rest of Asia belong to this category. The primitive and agricultural character of these areas is a fundamental fact of world-economy, and it is not going to disappear during the next decades in spite of industrialization, mechanization and other modernization consummated everywhere in doses as a result of World-War II. It is impossible to prevent them from being utilized or exploited by the industrial-technocratic-financial zones as their "economic colonies." Even in the epoch of the formal abolition of extra-territoriality the hard realities of international finance must not be overlooked. *De facto* extra-territoriality cannot be abolished by a mere stroke of the pen. This utilization or exploitation by finance-capitalistic agencies, be it added *enpassant*, is the chief, if not virtually the only, means of the raising of the standard of living of the primitive areas and their general elevation in the economic sphere. This is often a regrettable fact but must be faced by the scientific student of economics as well as the economic statesman. No

theory of *arithik unnati* (economic progress) can afford to be blind to the reality envisaged here. (*Supra*, p. 297).

Secondly, the tendency of every finance-capitalistic zone to build up its own internationalism or partial world-economy more or less on the lines of an economic Monroe Doctrine,—through currency and tariff systems,—by utilizing one or other of the primitive areas is to be visualized as an inevitable factor in the post-war world-economy, say, from 1946 to 1965. Even Americans⁴ are no less fond of their “possessions” than the English people of their British “Commonwealth,” the French “metropolitans” of their *France coloniale*, the Germans of their *europäische Neuordnung* (if not of *unsere Kolonien*) and the Japanese of their “co-prosperity sphere.” Most of the liberal-seeming terms used by them are camouflages, but they all effectively describe the obstinate realities of the economic-political pattern. The American “lease-lend” methods of foreign trade as well as the new currency plans (*Unitas* and *Bancor*) are directly associated with the ideology of keeping the agricultural zones of the world in their backward condition and enabling them to supply raw stuffs for the industrial states. (Pp. 289-303).

The age of empires,—economic as well as political,—of *de facto* if not *de jure* extra-territoriality is not yet gone. Nay, it is being perpetuated with vengeance as a result of World-War

⁴ See the section on “Products of Our New Possessions” in W. W. Jennings: *History of Economic Progress in the United States* (London, 1925) pp. 589-592.

Cf. also the observations of J. Burnham in *The Managerial Revolution* (New York, 1941) *re* the eventual world-imperialism of the U.S.A. and her war for world-domination as against the rulers of North-west and Central Europe on the one hand and those of the Far East on the other.

II and is preparing the ground for World-War III. It would be unthinking and unscientific idealism to be blind to the *Realpolitik* of imperialization and colonialism as a creative factor in the equations of world-economy. Every theory of *arthik unnati* (economic progress) will have to orientate itself dispassionately to this brutally clear situation. (Pp. 95-97, 109-110, 307-310).

Brute force organized in the army, navy and air-arm has commanded the world-economy yesterday and is commanding it today. Brute force will command the world-economy tomorrow and day after tomorrow. World-War II can be won by the party that possesses the greater staying power and is master of the stronger army, navy and air-arm. It is to be postulated, therefore, that a vindictive World-War III cannot but be engineered by the party that loses in World-War II. The *milieu* of the spirit of and preparations for revenge as against the attempts of the victors to maintain the *status quo* is the most palpable item in the quinquennium of reconstruction and after. It is this world-economic structure that economic dynamics will have to transform in order to set in motion the new equations or parities between economic regions. (Pp. 265-271).

Economics, pure and undefiled, does not exist. It is eternally a handmaid to international politics. *Arthik unnati* (economic progress) is not all economics or technology. It is also politics to a considerable extent. The equations of world-economy are perpetually dominated and modified by world-politics. The "political interpretation" of economics is one of the profoundest realities in inter-human affairs. This interpretation sets some of the limits to the "economic interpretation" of politics. (Chapter IV., section on "Wealth, Economic and Non-Economic," pp. 166-170; also pp. 351-352).

An American Interpretation of British Empire-Policy

The political philosophy of colonialism has obtained a straightforward re-statement in the views of the British Foreign Minister, Anthony Eden, as expressed in the U.S.A. The *Bulletin of the Foreign Policy Association* (New York) interprets them as follows (April, 1943):

"The British recognize that twentieth century conditions call for a new type of association between the advanced and the less advanced peoples and that they as the greatest colonial power have a special responsibility for working out that relationship. They see that the task is not in terms of surrender of any colonial territory held in 1939 or in the establishment of an international colonial administration but in improved British administration concentrating on economic as well as political progress and possibly in conjunction with international co-operation evolving a charter for all dependent areas and some form of general joint supervision. * * * Britain contemplates the future of colonies and also of India within the Commonwealth rather than in complete severance of connection with the British Crown."

British mentality in colonialism or imperialistic world-domination, as indicated here, was keyed up to the rising tide of victories in North Africa during the previous five months. The night-mare that had dominated the atmosphere from June 1940 (Retreat from Dunkirk) to May 1942 (Retreat from Burma) was a thing of the past. The British empire seemed to have tided over the crisis in the spring of 1943. The threatened liquidation of the British Empire was not likely to materialize. British statesmen did not have to employ camouflages any longer. Their political ideas and ideals of 1943 are, then, easily intelligible.

Here we have an American interpretation of British world-order. And this statement is quite in keeping with general American philosophy in regard to American empire-policy *vis-à-vis* the Philippines. The categories, "advanced peoples" and "less advanced peoples," belong to the ideologies of race-chauvinism in which Americans lag behind none. Colonialism or imperialism, whether Anglo-American, French, Dutch or otherwise, is essentially raciological or ethnocentric in character. Ethnocentrism of the nineteenth century is being maintained intact in the present century in the slogans associated with neo-imperialists of the world. The Nordicist superiority-complex of Spengler's *Der Mensch und die Technik* (Munich, 1931) is one of the numerous specimens. An allied or identical category is the slogan of "trusteeship" popularized in works like *The Ideas and Ideals of the British Empire* by Ernest Barker (Cambridge, 1941). The doctrine of "trust" can indeed be traced to Burke's *Conciliation with the Colonies* delivered in 1775 on the eve of the American war of independence.

Evidently this sort of trustee-imperialism is not likely to be distasteful in the present moods of American statesmanship. American imperialism has been intensified and consolidated in the proceedings of the Pan-American Conference at Habana, Cuba (July, 1940). And since the landing of American troops in North Africa (November, 1942) American colour-prejudice and ethnocentric chauvinism have been getting a powerful fillip. It is at the right moment that the British doctrine of "advanced peoples" playing the guardian to "less advanced peoples" has therefore been enunciated in the American *milieu*. American political philosophy is ever ready to assimilate and promote anti-Asian and anti-African colonial policies of one

sort or other. The foundations of "democratic" Americanism are laid wide and deep in the anti-Negro pogroms and anti-Chinese Exclusion Acts, for which reference may be made to the present author's *Sociology of Races, Cultures and Human Progress* (Calcutta, 1939). *Supra*, pp. 300-303.

Asian Emigrants as a World-Problem

Eur-American world-planners are utterly impervious to the Asian demands for free immigration into the territories monopolized by the albinocracy. "White Australia" and "White South Africa" are to remain in these post-war reconstructions as closed to Japanese, Chinese, Indians and other Asians as in pre-war years. In none of these plannings is the U.S.A to touch her anti-Chinese (anti-Asian and anti-African) exclusion laws. The economico-political internationalists of the League of Nations Complex as well as other planners of world-peace forget that the greatest single urge of the Japanese war against the American, British and Dutch empires is the strenuousness and tenacity of their humiliating anti-Oriental race-legislation.⁵

The Atlantic Charter is likewise supremely indifferent to the right of Asians to colonize and settle as free human beings in every part of the world. In this regard the post-war planning ideologies are well-calculated to be the direct sources of inspiration among humiliated men and women to challenge the *status quo* whatever it be. Post-war planners are heading not towards world-peace, but towards World-War III. But they are con-

5 R. K. Mukerjee: *Migrant Asia* (Rome, 1936); B. K. Sarkar: *The Sociology of Races, Cultures and Human Progress* (Calcutta, 1939), ch. on "Asia in Americanization."

fidant and convinced that they will remain adequately well-armed against all eventualities arising out of the problems of Asian emigrants as a factor in world-politics. This is almost taken for granted in Greaves's *Modern Production among Backward Peoples* (London, 1935). *Supra*, p. 349.

*Balancing in Colonialism through
Europäische Neuordnung*

Anglo-American world-domination, as mirrored forth in these new words and phrases about colonies, dependencies, Empire-policies, the so-called Atlantic charter and so forth, is eminently well calculated to evoke corresponding ideologies, not only among the subject races but,—and this dangerously enough,—among the other powers that be. The Japanese co-prosperity sphere in China, South-east and South-west Asia, is seeking to establish a new counterpoise to the Anglo-American world-hegemony. Let us leave this new Japanese balancing out of the picture for the time being. A somewhat old counterpoise is to be found in the balancing furnished by the Germans of *Mitteleuropa*. Germany is not less ethnocentric and racialogical than England and America. She is quite conversant with the ideology of "advanced peoples" possessing a "special responsibility" for working out a relationship with "less advanced peoples." Only, in her sentiments, judgments and philosophies the "less advanced peoples" are the Europeans like Czechs, Slovaks, Poles, Belgians, Dutch, Serbs, Greeks, nay, Russians and all the other riff-raffs from one end of Europe to the other. In Spengler's *Der Mensch und die Technik* (Munich, 1931) the Russians belong to the non-white and backward race-groups. (Pp. 289-294).

The logic is simple. In case and as long as England and the U.S.A. dominate Asia, Africa and America, Germany will consider herself to be the "natural master," in the Aristotelian sense, of the entire European continent. To use the up-to-date categories of current international philosophy, she is used to placing herself in the position of the "trustee" for watching and promoting the "economic as well as political progress" of the "less advanced peoples"⁶ of Europe. Germany's *Europäische Neuordnung* ("European new Order") is a simple reaction to the Anglo-American "world-order" It is much more comprehensive than the *Drang nach Osten* (Push towards the East) of Hohenzollern Germany. Both these Anglo-American and Germanic orders are nothing but forms of imperialism and slavification, pure and undefiled.

The *Europäische Neuordnung* implies that the Poles, Czechs, Serbs, Greeks and other "less advanced" Europeans are to remain economically and politically slaves, colonies, subject races, semi-slaves, or semi-dependent nations to Germany as long as Asians, Africans or others remain subject or semi-subject to Anglo-American world-imperialism. The colonialism prevailing in Asia, Africa or America has its natural and necessary balance or counterpart in a hundred percent colonialism or semi-colonialism obtaining in Europe. World-War II, like World-War I., has this "balancing in colonialism" as one of its chief urges. A World-War III is likely again to emerge during the next two or three decades on account of the same urge. The

⁶ Reithinger: *Das wirtschaftliche Gesicht Europas* (Stuttgart, 1936), E. Wagemann: *Der neue Balkan* (Hamburg, 1939).

See also *The Balkan States, I. Economic* (since 1919) prepared under the auspices of the Institute of International Affairs (London, 1936).

Foreign Policy Association's interpretation of British empire-policy bids fair to be a fine explanation of a most profound permanent provocation for the enslavement of Europe by Germany. It will act as a perpetual spur to Germany to equip herself in post-war years with the object of dominating the "less advanced" Europeans and developing their "economic as well as political progress."

Russia vis-à-vis Colonies and Dependencies

Another balancing in colonialism is to be found in the anti-colonialism or doses of antidote to foreign domination with which Soviet Russia is formally associated. Anglo-American world-imperialism cannot appear to be a factor of world-peace to Soviet Russia, the ally, for the time being, of England and America. The Leninists of Bolshevik Russia are, so far as ideals are concerned, the furthest removed from this policy. It can serve but to excite the worst suspicions of the Stalin regime *vis-à-vis* the alleged democratic ideals of Soviet Russia's allies. Communism, wherever and in so far as it happens to be genuine, cannot afford to be a permanent ally of colony-ruling and slave-driving empire-holders.

The programme of the Communist Party adopted at the Eighth Congress in March 1919 recognises, be it recalled, categorically the "right of colonies and non-sovereign nations to secession." Anglo-American colonialism is at poles asunder from this position,⁷ although this latter finds expression only in words. (Ch. VIII. section on "Sovietic World-Planification" pp. 294-296).

⁷ Stalin: *Marxism and the National and Colonial Question* (New York) p. 288.

The nationalism of every subject race, dependency or colony in the two hemispheres is likely once more to be accepted by Soviet Russia,—theoretically at any rate,—as her most natural and inevitable ally. Communism as a system of thought can but tend to manifest itself as the virtually sole promoter of national independence and human freedom. Soviet Russia cannot be prevented from looming large as ideologically the saviour of helpless millions in Asia and Africa. The reactions of the statesmen of Soviet Russia to the political philosophy of the Foreign Policy Association of New York are bound to be Leninist with vengeance. Leninism may then be depended upon as acquiring a fresh lease of life during World-War II and after. But to what extent the sympathies of the people in a communist state or of other states can help forward the political freedom of unfree peoples is an open question.

On May 22, 1943 the Executive Committee of the Communist International recommended the disbandment of the Communist International. The communists of every country were given freedom to settle their policies *vis-à-vis* ordinary socialists and the national Parliaments without interference or direction from the C. I. headquarters at Moscow. This indicates the development of communism along national lines but does not in any way affect its ideologies *vis-à-vis* the colonies and dependencies. In any case,—since September 1939,—on account of war-conditions, and especially because of Soviet Russia's double dealings,—albeit nationalistic or patriotic,—with Germany and England the Communist International as a centralizing dictatorial authority has been virtually a thing of the past.

It is "national communism" that has been operative in

Soviet Russia for quite a number of years. National communism is virtually the dominant creed of the Russian people during the war period (since June, 1941).

At the Tenth Congress of the Russian Communist Party held on March 10, 1921, Stalin declared as follows⁸: "Our programme speaks not of national self-determination—an absolutely vague slogan—but of a better minted and more clearly defined slogan—the right of nations to political secession." Lecturing at the Sverdlev University (April, 1924) on the "Foundations of Leninism," Stalin emphasised likewise the "right of nations to secession and to independent political existence." He pointed out that according to Leninism the "formation of a common revolutionary front is impossible unless the proletariat of the oppressor nations renders direct and determined support to the liberation movement of the oppressed peoples against the imperialism of *its own country*." The Stalin regime (since 1924) may properly be described as that of "national communism" in contrast with the "national socialism" of the Hitler-state. (P. 367).

*"Anglo-American Directorate" in
Post-War World-Economy*

World-peace of any sort is not the foundation or the atmosphere of economic progress. The go-aheads among nations are not mollycoddles. To them every war is but techno-economic production, transportation and consumption carried to the *nth term* ("inflation-complex"). Warfares are conducted by them as huge industrial or commercial propositions.

⁸ *Marxism and the National and Colonial Question* (New York), pp. 106, 196.

The business organization of wars is identical in their psychology with the ordinary business organizations to which their *entrepreneurs* are used in every-day industry and trade.

Neither de-imperialization nor de-albinization is envisaged by the Foreign Policy Association's interpretation of the new world-system. If anything, it assures to mankind the permanent possibilities of world-wars and preparations for world-wars. Wars are not feared by world-powers. In their estimation every war is a spur to intellectual and moral discipline and furnishes the spiritual tonic for fresh adventures in science, culture and world-conquest. Neo-colonialism is not in for world-peace.

Anglo-American alliance is being utilized by Soviet Russia as a tactical proposition for her war against Germany. But Soviet Russia, even as the ally of Anglo-American world-imperialism, cannot be ideologically hoodwinked into believing that the world's last war is being fought in World-War II.

The shibboleth of world-peace is being rung out of existence by such political philosophies as those of Eden. And this is well calculated to foster honesty, realism and sincerity in international politics. The equations of world-economy are realistically well acculturated to this type of world-politics, whether blunt or camouflaged. Such realistic considerations about the permanent possibilities of war must underlie every theory of *arthik unnati* (economic progress).

The prospects of an Anglo-American world-domination are taken into consideration by the American historian, Shotwell. In his address at New York on December 13, 1941 he observed, among other things, as follows:⁹ "The U.S. and Great Britain,

⁹ "After the War" (*International Conciliation*, New York, January, 1942, pp. 34-35).

after they have won the war, will have the chief responsibility for the shaping of the terms of peace, out of which a renewed and stronger League of Nations can emerge. The exercise of power by an Anglo-American directorate will be attended by many difficulties."

The "many difficulties" envisaged by Shotwell are such "pitfalls" as have led to World-War II. He is anxious about the safeguarding of Latin American, German, Italian and Japanese interests. In his pious wish "there must be no imperialism under the Anglo-Saxon system any more than under the German."

This "pious wish" should be respected. But the world does not change overnight. The two world-wars have not taught "experts in international relations" the fundamental causes of wars. That is why the World Citizens Association of Chicago has failed to produce anything better than *The World's Destiny and the United States* (Chicago, 1941). The "new political order," "world-economics and social justice" and "new rights of man" discussed by twenty nine experts of thirteen different countries are supremely indifferent to the ambitions and ideals of subject and under-developed peoples. They do not enlighten mankind anything more than the liberalism of 1939, nay, of 1914. These ideologies are but Amery's *India and Freedom* (London, 1942) writ large. The highest American idealism is to be seen in Holcombe's *Dependent Areas in the Post-War World* (Boston, 1941) and in the Committee on Africa's *Atlantic Charter and Africa from an American Standpoint* (New York, 1942). It is questionable if such Americanisms differ in essential from the ideologies of Dutch imperialists like Broek and Boeke writing about their colony, Indonesia.

Wars, more wars, and still more wars,—arms, more arms, still more arms,—albeit under Anglo-American “directorship” continue to be the last word of world-economic and world-political wisdom at the present moment. (*Supra*, Ch. VIII, Section on “Asia for Asians” in *American Ideology*, pp. 303-307).

Prospects of Wars in the Theory of Economic Progress

Students of realistic economics cannot but proceed on the hypothesis that world-economic equations and economic progress will have normally before them the prospects of World-War III and other wars. A little futuristic blue print is being furnished by way of concrete illustration. No practical value should be attached to the analysis that follows (*Supra*, Chapter VIII. *The World-Economic Planning for Tomorrow*, pp. 289-321, also pp. 353-364).

Just at present the diverse geopolitical schemes of post-war reconstruction-planning can each lead to a new war. The thesis of Anglo-American world-domination postulates the *status-quo* of *la France coloniale* and the Dutch Empire. The German thesis of Pan-Europa is to be a powerful challenge to this complex of *status-quos* in colony-rule and dependency-trusteeship. What the status of Italy's African Empire is to be in the Anglo-American thesis or the German is not yet clear. The third thesis is that of the co-prosperity sphere claimed or rather already possessed by Japan. The boundaries of this sphere are said to comprise all the oceans and all the continents according to the world-planning formulated by Komaki, as says Menfee in the journal, *Asia and the Americas* (New York, May, 1943).

It is implied, of course, that even a crushing defeat does

not lead to the annihilation of ambitions. Normally, the spirit of revenge arises and cannot be easily killed.

The fourth geopolitical thesis is that of Soviet Russia. This affects the boundaries of Finland, the Baltic states, Poland, Czechoslovakia and Rumania. The dangers to Turkey, Iran and the British interests in the Middle East as well as India are quite apparent. China and therefore East Asia are not secure. Whether Soviet Russia is likely to maintain for herself the anti-colonial, anti-dependency and anti-imperial idealism of Lenin as declared and practised in 1918-19 or even of Stalin as adumbrated in 1921 and 1924 is more than one can say. (P. 363).

China's position in these geopolitical schemes is anything but definite. It may be presumed, however, that China herself in post-war years is not likely to be as docile to Anglo-America and as hostile to Japan as certain world-planners wish. The two Chinas (Nanking and Chungking) will perhaps unite to collaborate with Japan on terms of mutual understanding. Interested parties may not envisage this Japanese-Chinese collaboration in a friendly spirit. Besides, a high-grade industrialization of China is mightily feared by Eur-American finance. It might render China as powerful as Soviet Russia in world politics. (Ch. III, section on "The Psychosis of Eur-American Finance," pp. 109-110, also pp. 307-310).

Extra-territoriality has been abolished in China in 1942 by England and America after Japan had abolished it and removed Anglo-American influence from large parts of China. This formal abolition of extra-territoriality does not lead to China's factual emancipation either from Anglo-America or from Japan. The dependence of China on foreign finance is a positive reality of world-economy. In post-war years China

cannot be relieved of anguish that comes from foreign pressure. Besides, the anti-Chinese Exclusion Acts of the U.S.A. continue still to be valid in her immigration policy. (Pp. 297-298, 358).

The science of *artbik unnati* and world-economic equations cannot afford to promote a naïve faith in perennial world peace. It is obvious that wars are the permanent features of the next world-pictures. The destinies of colonies and dependencies, semi-colonies and semi-dependencies in Eur-Asia as well as Africa and America will be decided tomorrow and day after tomorrow, as they are being decided today, as the result of wars between rival empires. The last word about unfree peoples is not being said in the present war. Every empire will always talk of emancipating the dependencies of its rivals. This is the permanent A.B.C. of world-politics. The elevation of some of them to semi-sovereignty and full sovereignty may turn out to be the by-products of World-War III and subsequent wars.¹⁰

Exactly when and under what circumstances militaristic ambitions and world-dominating energies are liquidated in normal human beings of flesh and blood is not quite obvious. Germans are far from that condition as yet. Until Germany is thoroughly played out, exhausted and demoralized like France after Napoleon the German people,—both masses and classes combined,—may be taken to remain *at heart* the eternal enemy of the entire British nation and its empire. The United States may often change its diplomatic orientations in regard to the albinocratic empires, i.e., the European dominations in Asia and Africa. But it bids fair to be the perma-

¹⁰ On sovereignty, statehood or national independence as the product of *visbva-shakti* (world-forces) and international conjuncture see B. K. Sarkar: *The Science of History and the Hope of Mankind* (London, 1912).

nent enemy of Asians and Africans in regard to any anti-white movements among them and hence the fundamental opponent as much of Turkey's, Iran's and China's interests as of Japan's.

On the other hand, the rôle of Germany as the bulwark of Eur-America against the Russian Colossus is likely to be appreciated as highly beneficent on both sides of the Atlantic. The antipathies of Anglo-America and Western Europe to Russia are not merely due to hatred of communism or sovietism. These are the age-long traditional sentiments of repugnance to Russian "orientalism" and "barbarism." This situation furnishes the German people with constant chances for higgling in the diplomatic market. They can appear today as the friend and ally of Soviet Russia as against Anglo-American plutocrats and tomorrow as the saviour of Western civilization from "Russian savagery." The German-Russian relations cannot lose their complexity for quite a long time. This complexity will be a powerful force in the variegated *Gestalt* of world-politics during the next decades.

In Soviet Russia communism, Bolshevistic socialism or state-capitalism is tending to broaden down from precedent to precedent in diverse forms of nationalism, patriotism or imperialism for the Russian people. But as certified by the triumphs against Germany since 1941, Soviet Russia has been promoted to the rank of a really great power. Her position as one of the greatest industrial-technocratic and military states of the super-modern type is an established fact. She can therefore normally function as a rival and enemy not only to her neighbours, Germany and Japan, but also to the American and the British Empires. The "Russian peril" for Eur-America and Eur-Asia, —especially for the British Empire,—is a formidable reality of

coming decades. Even before the present war comes to an end many diplomatic and international complications may arise on account of the impacts of Soviet Russia.

During World-War II Japan has enjoyed the chance of being "fleshed" as a world-conqueror. This tradition of *digvijaya* (world-conquest) is going to operate as the most powerful heir-loom in Japanese *Bushido* for generations to come. The fortunes of the present war,—howsoever calamitous,—cannot possibly decide her future for decades. England and the U.S.A. are perhaps expecting to reduce Japan to the condition of a dependency like India and the Philippines.

All these guesses are but attempts at understanding the changing international rivalries as the dynamic background of world-economy in a concrete and realistic manner. The rôle of a political prophet is not being assumed. Nor is any pious wish of some sort or other playing its part in the designing of these patterns. They are not to be taken as anything more than the speculative observations of a non-political and unpartisan academician. In any case a publication like this is not going to be seen by thousands, nay, hundreds. (*Supra*, p. 290).

World-economic developments can then remain reassured of a long series of wars to end wars as well as of wars to renew wars. This is how the "science of history" establishes the "hope of mankind" on the surest foundations of human ambitions and energizings. Life's greatest tactic or strategy for all and sundry remains today and tomorrow as ever in the past the utilization of *vishwa-shakti* (world-forces) in one's own interest. It is in the midst of these military activities and rival world-conquests that *arbhik unnati* (economic progress) will have to be sought by every body in post-war years.

The War-Milieux of Industrial Revolutions

The equations of world-economy have never known the ecology of world-peace. It is in the *milieu* of international rivalries, enmities and military activities that anthropology, archæology, pre-history and history (ancient, medieval and modern) invariably exhibit inventions and discoveries, technical transformations and economic progress. Warfares are the almost inseparable attendants, nay, some of the urges and causes or determining factors of the remaking of agriculture, manufacture and commerce. The equations suggested in Chapter I. are all to be envisaged as held in the socio-economic solution of dynamic war-realities. (Section on "Palzolithic Technocracy and Economy," pp. 6-10).

The first industrial revolution,¹¹ which consummated itself in England, say, from c. 1785 to c. 1830, did not know world-peace. Those transformations of the technocratic-industrial complex,—the beginnings of the modern capitalistic-socialistic economy,—witnessed the world-wars associated with the French revolution and Napoleon. The progress of modern economy in the nineteenth century has perpetually been *en rapport* with the nationalistic and imperialistic wars in the two hemispheres. The luxury of world-peace has been denied to science and technology, to chemistry, engineering, surgery and medicine in virtually every stage of their modern and contemporary evolution. (Chapter XI. The Marks of Industrial Revolution II).

The technocratic and industrial re-makings of the world during the twentieth century owe a great deal to wars. World-War I (1914-18) virtually gave the finishing touch to the

¹¹ For the relations between the first and the second industrial revolutions see B. K. Sarkar: *Economic Development* Vol. II. Calcutta, 1932, 1938).

“second industrial revolution” in England and Germany. The discoveries and inventions made during that war revolutionized the arts of production and transportation in a tremendous manner. “Rationalization” in industry, commerce and agriculture summed up in one word the results of those technocratic and scientific novelties.¹² “Plastics” and other synthetic products became commonplace commercial goods. The equations of world-economy were shifted to new positions in consequence. Some of the backward economic regions like India, China, Turkey, Latin America, the Balkan Complex etc. were elevated to the primary stages of the first industrial revolution. This is the meaning of structural transformations in world-economy during the last two decades or so. War was demonstrated to be an agent in world-economic equations.

During World-war II (since September, 1939) the rôle of inventions in technology and discoveries in science has been no less profound and epoch-making. Not only the techno-economic go-aheads but the backwards and laggards as well have been feeling the impact of thousands of new patents. New

¹² The *Oriental Economist* (Tokyo) for February 1935 has a paper on “Japanese Patent Activity” from 1885 to 1933. See also B. K. Sarkar: “Trusts and Rationalization: Aspects of the New Industrial Revolution” (*Journal of the Bengal National Chamber of Commerce*, Calcutta, September 1927 as well as *Calcutta Review* October 1927) and “Traces of Rationalization in Indian Business Enterprise” in *Economic Development* (Calcutta), Vol. II. (1932, 1938).

Diverse aspects of the progress of technology may be seen in W. G. Waffenschmidt: *Technik und Wirtschaft* (Jena, 1929), Chapter I. *Geschichte der Technik*, Chapter V. *Fortschritt der Technik*. For rationalization as a post-World-War I. phenomenon see Hirsch: *Die Bedeutung der Rationalisierung für deutsches Wirtschaftsleben* (Berlin, 1928). See also “Some Reflexions on Plastics: I. Their Development, Achievement and Promise” (*Bulletin of International News*, London, 26 June, 1943).

indices of *arthik unnati* (economic progress) and new equations of world-economy are appearing in the *milieu* of even colonies and dependencies. Evidently the doses of progress in these regions are not likely to be anything but homœopathic. Their rates of *baddi* (expansion) cannot but be very modest and almost imperceptible. The new equations for such regions may not, therefore, be shifted to substantially new positions.

War Equipment as a World-Economic Phenomenon

As an economically self-sufficient unit the British Empire is normally much stronger than Japan and of course Germany. In 1939 its war-preparedness was based on broader and more diversified foundations than that of its ostensible rivals. It is possible to remain thoroughly war-prepared even when one does not talk of it in season and out of season. (Chapter VII, Section on "Autarchy in Fact and Speculation," pp. 286-288).

In the limited sense, however, war-preparedness would imply, first, the diversion of normal civilian agriculture, manufacture and commerce to the needs of military-naval-aerial production and distribution. Secondly, war-preparedness, strictly and technically speaking, would involve the totalitarian utilization of the entire economic potential and manpower of the country. Altogether, one should visualize on a nation-wide scale a relatively enlarged supply of production-goods and a corresponding diminution in the supply of consumption or investment goods. "More guns, less butter," "guns before butter," or "guns for better" ought to be the order of the day in the regime of war-preparedness. (Pp. 121, 137-138, 173-174).

Thus considered, the British Empire was not *adequately*

war-prepared in September 1939 when World-War II started. Its war-equipment was at some lag in relation to Germany whose war-preparedness or *Wehrwirtschaft* (defence economy) in the strict sense, may be said to have commenced about 1933 with the inauguration of the Four-Year-Plan. By September 1939 Germany's war-potential was perhaps consummating almost the last but the final stage of development.¹³ Germany then had a start of some six years over the British Empire in *effective* and mobilizable war-equipment. (*Infra*, pp. 376-377).

The chief problem before the British Empire has consisted in making up this lag and catching up with Germany. Its diversion of the economic potential and man-power to military-naval-aerial fields may be said to have commenced about September 1939-June 1940. The American allies of the British Empire started on the war-equipment economy, *strictly so called*, in January 1942. By the beginning of October 1943 the development of Anglo-American resources in agriculture, manufacture and transportation has perhaps reached somewhat near 50 per cent of maximum capacity. From the Anglo-American side the highest or supreme effort against the enemy has yet to come.

It should be observed *en passant* that in the meantime some of the destructions of England's factories, workshops, ports and harbours may have necessitated the transfer of British industries to Canada. Part of this transfer may happen to be permanent. This has implied the rise of Canada in techno-industrial and capitalistic importance. She has been

¹³ "Germanicus": *Germany: the Last Four Years* (London, 1937), pp. 8-13, 17; K. E. Poole: *German Financial Policies* (Cambridge, Mass., 1939), pp. 126-131.

rendered a somewhat mentionable rival to the U.S. in the matter of contribution to the war-effort. The maximum of British war-equipment comprises, of course, the war efforts of all the Dominions, the Colonies and India. But Canada's part in the present instance is without doubt especially weighty on account of the devastations in the British Isles caused or likely to be caused by German bombs. The specifically war-industrial development of Australia is also noteworthy.

But so far as Germany's maximum war-capacity in material resources and man-power is concerned, perhaps it has already been reached. The saturation point in military-naval-aerial transformation arrived perhaps some time in November 1942 (Battle of Stalingrad). It is questionable if Germany possesses any resources as yet untapped and capable of further development. In case the war goes on until 1945 she will have to pose her already attained maximum against the accelerating developments of the Anglo-American war-effort. When the war comes to an end,—in case there be meanwhile no internal revolutions, political cross-overs, diplomatic shuffles and rearrangement of friends,—during the next two years the Anglo-American maximum of, say, 1945 will have to size itself up against the German maximum of 1942.

On the German side has to be encountered, it need not be forgotten, the military-naval-aerial equipment of Japan. The Japanese war-potential in economic resources and man-power has been immensely multiplied on account of the conquests during the first half of 1942. The maximum development of war-economy has not perhaps as yet been reached in Japan. The world-economy may expect further doses of military-naval-aerial intensification in the Japanese East Asian

Empire by 1945. The final *denouement* of World-War II will depend on the Anglo-American maximum *vs.* German-Japanese maximum in the world-conjuncture of 1945. This is how the equations of war-equipment have to be concretely elucidated chiefly as aspects of world-economic developments.

Competitive war-equipment is,—after all to a considerable extent if not entirely,—a phenomenon of world-economy. To the student of economic planification military-naval-aerial economy is in any case a matter of comparative applied statistics and an affair of thousand and one indices.

*The Equations of Comparative Militarism in
their Techno-Economic Aspects*

The question of techno-industrial and financial-economic parities between Germany and her enemies is an aspect of competitive world-military preparedness. And in this regard it would be wrong to believe that England, France and Russia were not making preparations for war after the Versailles Treaty (1919). None of these states were on a peace-basis from the stabilization-complex of *c.* 1925 to the outbreak of World-War II in September 1939. Everything done in the U.K. to combat the world-economic depression (1929-32)—e.g. the Colonial Development Act of 1929, the Agricultural Marketing Acts of 1931-33, etc.—was a contribution to war-preparedness. France initiated the Maginot line in 1928. The increasing expenditure on armaments was a tremendous fact of French public finance down to 1935. That year, further, the two-year military service was restored by France and war-preparedness expenditure was intensified. Even the *Front Populaire* party's so-called peace programme (1936-37) embarked upon

the most costly rearmament enterprise. France was perhaps more *directly* war-prepared than England. As for Soviet Russia, the entire series of *Gosplans* after October 1928 was a goalful development of technocratization-*cum*-militarization of a stupendous character. By allying herself with belligerent Germany for two years down to June 1941 Soviet Russia only took additional time to militarize herself more adequately. In any case the chief difference, if any, between all these countries and Germany was that about September 1939 they were perhaps relatively somewhat less ripe for mobilization than the latter. (*Supra*, pp. 373-374).

The war-preparedness of Germany's enemies in 1939 was not negligible. Objective evidences are available. From the standpoint of the equations of world-economy and world-militarism it is necessary to observe that Soviet Russia was in a position to start the offensive at Stalingrad in November 1942. England's offensive commenced at El-Alamein (Egypt) almost at the same time. It is noteworthy that the offensive of the U.S.A. also in Morocco and Algeria (North Africa) was simultaneous. It is for barely three years that Germany's relatively more efficient war-preparedness stood her and furnished her with strategic superiority *vis-à-vis* her rivals in the same game. For nearly a year she has been steadily on the retreat. She has failed to make a decisive stand against any determined and thoroughly prepared opponent.

Germany is rather poor in essential raw-materials and food resources especially in view of a war of five to seven years. The artificial creation of these stuffs by chemistry, metallurgy and engineering has served to furnish her with some sort of autarchy. But there is perhaps a limit to how far *Ersatzprodukte*

(substitute products), synthetics and plastics of diverse categories can render autarchy a long period affair. Besides, Germany's man-power is less than 50 per cent of the 170 millions of Soviet Russia alone. Her shortcomings for World-War II. lie on the surface. She dared the impossible and beyond her means.

And yet the relative weakness of the German fighting forces as manifest from El-Alamein in November 1942 to Badoglio's invitation of Anglo-American forces to occupy Southern Italy on 3 September 1943 may not, however, be wholly interpreted as due to actual shortcomings of Germany's techno-economic and financial-military preparedness. A large part of German retreat for ten months from Africa, Sicily and Sardinia to the Italian mainland (Naples, October 1) is to be attributed to her ally Italy's sabotage and absence of loyalty to Germany.

On 25 September 1943 Graziani, the General of Mussolini's new Fascist Republic of Italy, radioed to the world as follows: "Not the Italian people, nor the armed forces can be accused of dishonour or treachery but only the House of Savoy and Marshal Badoglio." The actual facts are known to the Anglo-American general staffs and the British and U.S. Foreign Offices. It is only these authorities that can offer a correct appraisal of the circumstances that led to the steady withdrawal of Germany from the African theatre upto Southern Italy. Some of the "secret talks" preceding Italy's capitulation were revealed by Reuter (London) on September 12. Whether the techno-industrial and other aspects of Anglo-American war-preparedness have already attained parity with those of Germany is therefore an open question. The equations of world-militarism are like the equations of world-economy plurality-complexes of the most diverse and heterogeneous forces. It is not the fighting *morale*, military

equipment and economico-financial staying power alone that account for victories or defeats in war. The rôle of politics, diplomacy, expediency, *saboteurs*, secret services, intrigues and thousand other human considerations is enormous.

This sort of analysis of technocratic and militaristic equations is likely to be useful to both England and Germany with a view to World-War III. War, after all, is an experimental science or art. Every war is but a laboratory practice for the next war. Men and women of backward enemies will no doubt enthuse over the glories of peace that is to follow. But to the economists, statesmen, foreign ministers and generals of great powers and industrial adults,—red-bloods as they are,—the experiences of World-War II will furnish the greatest object lessons in the theory of economic-militaristic equations and the art of comprehensive war-preparedness. The equations of world-militarism are being placed by the present war-developments on non-techno-economic as well as techno-economic foundations. Techno-economic aspects are not the only aspects of war-equipment. (*Infra*, p. 391).

The Second Phase of World-War II (8 Sept., 1943)

The unconditional surrender of Italy (8 September 1943) has enabled the Anglo-American bloc to deprive Germany of the assistance of the Italian navy. It has likewise brought the Anglo-American airforce to the vicinity of German targets in Central Europe, German-occupied France and the Balkans. Germany is, moreover, being compelled to withdraw a large number of divisions from and virtually evacuate the whole of her Russian possessions. By simply withdrawing some two millions of Italian troops and officers from the war-theatres

Badoglio has certainly contributed virtually a powerful and effective alliance to Soviet Russia's armed forces. But Italy may prove to be an economic and financial burden to the Anglo-American allies during the rest of the war as she has ever been to Germany since June, 1940.

Indeed, as an ally of Germany Italy was one of her technomilitary liabilities. Italy's withdrawal from the war may imply substantial relief to German industrial and armed forces. German fighting power can now concentrate itself against odds. Germany is likely to proceed according to the Hesiodic paradox that "part is greater than the whole." Even the withdrawal of German forces to the borders of Italy and Russia somewhat near the lines maintained during World-War I (1914-18) is likely to be a source of concentration and strength to Germany in view of the rather long-period total war.

The forces against Germany are growing. By unconditional capitulation Badoglio's Italy has offered a free passage in Europe to Anglo-American forces on Italian soil. Anglo-American landings may now be expected on the Northern Mediterranean coasts of Southern Europe on account of the surrender of a substantial part of the Italian navy to the British sea-power. But Anglo-American landings in diverse parts of Europe are not enough to force a decision on the German army. Not less than two or three million well-equipped men will have to be placed in Southern, Western and Northern Europe in order that effective offensives can be launched against the German armies of occupation. The problem of supplying these two or three millions with rations, equipment and munitions is not less serious and difficult than that of landing. The continuous stream of shipping between the U.S.A. and Europe as well as between

the U.K. and the Continent has to be maintained against the attacks of German planes and submarines. The question of the duration of the war in the European theatres is intimately associated with these fundamental problems of supply and transportation apart from the further question of landings.

So far as man-power is concerned, the Anglo-American bloc is by all means well provided. For one thing, the Negroes of Africa and America as well as the browns of Asia are always available. Besides, Turkey may eventually be inspired to find herself as a member of the "United Nations" as against a crumbling Germany. Turkish man-power can then be freely utilized in the Balkan Complex. Other states in the two hemispheres are likely also to follow suit and furnish man-power against Germany. The Anglo-American conjuncture is in the ascendant.

All the same, in August 1914 at the commencement of World-War I. Germany was not as strong as a techno-military force as she should appear to be in October 1943 as a result of the withdrawal of Italy. During World-War I. France and Italy were both actively fighting against Germany. Today France *n'existe pas* and not more than a quarter of Italy can perhaps be depended on by the Anglo-American bloc, if at all, as active participant or ally. Then, again, in the 1914-18 complex Japan was the ally of Germany's enemies. In World-War II. she has been operating against them since December 1941. Finally, in the first days of October 1943 Germany's position on the Russian front is considerably more powerful than in 1914-18. Even if after fresh retreats she stabilizes the line at the Russian-Polish border she can function in a much more efficient manner than in the previous war. Altogether, Germany,—

unhampered by Italy,—can commence the second phase of World-War II. as an entirely new war and with all the self-confidence of August 1914 or September 1939. The second phase of the present war bids fair to be as long as the entire World-War I. The chances of the war coming to an end in the near future are as remote as ever. This should be the verdict from a rough analysis of the *obvious* military data.

But in the mean time extra-military forces may commence to be in operation. Nervous and panicky statesmen and generals are found everywhere,—in Germany as in the rest of the world. Besides, to the masses of farmers, industrial workers, office clerks, and common soldiers in Germany as elsewhere nothing succeeds like success. The *milieu* of German withdrawals in Russia (howsoever strategic and planful they be)—and Italian surrender to Anglo-America (whatsoever be the relief it may bring to German resources)—cannot objectively furnish the socio-moral *Gestalt* of success. At the present moment the *morale* of the common folk in Germany is perhaps already getting acculturated to the *Zusammenbruch* (collapse) of 1918. Under these conditions,—even although the techno-military power of Germany in the first week of October 1943 should appear to be much stronger than at any time during World-War I,—an internal revolution, general strike or stampede, may not be out of the question. The possibilities of such a consummation among the German people are evidently being explored as much by the statesmen of Soviet Russia as by those of Anglo-America.

In the address of Hitler himself delivered, on September 10, 1943, the second day after the surrender of Italy, the common men and women of Germany, especially those who do not understand the ups and downs of every

battle and the strategic as well as tactical movements of warfare, are likely to get the germs of defeatism. "Tactical necessities may now compel us," said he, "to yield something occasionally on one front or another or to evade special theatres. This, however, will not break the steel ring which is forged by the German homeland and held by the heroism and blood of our soldiers and which screens the Reich. I expect the nation to do its duty with grim defiance. The Party must set an example in everything. The people at home may well be proud of their soldiers. On the other hand, soldiers must remember the homeland which today has also become a fighting front."

It remains for the world to see if German men and women can maintain their nerves and accomplish in 1943 what the British people under more or less similar circumstances did in 1940. It is the German *morale*,—and not yet the German techno-military power,—that is under trial in the autumn and winter of 1943. The duration of the second phase of World-War II. is depending to a great extent on whether or not an internal revolution can break out in Germany.

The forces working for the demoralization of the German masses may however be counteracted and neutralized by other circumstances. On September 12 Reuter reported from London that already in the middle of August Badoglio had prepared to join the allies as soon as they landed in Italy. The secret activities of his emissaries and their contacts with the British and American authorities in Spain, Portugal, England and North Africa while Italy was still an ally of Germany and getting regular German reinforcements and supplies have been disclosed to the world. The German people must have got a rude shock from this situation. The impacts of this information

on the German *morale* can but be an intensification of the will to conquer Italy. Indeed, northern and central Italy,—nay, three-fourths of Italian territory should appear already to be in German “occupation.” Badoglio has failed to hand over to the Anglo-American forces more than entire Sicily, a large part of the navy and a few port regions in southern Italy. Besides, Mussolini could not be delivered to Anglo-America or shot by Badoglio’s men,—as desired by Churchill. Mussolini’s fascism has not been liquidated. A Republican Fascist Italy under a re-born Mussolini has been co-operating with Germany and Japan as the Fascist Italy of old. These developments are calculated to operate as a tonic of fresh victories on the German mass-psychology. Germany can appear before the world as the conqueror of almost all Italy.

So far as Badoglio’s alliance with the Anglo-American powers is concerned, their most substantial acquisition is the Italian navy. It can relieve them, to a considerable extent, of the burden of the Mediterranean, enabling the British navy to function more liberally and powerfully in the Atlantic as well as in the Asian waters. But otherwise they are being compelled to acquire every inch of Italian soil from the Germans (and Fascist Italians) by regular fighting and otherwise. To what extent they can depend upon Badoglio’s Italian soldiers in the fights against Germany is problematic. Most probably the Anglo-American general staffs can have hardly much confidence in the mettle of Italian officers and other ranks after their records of surrender in North Africa and Sicily. Besides, the dependability of Italians such as have secretly deserted their German friends after eight years of collaboration and alliance is likely to be discounted by their new Anglo-American allies.

The internal situation in Germany down to the end of 1942, as reported in the Royal Economic Society's *Memorandum* No. 93 (London, March 1943, pp. 20-22), should appear to be normal. The *Wirtschaft und Statistik* of Berlin is quoted as saying that "the actual expenditure on food is no greater in 1942 than it was in 1938." *Vis-à-vis* September 1941 the cost of living increased by 1.4% only in September 1942. There was no change in rent. The price of domestic fuel went down by 0.4%, that of food went up by 0.4%. The only noticeable increase was that in clothing by 7.8%. In March 1942 *real* weekly earnings (i.e. as adjusted by the cost of living index) were 3.1% above September 1939.

In spite of all these favourable conditions for Germany the Anglo-American powers can still look for a moral collapse among certain sections of the German people. The retreats of German forces from Russia cannot be ignored as a tremendous fact. Actual defeats of German forces by Russian armies in well-contested battles (like the one at Stalingrad in January 1943) have not, however, been reported by Reuter. The fall of strongly fortified positions in half a day or twenty four hours does not indicate that Russia has to work hard to gain those points. Evidently, on account of Badoglio's withdrawal of Italian millions from the German side Germany has been considering it expedient to give up her conquests in certain areas and concentrate her unaided resources in chosen fields. This appears to be the meaning of Soviet Russia's success and Germany's evacuation of Russia.

But retreat is retreat, although the German armies continue to be strong and well organized. An internal revolution is, therefore, not out of the question among the German people. The crisis may arise in winter 1943-44.

But this internal revolution in Germany,—in case it makes its appearance,—is likely to introduce new complications. It may naturally facilitate and hasten the surrender of the German armed forces to Soviet Russia as well as to Anglo-America. But should the German revolution assimilate itself to the Sovietic brand Anglo-American generals and statesmen may find it troublesome to deal with that complex. It is too well known that national socialism is not only a half-way house to but in certain respects almost identical with the communism of Bolshevik Russia.¹⁴ For large sections of the German people to fraternize with the *Kameraden* and *Tavarischen* of Soviet Russia would not necessitate any complicated searching of hearts or profound psychoanalysis. A Russo-German *rapprochement* on the ideological plane is not likely to be treated as a socio-philosophical wonder in the academies of dialecticians.

This *rapprochement* and this revolution may even be engineered and organized by the national-socialist techno-military, financial and agrar-industrial experts of the Hitler-state. German patriotism is realistic enough to appreciate the value of an understanding with Soviet Russia in world-politics for a certain number of years. (*Supra*, p. 369).

In any case, the end of World-War II is assuming an interesting character. We are as much in the dark today as previous to Italy's surrender in regard to the probable year of the final cessation of hostilities. Nor is it a worth while or convenient academic feat to speculate about the pattern of inter-racial or international and inter-class relations with which the military operations are going to be rung out of existence in Europe. The

¹⁴ See "Germanicus" (British bank and financial expert): *Germany the Last Four Years* (London, 1937), p. 95.

picture of Japan in the entire war-complex adds of course to the wealth of fresh complications. What strategy Japan has in contemplation with regard to the continuation of the war in Asia after the eventual collapse and withdrawal of Germany in Europe is an unknown quantity in the present war-pattern. Evidently Japan is not unaware that if she fails in her game she will have to submit to the fate of India, Indo-China, Indonesia and the Philippines as a colony or dependency of Anglo-American albinocracy. Whether Japan is techno-militarily capable of averting that fate remains to be seen. It is indeed being watched with tremendous interest in East and West.

*The Techno-Economic Equations of
Anglo-German World-Militarism*

Used as the present author is to the comparative estimate of techno-industrial, economico-cultural and other indices he did not attach extraordinary value to the results of *Blitzkrieg* (lightning war). Even in a paper of November 1940 (published in the *Calcutta Review*, June 1941) a five-to-seven-year war was foreseen. Besides, international statistics such as those published in the *Statistical Year-Book of the League of Nations* (Geneva) and *Wirtschaftliche Kräfte der Welt* (Berlin) induced the hypothesis or conviction that Germany could not yet establish an equation or parity with, not to speak of superiority to, the British Empire in resources and techno-culturally equipped man-power. (Pp. 19-20, 72-81). Germany might have attained parity with the U.K. But in this count the U.K. alone was not taken as equivalent to the British Empire. In 1939 Germany had simply got a start in military-aerial operations because of the direct war-preparations carried on according to the Four-Year Plan of

Göring and Schacht,—especially for some three years since the defiant occupation of the Rhineland by Hitler in 1936. This pattern of world-economic equation does not have to be changed or modified even now (October 2, 1943). It has perhaps been verified and demonstrated by facts to some extent. (Pp. 377-378).

The victories of lightning war are certainly amazing and stunning, especially when the opponent is pigmy and relatively unprepared. But lightning is ephemeral. The diverse situations of the Anglo-German war have been analyzed from the standpoint of comparative technocracy, militarism and diplomacy in the *Political Philosophies Since 1905*.¹⁵

In case Germany were in a position to utilize her entire resources and man-power unhindered in the West by England she might have occupied the whole of European Russia and beyond by the end of 1941. Today this is but a pure speculation.

In view of the factual developments of the last four years we can now formulate the hypothesis or conviction in the form of the following techno-economic equation of world-militarism:

Germany's economico-military power (1936-39) might
= Conquest of Europe from the Atlantic to the Urals
and beyond (1939-41).

But Europe is not the entire world. The European empire (Pan-Europa) of Germany was challenged by the economico-military power of the British Empire, which is a world-organization in every respect. Nothing but a total world-combination under one rationalized command can ever equal the British

¹⁵ See especially Vol. II. *The Epoch of Neo-Democracy and Neo-Socialism*, Part 2. Economic and International Ideas and Ideologies (Lahore, May 1942), pp. 423, 485-494; Part 3. (1942), pp. 285, 323.

world-state and face its organized might. The resources and man-power of the British Empire began to be *finally* mobilized, equipped and consolidated by the middle of 1939. The period of preparation, taking a futuristic view, is, say, six years down to 1945. Germany, as ruler of Pan-Europa, likewise has been mobilizing fresh resources and man-power in her European colonies and dependencies and consolidating her position. But by the end of 1945,—the year when the war in the present author's judgment since 1940 may be brought to a close,—German power is likely to be overtaken by the British. We may envisage the following equation:

The economico-military power of the British Empire
(1939-45) = The conquest of Germany's Pan-Europa (1945).

But already in the late summer and autumn of 1943 many new things have been happening. The equation in its simple form cannot make its appearance. But it is implied that German resources at the maximum Pan-European level will fall short of the British world-resources at their peak. Germany can conquer Europe but not the world. This is the concrete lesson of World-War II. for the next war.

These two equations furnish, in the most crude, suggestive and approximate but concrete and realistic manner, the fortunes of techno-military competition between two sets of forces. In order to simplify the position we have ignored all modifying circumstances. The entry of Japan on the German side has not been taken into consideration. Counteracting that force is the weight of the U.S.A. on the British side. This is likewise left out of the picture. The internal problems, class conflicts and socialistic troubles on each side have not been included. The questions of diplomatic politics, the disputes of rivalry, jealousy

and envy between the allies or partners on each side remain also unconsidered. Other circumstances remaining the same,—taking the techno-economic and economico-military potential into exclusive consideration,—the German peak at its highest organized level is lower than the British at its maximum. There is a limit to what Germany, a raw youngster not more than two generations old, and relatively poor as she is in maritime, agricultural and mineral resources as well as in man-power, can possibly accomplish by dint of ambition, science, industry, and rationalization against the British world-power of some two hundred years.

In order to complete the picture of this Anglo-German world-militaristic equation, as is likely to appear by the end of 1945, we have to bring in the techno-industrial and military-naval-aerial activities of Japan and the U.S.A. The last Act of the present drama is to be embodied in the following equation:

$$\begin{aligned} & \text{British Empire (1939-45)} \times \text{American Empire (1942-45)} \\ & = \text{German Pan-Europa (1936-45)} \times \text{Japanese East-Asian} \\ & \quad \text{Empire (1941-45)}. \end{aligned}$$

An equation obviously introduces extreme exactness and mathematical precision into the discussion. But inter-human affairs,—especially those bearing on huge masses of men and women and continental tracts of territory,—are not to be understood as liable to such exactnesses and precisions.

The eventual defeat of Japan in the final scene of the last Act or the ultimate surrender of Germany and Japan to the combined Anglo-American forces sometime in 1945 is to be a complex of many events. In case it should at all be reasonable to eliminate or isolate some of these events for specialized analysis it may be stated that the British Empire defeats Germany and

that the U.S.A. defeats Japan. Such a simplistic interpretation need not be taken too literally, however.

In these three world-militaristic equations we have, generally speaking, taken cognizance almost exclusively of technocracy and industrialism,—because in this study we are interested in the equations of world-economy. But technocracy and industrialism are not the sole factors in the complex of militaristic potential. No monocratic, *advaitavadi* or monistic technoeconomic interpretation of war-animus, war-preparedness and war-situations is being offered. The manner in which Soviet Russia parted with England and France (1939) and Badoglio's Italy with Germany (1943) should leave no doubt that in war as in everything else other than technocratic, industrial and financial forces are no less powerful than themselves. The civil war at present raging between Badoglio's Italians and Mussolini's Italians should also be a veritable eye-opener in this regard. (P. 379).

National-Communism (?) in Post-War Europe

The blue print of post-war revolution in Europe is becoming clearer day by day. The first broadcast of Mussolini on September 18, 1943 after his rescue from prison by Hitler's parachutists gives an idea as to the kind of constitutional and socio-political revolution that may be expected both in Italy and Germany by the time World-War II is brought to a close. The abolition of the Italian monarchy,—corresponding to the abolition of the German monarchies in 1918,—may perhaps be taken to be the first item. For the first time during his career as the Fascist *duce* Mussolini spoke of the republicanism of Mazzini with eulogy. "The fundamental tendency of Italy," said he, "is

in any case far more republican than monarchic down to the period of Italian unification. This unification was the work of the Republican Party led by Mazzini, who fought against Italian monarchies, mostly of foreign origin."

Even if Mussolini be finally "liquidated" in the whirlpool, communists or rather Italian syndicalists may have no special love for monarchy. Whether Anglo-America would care to re-impose monarchy on communistic-syndicalist Italy,—satisfying thereby Badoglio and the House of Savoy,—is an open question.

The second item in the prospective constitution is likely to be an aftermath of the "destruction of plutocracies." This has been a permanent slogan with Hitler directed generally against Anglo-American economico-political forces. The "destruction of plutocracies" may at length be formally administered as an internal therapeutic both in Italy and Germany. This would bring the two peoples into socio-ideological line with Soviet Russia, especially now that the Russian people under Stalin has got firmly acculturated to nationalistic or patriotic as contrasted with internationalizing sentiments. "Workers and artisans," exhorted Mussolini, "the state which grows out of this fighting will be your state." This is the language of Lenin 1917-18.

Altogether, post-war European polity is in for diversification with fresh specimens of the national-"communistic" (?) pattern. It is doubtful if that prospect is congenial to the Anglo-American empire-holders. The shadows of Soviet Russia are lengthening. Wars begin in one way and end in another. (*Supra*, "Russia vis-à-vis Colonies," pp. 361-363).

CHAPTER XI

THE MARKS OF INDUSTRIAL REVOLUTION II

Doses and Grades of Techno-Economic Transformation

The analysis of the international statistics of *arthik unnati* (economic progress) as well as of the equations of world-economy enables us to visualize comparative technocracy and industrialism in a thoroughly realistic manner. The economic indices can leave no doubt as to the higher and lower potentials or achievements of different regions or peoples. In such a study the amount of progress achieved cannot remain an uncertain quantity. The equation $A(1940) = x A(1905)$ conveys the most palpable and simple reality. (*Supra*, p. 4). The grades of industrial revolution establish themselves automatically. The *differentia* between Industrial Revolution II. and Industrial Revolution I. become matters of first postulates.

In the paper on "Trusts and Rationalization: Aspects of the New Industrial Revolution" published in the *Journal of the Bengal National Chamber of Commerce* for September 1927 the present author dwelt at length on these grades of transformation or degrees of revolution. For the purposes of applied economics and economic planning no study is more fruitful and suggestive. If it is true that a second revolution has broken in upon a previous revolution the problem before backward economies becomes perfectly clear. First, they have to assess the amount of their backwardness. Secondly, they have to devise ways and means for catching up. Economic planning is for them but a programme of catching up with the nearest

go-ahead and dealing with the "lags," one by one, in a pragmatic and realistic manner. (Pp. 66-71).

Every techno-economic system is being constantly transformed or revolutionized by doses or degrees. A *qualitative* industrial revolution is the permanent feature of every economy, ancient, medieval or modern (*Supra*, p. 8). It is the changes in the methods, processes or materials of production and transportation that constitute the qualitative revolution in the techno-economic morphology. But not every qualitative revolution is a revolution quantitatively considered. It is only when these changes affect very large percentages of the population in a region that a revolution worth the name may be said to be consummated. It has then become a *quantitative revolution*. In order to be convinced of the phenomena of an industrial revolution, strictly so called, we should have to be profoundly impressed by high economic indices *per capita* and *per square mile* of territory. The changes must be massive in quantity and variety.

So far as the U.K. is concerned, we may conclude the final stages of the first industrial revolution about 1830-1850. The year 1850 is arbitrarily chosen in order to get a convenient date for conspicuous transformations of large masses of English men and women. The revolution may be taken to have started about 1785 or, say, 1750-1785. (*Supra*, pp. 14, 17). In questions of such dates arbitrariness may hardly be avoided.

1850 may be taken to be the starting point of a new series of transformations. Technocratic inventions and scientific discoveries on the one hand as well as legal, political and social changes on the other have since then been acquiring a

powerful momentum in British towns and villages. Perhaps c. 1940 the British economy has arrived at such a stage that compared to 1850 it registers an almost complete and totalitarian revolution. The U.K. 1940 *vis-à-vis* the U.K. 1850 may be taken to represent the same doses, degrees or grades of transformation as the U.K. 1850 *vis-à-vis* the U.K. 1750. The convenient category, "second industrial revolution" (Industrial Revolution II), is then being employed while summing up in one word the totality of all changes since the middle of the nineteenth century.

Economic life is continuous. The continuity,—although with breaks, deviations, and ups and downs,—has to be traced back to the Palæolithic and still older times. (*Supra*, pp. 6-9; Chart II). The British economy of the period 1750-1850 is therefore still perceptible in the period 1850-1940. The distinctive characteristics of the second industrial revolution have evolved and grown by doses and degrees. The slow, tentative, evolutionary processes in the building-up of this revolution can never be lost sight of. It should not be reasonable to dogmatize about a particular invention or patent as the only mark of the revolution or a particular date as the greatest single landmark in the entire scheme. We have to visualize legion of inventions and discoveries,—small, medium and large,—in the life-history of every economic enterprise as well as in the total *Gestalt* of every economy. The techno-economic and socio-political pattern or configuration of Industrial Revolution II may be taken to have been established in its main features on a somewhat general scale by the beginning of the present century, say, c. 1905.

It is only for England that we are fixing 1850 as the date

of the final consummation of the first industrial revolution (Industrial Revolution I). For Germany, France and other countries other dates have to be found. Some of these dates have been indicated in the *tableau économique* (*Supra*, pp. 18-20). The transformations can be watched, enumerated and analyzed enterprise by enterprise. They belong to the history of inventions and discoveries.

It must be emphasized at the same time that no political situation,—howsoever favourable or adverse,—can ever eliminate, cut short or do without the processes or methods of techno-economic change. No economic enterprise,—agricultural, industrial or commercial,—can possibly skip over the different stages in the transformation in order to proceed from the sphere of the first industrial revolution to that of the second. New regions like Australia, New Zealand etc. may start on a clean slate at the latest stage of world-economy. But their subsequent developments cannot but repeat the stages manifesting themselves elsewhere.

The only thing that can be somewhat curtailed is the period of time required in the mastery of the processes. Once in a while,—taking an extreme case (e.g. Soviet Russia),—the work of a whole generation may perhaps be accomplished in three to five years provided a very large number of men are enabled to set themselves to work with the support of a huge organization. The processes may be hastened but cannot be dispensed with. To what extent the human material,—i.e. the intelligence, *morale*, inventive faculty, discipline and personality of men, women and children can be genuinely transformed in three to five years is, however, an open question. The influence of warfares, political revolutions, freedom, democracy, socialism,

communism and so forth on techno-economic morphology is no doubt considerable. But it cannot be taken to be the sole determinant. A very large part of the industrial transformation or revolution is determined by the condition of agriculture, manufacture and commerce at the given time as well as by the intellectual, moral and social personality of the individuals or groups in question.

The Morphology of Industrial Revolution II

In our table of equations Germany was way behind England in 1850. But by 1905 the Anglo-German parity was established. (Pp. 18-20, 91-92). Without attempting to analyze all the enterprises and all the inventions, discoveries or patents we may then point out some of the distinctive marks of Industrial Revolution II,—as widely established about 1905 both in England and Germany,—in the form of a table as follows:

I. Agricultural Economy

1. Land-legislation: the "small holding" or "family farm" replacing the large landed estate, *latifondi* or *zamindari*.
2. Fertilizers: the application of biochemistry to cultivation.
3. Mechanization (Tractors).
4. Fodder industry and animal husbandry acquiring prominence.
5. Cooperative credit. Land mortgage Banks.

II. Manufactural or Industrial Economy

1. Coal: (a) increased use and improvement of safety devices, (b) mechanization ("rationalization").
2. Hydroelectric developments rendering industry independent of coal.

3. Oil as fuel.
4. Iron and steel. The Bessemer and Thomas-Gilchrist processes introduce a new epoch in metallurgy. The elimination of phosphorus from iron ores.
5. Textiles: Automatic loom in the cotton industry.
6. Aluminium industry assuming a preponderant position.
7. Chemicals: Artificial products or synthetic substitutes (*Ersatzprodukte*). Indigo and dye-stuffs, rayon (silk), cotton, wool, rubber, petrol, etc. being created in the laboratory. "Manufacture" of raw materials. "Plastics."
8. "Rationalization." Super-machinism. Intensive and extensive employment of important tools and machines economizing human labour on a phenomenal scale. The Age of "Machine-Tools."
9. *Produktionsmittel* (instruments of manufacture), producers' goods, technical appliances, *biens d'investissement* (investment goods), etc. differentiating themselves from consumption-goods and acquiring the upper hand in the industrial economy.

III. Commercial Economy

1. Transportation: (a) The railway age in the ascendant, (b) Automobiles introducing the problem of roads *vs.* railways, (c) Aeroplanes, (d) Steam replacing sails in shipping, in its turn being replaced by oil (Diesel motors).
2. Banks: Amalgamation, concentration, fusion or merger of credit institutions serving to establish capitalistic uniformity and monopoly.
3. Insurance,—life, fire, marine, etc.—growing into a substantial factor of the capital market and the business world.

4. Currency: Note-banks centralized and statalized. Gold standard in its pure, gold-exchange and gold-bullion varieties. Exchange Equalization Fund.

5. Business organization: (a) Limited liability principle helping forward the democratization and expansion of capitalism, (b) Cartellization in marketing, supply of raw materials, price-fixing etc. (c) Trustification.

6. "Rationalization" ("scientific management") in administration, finance, and other aspects of industry and trade.

IV. Social Economy

1. Labour protection and welfare legislation through Factory and Mining Acts (Control of capitalists and employers),

2 Trade unions: (a) armed with legal privileges, (b) fortified with collective bargaining.

3. Social Insurance (Security) in all its branches: sickness, maternity, accident, old age, invalidity, unemployment.

Redistribution of national income through compulsory state-organized insurance or state-directed charities and doles. Inequalities and iniquities of the wage-system somewhat counteracted by such Government activities with the support of taxes paid by richer classes. Neo-capitalism. Neo-socialism. (*cf.* V, 3 and 6).

4. Public Health Act. Extirpation and control of diseases.

5. Decrease of death-rate. Diminution of infant mortality. Increase in the expectation of life.

6. Birth-control (international birth-strike) being replaced by anti-birth control (large family) movement. The menace of depopulation replacing the scare of over-population.

7. Increased consumption of wheat and high class cereals, meat, milk, fruits, sugar etc. by poorer and lower middle classes.

8. Shorter hours, better conditions of work, healthier housing, higher *real* wages, recreation facilities for the masses.

9. Universal literacy. Vocational guidance. Adult education.

V. Political Economy

1. Etatisation, socialization, state-control or socialism in every economic sphere (agricultural, industrial, commercial and social).

2. Free trade being replaced and/or modified by fair trade, protection, preferential tariff, customs-union, currency-union, autarchism.

3. Public finance being dominated by progressive direct taxation (income-tax, death duties, super-taxes, excess profit taxes, etc.) and helping forward the redistribution of national income among diverse classes, i.e., the transfer of wealth from the richer to the poorer groups. (*cf.* IV, 3).

4. State regulation of output and prices by Marketing and other Acts. (*cf.* 1 above).

5. Communism or abolition of private capital and wealth (partial or total) differentiating itself from socialism. (The only example, for the time being, is Soviet Russia).

6. Socialism differentiating itself from communism and becoming an integral feature of traditional bourgeois capitalism (*cf.* 1 above). Neo-socialism. Neo-capitalism. (*cf.* IV, 3).

7. Economic planning in two forms: (a) communistic, (b) non-communistic, i.e. socialistic (or bourgeois capitalistic).

As regards the origins of these latest features of techno-economic morphology it is worth while to observe that not all of them are as old as 1850 even for England. Some of them belong to the 80's of the last century. But most of them were well-established and diffused among large sections of the English, German and American peoples by 1905. The pattern of Industrial Revolution I. must not be understood to be a simple structure of homogeneous organic and simultaneously introduced items. Between one invention and another there was very often an interval of decades, sometimes of a generation. The economic morphology of Industrial Revolution II. today appears to exhibit features such as are mutually dependent and involve or imply one another as a matter of course in an economic ecology. These items,—technocratic, financial and organizational as well as socio-legal,—function simultaneously and inevitably alongside of one another. And yet each item, mark, organ or feature of this economy has been often introduced independently of the others and at diverse intervals. Thousands of new techno-economic patents and medico-surgical inventions are being utilized in daily life during the war of 1939. Their impacts on Industrial Revolution II. will serve to transform the economic morphology in a manner incomprehensible to the situation at 1905.

Backward economies like those of India, China, the Balkan Complex, Latin America etc. have indeed been touched by most of the marks of the second industrial revolution as indicated in the above schedule. And yet Industrial Revolution II. cannot be said, be it repeated, to be the distinguishing feature of these economies because *per head of population and per square mile of territory* India and her techno-economic peers

cannot exhibit high indices of these marks. (Ch. I., section on "Rationalization in Backward Economies," pp. 35-39).

There is no predestination or determinism in *arbhik unnati* (economic progress), let us emphasize in conclusion. Only, the creative choice of ends and means will always have to orientate itself to the "duties that lie nearest thee." The moral for backward economies is obvious.

The Rôle of Inventions and Discoveries

In the dose-by-dose and grade-by-grade evolution of every industrial revolution we have to look for a multiplicity of forces and conditions. But no force is more creative and no circumstances are more compelling than the force of inventions and discoveries and the *milieu* calculated to promote scientific research and technological investigations. For backwards as for go-aheads one of the greatest problems today and tomorrow is in most essential particulars the problem of inventions and discoveries. (Pp. 371-373).

The socio-economic pattern of an industrial revolution does not give prominence to the mere ability of a people to consume or utilize machineries, tools and implements, or the actual consumption and utilization of these goods. The chief feature of this pattern consists in the people's capacity for inventing, producing and manufacturing these *Produktionsmittel*, *biens d'investissement*, investment goods or producers' goods. The spirituality involved in techno-scientific inventions and discoveries is the greatest single constituent of *l'elan vital* that ushers into existence the second industrial revolution as the first.

With imported inventions and discoveries and under the guidance of foreign inventors and discoverers a backward eco-

nomy can rise upto a certain level in industrialism, technocracy, culture and socio-economic efficiency. But all this remains somewhat unacculturated and partially unassimilated to its own original and primitive conditions. It must be capable of producing and giving training to *swadeshi*, indigenous or national scientists and technologists in order that it may leave an address in the world of economics, culture and politics. Industrialism, technocracy, capitalism or socialism cannot become its own spiritual goods until and unless these are created by its *swadeshi* intellectuals and researchers, business organizers and leaders of men. One of the greatest lags between a backward economy and a go-ahead economy during the epoch of Industrial Revolution II. as that of Industrial Revolution I. is the lag relating to the quality, quantity and variety of inventors and discoverers.

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International Affairs (Journal of the Royal Institute of International Affairs, London): "In his brochure on the ideas and ideals of Benoy Sarkar, Mr. Ghoshal does not claim to do more than indicate the guiding principles of Sarkarism on a variety of subjects. In the political sphere Sarkar holds the view that independence and sovereignty are limited as a matter of course. He rejects the romantic soul-theory of nationality of which Hitler is the latest exponent, and regards the state as a mechanical conglomeration of domestic units, clan-communities, socio-economic units, etc., not dependent on race, language or culture. There are many ideas here which deserve consideration by those who are thinking of a future international organization."

Rangoon Daily News: "Professor Ghoshal has made a modest but successful attempt to summarize the philosophy underlying the writings of Benoy Sarkar, that eminent and distinguished Indian writer and thinker. He has tackled a really difficult task and that in a limited space. The book is an able analysis of Professor Sarkar's philosophical ideas and makes an interesting study."

Man in India (Ranchi): "The author seeks to analyze and set forth the entire philosophy of life in its economic, cultural and social aspects as revealed in the writings of one of India's most prolific and thoughtful and forceful writers, Professor Benoy Kumar Sarkar of the Calcutta University, whose intellectual and philosophical interests range "from scientific achievements to the folklore of primitive men." By apt quotations and from references to Sarkar's writings the author shows how thoroughly Sarkar is a forceful exponent of creative individualism, of energism and activism. Sarkar's views on other aspects of human culture—sociological, political, economic, aesthetic and religious—are equally interesting, instructive and stimulating, and deserve the serious attention and consideration of educated Indians."

Pragmatism and Pioneering in Benoy Sarkar's Sociology and Economics

By Nagendra Nath Chaudhury

Economic Journal (London): "The latest addition to the rapidly increasing literature dealing with the thought and writings of Benoy

Sarkar contains one chapter dealing with his economic work. His main contribution to the development of economic thinking in India is a more scientific approach, coupled with a careful study of the application of the methods and means developed elsewhere to the social and economic problems of India."

International Affairs (Chatham House, London): "N. Chaudhury's interesting volume should be valuable to the ordinary British reader. N. C.'s review is refreshing and affords illuminating glimpses of the background which they provide for Western folk concerned in Indian thought and progress. Benoy Sarkar's writings have had a profound effect upon the intellectuals of Bengal and elsewhere." (Prof. A. H. Byrt).

The Journal of Philosophy (New York): "The book is valuable for its careful enumeration of Sarkar's books, articles and lectures made in various parts of the world in all of which Sarkar has counteracted some traditional ideas and initiated something new. He establishes a doctrine of equality, a Monroe Doctrine for Asia, in which India takes her place as an equal with other nations. He is an anthropological equalitarian who evolves equations to be applied indifferently to all peoples. He claims that the India of 1932 is equivalent economically to the Germany of 1860-70. According to Sarkar, all that India needs to do is to locate herself with respect to a country which has run the race of progress and then imitate her." (Prof. K. Landon).

American Sociological Review: "This book should be a great help to any scholar who wishes to understand modern India. Chaudhury has given a clear picture of what Sarkarism is and its place in nationalist India today. Sarkar gave India a completely new picture of the outside world. His views of race and culture and nationalism are refreshingly new. Sarkar's activities are as numerous as his writings are voluminous and in keeping with his encyclopædic knowledge in diverse fields."

Philosophy (London): "The work of Benoy Sarkar has had a profound influence on Indian sociology, and has inspired in recent years a number of appreciative studies of which this is one. In the early years of this century Sarkar began his career by devoting himself to a programme of national schools sponsored by the National Council of Education of Bengal, and became an exponent of inductive teaching methods in the vernacular. In 1914 he left for a world tour to study social and economic phenomena, and remained abroad for twelve

years, paying particular attention to England, the United States, Germany, France, China and Japan. The results of his observations and multitudinous personal contacts appeared in a series of thirteen volumes of the *Modern World (Varttaman Jagat)*, after initial publication in Calcutta and other journals. These did much to stimulate the interest of the Bengal *intelligentsia* in the economics and culture of the contemporary outside world and to enforce comparison with Indian conditions. At the same time Sarkar played a prominent part in interpreting to the scholars of Western countries the contributions of Hindu culture in science, art, and politics, embodying much of his thought in his later *Positive Background of Hindu Sociology*. Since his return he has used this cosmopolitan outlook in the foundation of research institutes and in the vigorous promotion of industrial, scientific and cultural changes in Indian society.

"In all this work he has aimed at preserving a non-political standpoint, and his approach is described in the book here reviewed as "pragmatic idealism". His idealism, starting from a frank recognition of India's backwardness—expressed in a series of "equations of comparative industrialism"—proceeds from the assumption that an evolutionary progress is possible, though only from one stage of disequilibrium to another, by utilizing the forces of "creative individualism." He rejects the Marxist analysis of social and economic phenomena, holding, for instance, that poverty cannot ever be finally abolished, but will always remain, though it may change its forms. His pragmatism lays stress on the need for self-help in aiming at social change, and judges the value of effort by the results gained. Believing that backward India is moving essentially along the same economic and social lines as the Western world, and that her major task is to catch up, he is deeply interested in the applications of technical and industrial research to material development and social welfare and his association with leading industrialists and business men is close.

"The book gives a very useful account of Sarkar's life-history, of the influences that have tended to mould his thought and work, and of the stimulus that he has given to Indian social and economic research. One would have welcomed, however, a more thorough-going analysis of Sarkar's exact place in contemporary Indian sociology, and of the degree to which his "pragmatic idealism" fits the

facts of present-day Indian political and social conditions." (Prof. Raymond Firth).

Philosophical Review (New York): "The author sketches a few instructive observations about the pedagogics, social philosophy, economic theories, and internationalism of one of the makers of "Young India". Professor Sarkar, who has studied Western civilization extensively, and who has been influenced particularly by "the American spirit, practical, dynamic, and progressive as it is", is concerned with the emancipation of India. This he endeavors to accomplish by his pragmatic system, frequently called "Sarkarism", which is a critical application of Western liberal ideas to Indian conditions, and in many respects is diametrically opposed to the traditionalism of Gandhi. Sarkar advocates far-reaching industrialization of his country, full social security, complete equality of races and the sexes, close international cooperation, moral and spiritual education, and not least the need for "progress" which he defines as "creative disequilibrium".

"Sarkarism" strikes one as a critical eclecticism of Western ideas since the eighteenth century, reminding the reader variously of Wilhelm von Humboldt or Mill, of Tolstoy or the social Encyclicals, of John Dewey or the Fabians. It is an impressive contribution to increasing intellectual interdependence between East and West, and a looking-glass revealing ourselves as seen through the eyes of the progressive East. (Prof. Philipp Weintraub).

Conflicting Tendencies in Indian Economic Thought

By Shib Chandra Dutt

Economic Journal (London): "Though Mr. Dutt is obviously in sympathy with the modernist views of Professor Sarkar he has, so far as we can judge, furnished a fair presentation of the doctrines enumerated by Mahatma Gandhi."

Professor P. T. Homan (Cornell University, U.S.A.): "I was specially glad to see an extended treatment of Sarkar's writings. I was of course aware of the tendencies, but had never before run on to any clear statement and contrast of them."

The Social and Economic Ideas of Benoy Sarkar

Edited by Professor Banerjee Dass

Aryan Path (Bombay): "The book is a fitting tribute to one of the foremost living thinkers of India and builders of Bengal. There is no Indian intellectual who has not read one or another of the countless writings of this savant whose knowledge is indeed colossal. His versatility is indeed as amazing as his grasp of facts is intimate. Professor Sarkar is an institution in himself. And the numerous institutions which he has founded are as eloquent witnesses to his indefatigable energy and unshaken faith in the future of Young India, as his prodigious writings are to his encyclopædic knowledge."

Professor F. Hankins, President, American Sociological Society: "Sarkar represents a fine amalgam of East and West both in his marvelous understanding of the spirit and institutions of European culture and in the all-embracing humanism of his moral and spiritual outlook. He is a fine prototype of what we all hope the world will eventually achieve in the human personality and mutual understanding, the true citizen of the world."

Mysore Economic Journal: "This is a remarkable book alike in conception and production. It is at once a tribute to the genius of a great thinker and writer and a nation's homage rendered by friends and admirers at the instance of a great firm of publishers of whom India ought to be proud. Messrs. Chatterjee & Co. Ltd. Calcutta deserve praise for doing this piece of national work. There is no subject which Sarkar has touched which he has not adorned. Professor Banerjee Dass, the editor, has done his part of the work with commendable zeal."

Ceylon Observer (Colombo): "The editor has had the collaboration of a number of distinguished Indians who have themselves made a study of Sarkarism. It is possible to trace in all Professor Sarkar's writings and lectures a continuity of thought and a systematic approach to truth. And especially now, at a time when some of the finest brains in the world are trying to evolve order out of the present chaos, Professor Sarkar's views, backed up by his wide experience and clear thinking, should prove to be most valuable."

Insurance and Finance (Calcutta): "In the course of some seven hundred pages the editor, Professor Dass, has packed up valuable

information about Professor Sarkar and his ideas and activities. Since 1906 Sarkar has been influencing Bengali life and language and it is in the fitness of things that a work like this should have been published. His theories and ideas are marked with interest not only in the land of his birth but also abroad. The present well-edited collection of his works therefore will also help in establishing an international cultural co-operation and affinity. Professor Sarkar's economic views are generally opposed to the ideas and notions prevalent among the scholars, lay public, and politicians of India. But his well reasoned arguments often go a long way in cornering his opponents and oftener than not succeed in winning the opponents to subscribe to his ideas and views."

Journal of the Madras University: "Sarkar's views on currency and tariff questions as also on Indian economic problems will be read with interest. Much more interesting are his studies on aspects of social eugenics and sociology. As Dr. N. N. Law points out in his Foreword, in order to understand Professor Sarkar as a man and get his ideas in the most concise form one would naturally begin the book with *The Seven Creeds of Benoy Sarkar* by Mrs. Ida Sarkar."

Prof. P. F. Cressey, Eastern Sociological Society (Massachusetts, U.S.A.): "The work is a valuable compendium of the brilliant and scholarly writing of Professor Sarkar. One is impressed by the breadth of his knowledge and the accuracy of his scholarship. His extensive travels in Europe and America enabled him to understand many aspects of Indian culture in relation to a world-setting. This summary of his writing should be of value to American scholars interested in obtaining a better understanding of India and its place in the modern world."

Insurance Herald (Calcutta): "We congratulate Prof. Banesvar Dass and his collaborators on the very useful work which they have produced. The book deserves a large circulation as being an intimate study of a deep thinker. As a social thinker Prof. Dr. Benoy Kumar Sarkar has a distinct place in the cultural life of Bengal. Today there has grown up in Bengal a school of thought which he has built up and moulded. A publication like this has been in demand from a growing body of followers who think after Prof. Sarkar and would like to have his tenets and creeds in a concise form. Underlying all his varied writings and activities there is a continuity of thought and systematic approach to truth which is known as "Sarkarism"

and which is his special contribution to the intellectual life of the Province."

Indian P. E. N. (Bombay): "This book offers an introduction to 'Sarkarism' which will doubtless send many readers to Sarkar's own writings for fuller elucidation of his views. It is a striking tribute to the originality and the versatility of Professor Sarkar's thought that so large a volume should be dedicated to the discussion of his ideas by contemporary scholars."

Insurance World (Calcutta): "Professor Dass and his collaborators are to be congratulated on their efforts which we feel sure will be reflected in the demand made for the book. There is ample evidence to show that he has made the facts and dates as accurate as he possibly could. Students of Sarkarism will readily realise that the wide field which Benoy Sarkar has covered lends itself to many divisions which a man of weightier metal than Professor Dass would have found very difficult to marshal into some sense of order. There is very little in the way of adverse criticism which can be offered."

Federated India (Madras): "These ideas range over a wide field and reveal an astonishing versatility. Sarkar is obviously a human dynamo. The output is phenomenal. The publication of his ideas is an achievement of considerable magnitude."

Commerce (Bombay): "It is of the utmost importance that the contributions of such a versatile personality who has rendered a great service to the development of Indian thought should be collated and their importance to the development of thought properly assessed. He has supplied definite ideology to various national movements—social, political, cultural, economic and literary. The book is an outstanding contribution of cultural importance."

Annals of the American Academy of Political and Social Science: "An embodiment of the almost legendary versatility of the Bengali intellectual, Professor Benoy Sarkar, ranges over fields not only in economics and sociology but also in political science, philosophy, religion, art, history and education. Virtually every contribution of Sarkar is based on comparative surveys and international investigations. He stresses the capacities of Indians for material progress and the capacities of Occidentals for mystic and metaphysical achievements. He favours an international policy for India which will supply her with foreign capital needed for her industrialization. India's poverty is no indication of overpopulation in Sarkar's mind,

and he issues no call for birth control. The blood of the lower castes is replacing that of the upper ; and rather than cut down the populace of a people heading again for world-embracing leadership in culture, he seems content to wait for industrialization. Gandhi's handicraft program he rejects as onesided and utterly inadequate. Such considerations should not deter the openminded among Occidentals from getting acquainted with the thoughts of wide-ranging Orientals like Benoy Sarkar, and from being prodded out of some of our smug ethnocentric Occidentalism and into stimulating Oriental viewpoints."