INDIAN PROSPERITY

A Plea for Planning

BY

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With the compliments of Mr. G. D. Birla

Moving the Resolution on Economic Distress and Revival, Mr. Birla said:—

GENTLEMEN,

Somehow or other, an impression is gaining ground that we have seen the worst of the depression and that the situation is improving all round. Sir George Schuster in his recent budget speech tried to convince his audience that the economic condition of India was improving. But those who are in touch with business as well as the Indian masses, I fear, are not likely to agree with him. It is possible that we have seen the worst, simply because the worst could not be worse. Besides, as the conditions in America and England are improving, this may have some psychological effect on the Indian mind too, making people more optimistic. But mere words cannot induce prosperity, nor can cheerful news from abroad by itself be any cure for our ills. Some steps to combat the hydra-headed monster gripping our entire economic life have to be taken before we can breathe freely again. Let us review the position to gain some idea about the realities confronting us at present.

The Industrial Position

First of all we shall examine the industrial position both in respect of production and of financial results. The depression is supposed to have begun in September, 1929. We shall, therefore, take the figures of industrial production for 1929-30 and compare them with those for 1932-33:—

(000 omitted)

	1929-30	1932-33
Cotton twist & yarn	833,560 lbs.	1,016,418 lbs.
Cotton piece goods ...	562,236 „	737,185 „
Mill consumption of raw Jute ...	6,400 Bales	4,400 Bales
Paper	41 Tons	41 Tons

Coal ...	... 22,700 „ (1929)	18,770 „ (1933)
Manganese	... 750 „	83 „
Salt ...	... 148 „	150 „
Iron Ore	... 1,433 „	673 „
Pig Iron	... 1,376 „	880 „
Silver ...	... 7,300 Ounces	6,000 Ounces
Tea ...	... 432,800 lbs.	433,400 lbs.
Sugar (raw)	... 2,704 Tons	4,651 Tons

It will be seen that our production except in the case of cotton and sugar is in most cases substantially reduced. Could it therefore be said that we have turned the corner?

Optimism Not Justified

Looking however to the financial side of the thing, it could be said that excepting cotton, coal and certain minerals almost all other industries are doing fairly well and this may be responsible for the feeling of optimism. But I may correct the impression, if there be one, that in the worst days of 1931 all these industries were losing. Barring tea and coal and certain other minerals, no industry incurred actual losses even in the worst days of 1931. The margin in the case of the jute industry has since then slightly increased due to its having consumed its old stock of raw jute which was held at higher prices and also due to the present abnormal low price of the raw material as well as restricted production. But even in the worst days of 1931, only about a dozen jute mills actually incurred losses. Tea and coal were losing in 1931. Of the two, tea has undoubtedly improved on account of the quota system while coal is still in a bad way. The Tata Iron and Steel, even in 1931, made a profit of 99 lakhs. Paper was earning in 1931 as it is now. Cotton was much better off in 1930. The industrial position thus affords no proof of our having turned the corner. But even if it were otherwise, we could not judge of Indian conditions by the experience of the few industries.

All the industries combined employ no more than 35 lakhs of men, viz., just one per cent. of the total population and but for a few industries like cotton, sugar, salt and kerosene, they do not cater mainly for the Indian masses. Large industries again have got certain advantages which render adjustments easy enough for them even in bad times. First of all, in India most of the industries mentioned are either working under a protective system or enjoy a monopoly which eliminates, to a certain extent, competition from abroad. Secondly, many of the industries are only in their infancy and have not developed sufficiently to cause any serious internal competition. Thirdly, in industries like tea and jute, we have made our position better by restricting supplies. But apart from such advantages or adjustments, large industries can effect various other economies, such as reduction of wages, better output, etc., which are generally summed up by the word rationalization, and the fact that they do not have to encounter competition from smaller industries also puts them in a comfortable position. Their prosperity, at any rate in India, cannot therefore reflect the true position of the country. If the Finance Member can balance his budget by imposing new taxes it could not be said that the budgets in cottages too are balanced. And, likewise, if large industries which have exceptional advantages and can always make various adjustments easily enough, are in a position to declare dividends, it could not be said that the country as a whole is flourishing. In making a correct estimate of the country's position, we should, therefore, rely more on the condition of trade, commerce and agriculture.

Trade and Commerce

Now so far as trade and commerce is concerned, I can say from personal experience, as one interested in commerce myself and belonging to a community which is engaged in trading in most parts of the Indian continent, that along with indigenous banking, it finds itself at present in the greatest difficulty. Goods worth crores of rupees are annually imported and exported through the hands of men of my community and I know that they barely recover their establishment charges. Traders all over the country are in the saddest plight. The money-lenders do not get back either the principal or the interest due to them—a fact which has been corroborated by the Finance Member himself.

Agricultural Production

As regards agriculture, go to the Zamindar and ask him how and to what extent he is able to realize his land revenue and he will give you an illuminating reply. But without seeking such aid we may turn for a moment to the figures of agricultural production and then proceed with our analysis. The figures are:—

	1929-30	1932-33
Rice	311 lakhs Tons	306 lakhs Tons
Wheat	105 " "	95 " "
Cotton	52 " Bales	55 " Bales
Jute	103 " "	71 " "
Groundnut ...	266 " Tons	283 " Tons
Raw Sugar ...	28 " "	47 " "

The production of raw sugar and groundnut has increased but that of rice, wheat and jute has decreased. It may be said that on the whole, agricultural production is more or less stationary. On the other hand, as a result of the fall in prices, the agriculturist's income has been very much reduced and charges represented by land revenue, interest, etc., being fixed, the margin of his profit has more or less disappeared. And the worst of it is that there has been a heavier fall in the prices in which he is interested as producer than in those in which he is interested as consumer. The index numbers show that the fall has been in the ratio of 47:22. The agriculturist has thus suffered on three fronts. He has been hit, firstly, by the precipitous fall in the prices of the commodities which he sells; secondly, by the rigidity of some of the items on the expenditure side of his budget, and thirdly, by the incident that the prices of commodities which he consumes, have not fallen to the same extent as the prices of the commodities which he produces. His plight, therefore, is most severe and it is naturally reflected in the figures relating to what he has been able to consume or to spend.

The Real Position

Confining our attention to figures which are really helpful in this connection, we can present the following rough sketch of the position:—

	1929-30	1932-33
Consumption of Mill-made cloth ...	12.40 yards per head	11.94 yards per head
Consumption of Kerosene	232 million gls. (Avg. 10 yrs. ending 1930)	213 million gls. (1933)
Consumption of Salt ...	19,65,000 Tons (Avg. 10 yrs. ending 1930)	18,84,000 Tons (1933)
Precious Metals ...	35 crores (Imports 1928-29)	-65 crores (Exports)
Inland Money Orders Issued ...	Rs. 93 crores	Rs. 75 crores
Post-cards ...	586 millions	451 millions
Number of 3rd class passengers originating	61 crores	48 crores

The figures tell their own tale. But for the sale of gold, things would have been unimaginable. One wonders what economy the agriculturist could have possibly made had there been no gold to sell. But the problem is by no means solved. Gold supplies must come to an end some day and unless things show a substantial improvement before we reach that stage, a very serious situation would undoubtedly arise. While in normal years India used to absorb precious metals worth Re. 1 per head of the population, in 1932-1933 she sold out Re. 1-13-0 worth of gold per head. This may give us some idea of the balance sheet of the masses. A gap of Rs. 3 per head could be seen in transactions relating to precious metals alone. Other economies in expenditure on travelling, kerosene, postcards and other items have been made. Does it mean that calculated in real wealth, the average income of the people is down by Rs. 4 per head as compared with 1929? Rs. 4 per head looks a paltry sum but it is a big thing for a poor country like India. I estimate that in terms of real wealth, our income in 1932-33 was down by nearly 150 crores as compared with 1929-30, to go no further back than that. If India is not going in rags and tatters, it is because she has chosen to live on her capital, not only doing without any importation of gold and silver but even parting with her accumulated stocks. But now if things do not improve, economies in the consumption of necessities of life become inevitable, and I ask, is there any scope for further economies? Our consumption at present is below the safe minimum. I wonder whether we are not now entering the danger zone.

We may cast a cursory glance here at our progress during the last two decades, judging progress by the figures of consumption in the pre-war period and in 1931-33:—

Articles.	Available supply for consumption (Pre-war, 1911-1913 Average)	Available supply for consumption (1931-1933 Average)
Rice, wheat, barley, jowar, bajra, maize, gram, linseed, rapeseed, sesamum and groundnut ...	51 million tons (per capita 362 2/3 lbs. a yr.)	57 million tons (per capita 360 lbs. a yr.)
Sugar (adding imported sugar to the figure obtained by converting the total available supply of		

Articles.	Available supply for consumption (Pre-war, 1911-1913 average)	Available supply for consumption (1931-1933 average)
gur into sugar on a 50 p.c. basis) ...	2 million tons (per capita 14 2/9 lbs. a yr.)	2½ million tons (per capita 15 5/7 lbs. a yr.)
Total foodstuffs ...	53 million tons (per capita 376 8/9 lbs. a yr.)	59½ million tons (per capita 375 5/7 lbs. a yr.)
Salt	1,805,000 tons (per capita 15 5/6 lbs. a yr.)	1,884,000 tons (per capita 12 lbs. a yr.)
Kerosene	174 million gals. (per capita .55 gal a yr.)	213 million gals. (per capita .6 gal. a yr.)
Consumption of mill-made cloth, Indian and imported	Per capita 12.35 yds.	Per capita 11.94 yds.
3rd class passengers ...	41 crores	48 crores
Post-cards	44 crores (per capita 1.4)	45 crores (per capita 1.3)
Treasure ...	Rs. 36 crores (per capita *import* Re. 1-2)	Rs. 65 crores (per capita *export* Re. 1-13)

The figures are self-explanatory. As could be seen, except in the case of Kerosene and third class passengers every other consumption has gone down. And this with the sale of gold! India cannot help looking with wistful eyes at those countries who have made great progress in the economic field while we have lost ground even in respect of the scanty consumption on which we have existed so far. What a distressing state of things! Consideration for the future, however, is more important than brooding over the past. The present position is that the consumption of the masses is abnormally low and it is showing signs of deterioration after the advent of the recent depression. The condition in other countries during the last two years has decidedly improved and if the world buys more and our export trade and internal prices improve, we may as a result of that again reach the pre-depression level. But is this all that we want? Certainly not.

Planned Action Necessary

The pre-depression level itself was not a thing with which one could rest content. No civilised nation has got such a poor standard of living as India had even during the most prosperous days. Our most urgent need, therefore, is to bring about a substantial rise in our standard of living. And here one naturally feels inclined to ask why with our vast resources including supplies of idle labour we cannot raise our standard of living to a reasonable level. The reply is simple. We cannot improve our lot until we decide to take mass action, well thought out, well planned, as part of a scheme of co-ordination launched with the necessary authority to make it a success. Governmental intervention thus becomes necessary. But Government by themselves cannot do or achieve much. The co-operation of the people is essential to the success of any such scheme. The Government being the ruling authority must take the initiative and invite the latter to join hands with them in the endeavour.

I do not charge the Government with utter inaction. During the last decade several things have undoubtedly been done by them. For instance, they have pursued the policy of protection, now vigorously, now half-heartedly, and thereby done some good to industries and to agriculture, as in the case of wheat. The Imperial Council of Agricultural Research has been doing a lot of useful work. Fruit farming is being encouraged though on a very small scale. There is some talk of affording protection to dairy products. It is intended to launch a 'Drink More Milk' campaign—an absurd imitation of the British propaganda which overlooks the difference between the two countries, for while in England there is more milk and fewer stomachs to drink it, in India there are more stomachs and less milk to be drunk. 'Produce more milk' and not 'drink more milk' should have been the appropriate slogan for this country. The Government again is encouraging, though passively, the restriction of the jute crop though it does not tell the agriculturist what substitute crop he should grow. Similarly, the Government has helped in fixing a quota for tea exports and is even now thinking of helping the restriction of tea, jute and coal production. It does not, of course, give any thought to the question if it is not possible to usher in Recovery by a better way than destruction of crops, restriction of production and—control of births. A minimum price for sugar-cane is to be fixed. Trade pacts and fixation of zones for industries and a lot of such other things are up in the air. It is gratifying to note that the Government is getting more alive to the situation. The credit for giving a lead goes to Bengal and other provinces are now following suit. The Central Government too seems to have something in its mind and the European community too at long last has realised that something must be done to save the situation. It could not be said that the Government is not moving. It is undoubtedly moving but at a snail's pace and in spite of the assurance of the Finance Member to the contrary, without a plan. Tariffs, excise duties, fixation of zones and of minimum prices, restriction of production under rare circumstances, and Trade Pacts, all these could become part of a plan if there were one. But unless and until they form links in a chain with a purpose behind it, they are not going to take us anywhere.

The Government knows the evil of drifting without a Plan. But it would not think of taking planned action. Probably this apathy on the part of the Government is due to the fact that the head of every department in the Secretariat has a five year plan of ruling and then retiring. Much the same could be said of the Burra Sahib in Clive Street, that "imperium in imperio" which none can afford to ignore in this country. The visions are thus limited to five years throughout which the one object of the man in authority in New Delhi is to maintain law and order and balance budgets and of the Clive Street Burra Saheb to retire leaving things as he found them; nothing altered, nothing disturbed. It seems to be nobody's business to visualize the probelm as a whole and to plan its solution.

Evils of Drifting

The result is that whatever we achieve, we achieve in a haphazard fashion and are not able to consolidate our position. We advance on certain fronts and recede on others. Take the case of the cotton industry itself. The present productive capacity of the Indian Mills is about 3,600 million yards, just equal to our present requirement of Mill-made cloth—a very low figure indeed for a population of 360 millions. But while on the one hand nearly 60 per cent. of the mills in Bombay are closed for want of markets and thousands are thrown out of employment, on the other hand we have entered into pacts with Lancashire and Japan to purchase from them cloth which we ourselves can produce. Under the pact with Japan, we are to sell to it cotton which under a planned system it should be possible to consume in India itself, thus making possible even a greater supply of clothing to the people. Then take the case of the Jute industry. We are supposed to have turned the corner and just now are working on a fair margin. But could it be said that the position is healthy? We are working with 15 per cent. of our looms sealed and only 4 days in a week, thus curtailing production by neary 40 per cent. Not only have thousands of workers been thrown out of employment, but their wages also have been reduced on account of curtailed production. While this is the condition of the old Mills who are producing only 60 per cent. of their total capacity, their agreement to work on a restricted scale is bringing into existence new Mills many of whom are working double shift and making good profits. The new Mills are multiplying in number. The crisis is bound to come to a head some time and if the demand from foreign countries does not expand, then the trade has to be shared between the existing Mills, old and new, which may mean a curtailment of their production by 50 per cent. as against the existing 40 per cent. What can be a greater waste of capital and energy than this? Why should money be blocked in an industry which is already idle to the extent of 40 per cent. of its productive capacity? Under a planned system capital would be diverted into channels where it is more urgently required and not allowed to be wasted through duplication or other causes. Taking the case of raw jute, we find that we are exporting nearly 40 lakhs bales which is manufactured in other countries and then consumed. If we work our Mills double shift we can consume all the raw jute produced in India and thus wrest the territory at present held by foreign manufacturers, providing not raw but manufactured jute to those who are at present manufacturing a part of their requirements themselves. Whether it is a practical proposition has to be investigated. But it has not been done so far because there is no authorised agency to act in this behalf. Instances could be multiplied. We are producing things which we cannot sell while there is a great scarcity of things badly wanted. There are millions of unemployed wanting work and there are millions who have to go without having some of the most elementary needs of life satisfied. Can't we provide employment to those who are unemployed and thus feed the unfed, clothe the unclothed and shelter the unsheltered? We *can,* only if we have a plan and the necessary authority to execute it.

What We Should Aim at

But let us clearly understand that there can be plans and plans. Plans after all can only be based on ideas. The word Planning in itself can have no attraction. It has become popular on account of its good associations, but planning can be for good as well as for ill and therefore unless we are clear about the goal and the ways of reaching it, the glib talk on the subject might lead us and the country astray. If we go to our architect with vague ideas and ask him to make a plan, he can do very little for us. To obtain the necessary help we have to tell him the kind of house we want—and the cost at which we want it. The expert can then produce a sketch which could be discussed, revised and adopted. In the case of National Economic Planning too, we have to work along the same line. But I should like to say this that we do not want experts from outside to tell us what plans we should or should not have. If we in India do not know our own problem, then I maintain no one knows it.

First of all we have to decide what sort of social conditions we would like to see established. What is the standard of living we should aim at and what should be the methods which we must employ to achieve it? Let us first deal with the question of the standard of living.

The object of Economic Planning should be in a layman's language to bring about maximum prosperity with a reasonable amount of effort. But there is a limit beyond which the standard of living cannot be raised without adopting unjust means. And as being a subject nation, we realise this truth more keenly than any one else, we do not aspire to any unduly high or luxurious standard of living which can be attained only through exploitation, in one form or another, of the labour of others. India is a subject nation and she has no design to subjugate others. She cannot, therefore, afford to have an unduly high standard of living. Those who think that India, without any colony to feed or slave for her, can attain the standard of western countries, are labouring under a gross illusion. We can depend only on our labour, which means that a standard of living which amounts to economic parasitism must for ever be ruled out of our thoughts. At the same time, I have not the least doubt that we can have sufficient to meet all our requirements, with ample leisure for recreation. Our primary needs are two decent square meals of sufficient nourishment, say, of well-balanced 2,000 calories per head per day, with plenty of vitamins, so far as food goes; sufficient clothing, say, about 55 yards per capita, and sufficient housing accommodation to shelter us. And all this we can have without much ado by our own exertion if national effort is directed in the right channel.

Our Present Low Standard

The present supply of grains and cereals comes to about 9½ chatacks per capita per day. If we take away from it the quantity required for seeds and cattle and also make allowance for wastages, etc., barely ½ seer per head per day would be available for human consumption. As there is no data available relating to the available supplies of meat, fish, vegetables, fruits and dairy products, it is not possible to say what amount of deficiency there exists in the total amount of our food supplies. But if there is any deficiency, it will have to be made up by producing more. It can be said however even in the absence of figures that we are suffering very badly from the deficiency of dairy products and fruit and vegetables. Our sugar consumption comes to about 16 lbs. per head per year which undoubtedly is low as compared with our physical needs. In other countries, it ranges between 60 to 120 lbs. per head per year.

Coming to cloth consumption, it comes to about 16 yards per capita per annum including hand-loom products —a quantity barely enough to cover one-fourth of the body. Even with the temperate climate in many parts of India, one cannot do with less than 2 pairs of dhoties, 6 kurtas, 6 underwears, 2 bedsheets, 2 chadars or cloth for quilt, caps and other things which require at least 55 yards per head. Thus the total requirement amounts to 19,250 million yards. Our Mills at present can produce 3,600 million yards, and hand-looms are producing 1,700 million yards, or a total of 5,300 million yards. Our requirement is nearly 4 times our present productive capacity, but the gap can be easily filled if the problem is tackled in the right spirit and along right lines. The total quantity of cotton required would be about 10 million bales and our production in the year 1927-1928 had reached 60 lakhs of bales. The area under cotton amounts to 23 million acres at present and with 6 million acres of land made available by the Sukkar Barrage Scheme and other adjustments such as better manuring, etc., it should not be difficult to produce the required quantity of 10 million bales. In the absence of national planning we have been frantically eager to sell 15 lakhs bales of cotton to Japan, though as a matter of fact we are not yet able to grow all that we actually require.

So far as the housing problem is concerned, it may be said that the necessary material being available in the vicinity of every cottage, it is only a question of finding sufficient leisure for the masses to undertake the work. There will be many other requirements to be met. Education in itself is an important problem. But if the main needs are satisfied and the necessary leisure afforded, other things will automatically follow.

Some Elementary Principles

But a mere re-capitulation of our main requirements would not suffice. A little more thinking is necessary even at this stage. The first step in planning should be to lay down certain principles for guidance, and one of these obviously must be that self-sufficiency is not to be attempted except where the conditions are decidedly favourable to it. It is no use trying to produce a thing in respect of which the country enjoys no natural advantages or for which no ready market exists. Fortunately for us Cloth, Sugar, Steel, Cement, Tea, Jute, Paper, etc., fall under a different category. So far we have not infringed the natural law in this respect and have not built any industry along artificial lines as England and Japan have done in many cases—a thing which makes them dependent for supplies of raw material as well as for sales of finished products on foreign countries. If we have sinned, we have sinned in a different direction. Even where we have got both raw material and a ready home market, we have failed to take advantage of our favourable stuation and have been depending so far for our supplies of finished products on foreign markets. This anomaly has to be stopped once for all. Roughly, we shall have to adopt measures (1) to increase our production all round so as to meet the maximum of our total requirements from home-made products where we can do so advantageously, (2) to import the balance which could not be produced advantageously at home, (3) to export against imports and services rendered, commodities which we cannot consume at home but for which a ready market in foreign countries is assured. But no one should run away with the idea that with increased self-sufficiency our import trade would dwindle or vanish. In fact, I look forward to a time when under Planned Economy the volume of our imports will be much larger than what it is at present. I am not against the policy of buying and selling more abroad. But it would be foolish to buy more abroad when you can produce the articles yourself. Similarly, selling more abroad when you can consume the commodities yourself is nothing but lunacy. When our standard of living rises and our productivity increases, we shall have to purchase abroad many new articles which we are not accustomed to consume at present. Our foreign trade eventually must expand. Thus our dreaded self-sufficiency will not be a hindrance to Foreign Trade. There will be a division of labour between the producers at home and the producers abroad. For instance, I doubt whether it would be necessary for us to become self-sufficient in respect of machinery, motor cars, various kinds of apparatus and appliances, certain kinds of woollen, silk and cotton fabrics, certain dyes, chemicals, mill stores, etc. The list is by no means exhaustive. Mineral oil will have to be imported in increased quantities. Once we have planned what we want to produce and what we want to import and export and once we have made a careful division of labour between the producers at home and abroad, trade pacts with foreign countries will be more scientific to the mutual advantage of both the parties. We would not then have to enter into pacts like the Indo-Japanese Pact under which we bound ourselves to purchase 400 million yards of cloth against sales of 15 lakhs bales of cotton. The iniquitous nature of this bargain, from the Indian point of view, can be realized from the fact that while the production of 400 million yards of cloth would require the labour of about fifty thousand men, the production of 15 lakhs bales of cotton would require the labour of men ten times that number. Such Pacts should only be made when we must buy something from abroad because we cannot produce it and we must sell something because we cannot consume it. Otherwise the barter becomes inequitable as in the case of this Pact. Of course, the Commerce Member could have not done better when he had to work in the absence of any Plan.

Weapons to be Used

Import and export tariffs, subsidies, trade pacts, the most favoured nation treatment, etc., are the weapons which will have to be brought into use for directing our production and our imports and exports into the desired channels. It should not be forgotten that in order to raise our standard to the desired level we shall have to take long strides in production, not only industrial but also agricultural. In the industrial sphere there may not be any need of direct encouragement. Protective tariffs and the increased purchasing power of the masses will take care of the job, but in the case of agricultural produce such as cereals, oilseeds, fruits, dairy products, etc., some big concentrated effort will have to be made to improve the situation, and nothing short of some sort of subsidy will be sufficient to induce the producer to produce more. And a sufficiency of food-stuffs is most essential for the maintenance of national health. No cost for the achievement of this object can be counted too great.

The Provincial Sphere

Here our task would of necessity assume a provincial character. A change in land laws, liquidation of rural indebtedness, scaling down of rents if prices are not to rise,—and prices cannot rise without inflation; I am suggesting these alternatives in order that even without touching the exchange we may reach our goal—establishment of agricultural banks to advance loans and direct subsidies in some form to dairy and fruit industries, special measures for increasing agricultural production, substantial prizes for cattle, new laws for the regulation of cattle-breeding making it necessary to take licenses for maintaining breeding studs and such other measures will have to be taken for promoting production in fields.

Whence is Money to Come?

Critics might ask how we are to find money for all these reforms. To them I would reply that they are thinking, from the force of habit, of money in terms of gold and silver and of paper. But even if money is to be counted in such terms, there is no dearth of it in India. There are 53 crores lying in the Gold Standard Reserve which could have been used for the economic advancement of the country rather than keeping it invested where it does not benefit India in the least. Similarly if the gold in the Paper Currency Reserve is revalued at the present price of gold, it will show a large profit which could be used for the economic uplift of the country. But as I have maintained, real money is not silver or gold, but human labour of which we have plenty in India. In this respect perhaps we are one of the richest nations in the world. I wonder why those who criticise the Indian habit of hoarding the precious metals view with equanimity the hoarded Indian labour lying dormant and unutilised which properly used can take light to every home. The question of capital therefore should not frighten us in the least. Money spent will flow back to Government's coffers if the spending is done on a proper plan. This secret has been realised by most of the countries who have planned. In order to create more employment Herr Hitler has recently announced that he is going to spend 1,050 million marks on roads and various other development items. One hundred and fifty million marks out of this will go towards matrimonial loans. What a relieving change in the ideas about birth-control! America too recently decided to spend 1,677 million dollars on public works. And she also decided to have a deficit budget of 9,000 million dollars during the next two years. Those who make a fetish of balancing budgets can learn something from America. I as a businessman fully appreciate the value of balanced budgets. But there are times when balancing the budgets in cottages becomes more important than balancing the Exchequer's budget. Mr. Keynes the eminent economist too suggests expenditure on public works as the most effective means of bringing about recovery. And from the recent speech of Mr. N. Chamberlain, it appears that even Conservative England is going to initiate a large housing scheme for the relief of unemployment. Those who bring in the question of capital simply want to dodge the issue. The problem in India at present is only of mobilising its idle labour or its idle capital as I should like to call it, and making it produce things for those who want them. The problem is a simple one, and yet its solution demands a gigantic effort with a bold policy and a determination to succeed on the part of the Government and the people.

What We Should Guard Against

We must guard against one thing, that is, over-centralisation of production or the creation of any large disparity between the upper and the lower strata of society. India is mainly an agricultural country and it will continue to be so. Any scheme that may be formulated ought to take into consideration the peculiar conditions of India. We do not aspire to build industries artificially on the strength of our export trade. Whatever industrial development there will be, will have to depend entirely on the home market. Therefore even when we have developed our industries fully to satisfy our total needs, they will represent nothing more than a tiny little spot on the map of India. If we then centralise the industries in any one area or one province which has no special natural advantages, we would be disturbing the rural life, causing waste of labour and creating industrial unrest. Probably in this respect, the model should be the sugar industry which is mostly located near the fields. It is not desirable that a man from U. P. should have to go to Calcutta or Bombay to find employment. Any industrial expansion should therefore be in rural areas, well-distributed and never too much centralised. The fixation of zones by Government may bring about an even distribution of industries.

We should not forget that the success of a Plan which contemplates increased production depends entirely on a parallel increase in the purchasing power of the masses. If there is no wherewithal to buy, then increased production will be simply decorating the warehouses of the producers. We shall, therefore, have to take care when we begin to produce more that the extra wealth so created finds its way direct to the cottages and does not form itself into a stagnant pool. If it does so, then the whole scheme is bound to collapse. This is what happened in America which was largely responsible for the creation of "poverty in plenty" there. This was probably fully realised by President Roosevelt who brought about the so-called prosperity in America not by increasing national wealth but by tapping the idle money by various means and putting it at the disposal of those who wanted it. Depreciation of value of money, generous labour laws, increased wages, direct help to farmers, public works expenditure and unbalanced budgets were some of the means adopted by him. But the one object of all those measures was to narrow down the disparity between the highest and the lowest, and he brought about this change with the ready assent of those benefited as well as those penalised. The penalised readily assented to this action because they knew that it was in their interest, for there is no surer method of inviting Bolshevism, communism or anarchism than to create an unhealthy disparity between the higher and the lower strata of society. Disparity there will be, so long as enterprise, venture, intelligence, honesty, thrift and all such virtues are allowed to have free play and even when these have been destroyed, disparity will remain though probably under some misleading name. But there is a limit to everything and to create an unnatural and unhealthy disparity is to invite the surest disaster. And thus it could be said to the credit of President Roosevelt that he saved America from a communistic revolution by tapping idle capital and distributing it for the good of all. Fortunately in India we have not so far such a large disparity. The number of people paying income-tax for incomes of Rs. 10,000 or upwards totalled only 35,000 in 1931-32, a drop of 11,000 from the figure of 1929-30. This shows our poverty. Only 1 in ten thousand has an income of Rs. 10,000 or more. But when we take a gigantic step to increase the country's wealth, there is danger of a great disparity being created, if we do not guard against this from the very beginning. In fact, before any disparity is created, the whole plan will collapse because Planned Economy under which every citizen is to have a higher standard of living and unhealthy disparities are contradictions in terms. If we, therefore, desire the Plan to succeed, the creation of unhealthy disparities will have to be guarded against. The best safeguard is provided by equitable taxation. I should not be misunderstood. Our Government is capable of tearing words from their context and using them against us in imposing new taxation without fulfilling the other conditions. Friends in this House may charge me with committing myself to new taxation. Nothing of the kind. I make it clear that I am not in favour of any new taxation under the existing circumstances. But when we create new wealth largely with the help of funds going out of Government coffers, you will agree with me that the money must flow back in course of time. And it could flow back only if those who are benefited are properly tapped and not allowed to keep money in an unproductive form. Besides if the money goes out to create wealth for the masses, it must be allowed to fulfil its function. Any creation of an unhealthy disparity will not allow it to do its function. If, therefore, with a proper planning new taxes are imposed to allow the free movement of money and also to check the unhealthy disparities, I hope, no one in this House will grudge it. This is all that I seek. I think, in the interest of the masses as well as in the interest of the business men, no one can grumble at this. I hope I have left no room for misunderstanding.

Delhi and Provinces

Before I conclude I wish to say a word or two by way of suggestion about the Government's move. As you all know, the Finance Member is inviting a Conference of the Provincial Representatives to discuss the programme relating to the economic uplift of the country. So far so good. But may I point out that while the provinces will have to be responsible for the administration of the scheme if one is prepared, they are not in an independent position to prepare one themselves. First of all there is the question of finance which the Central Government alone can solve: Secondly, comes the question of planning production as well as imports and exports. Weapons to be employed to that end, i.e,. tariffs and bounties and the initiation of Trade Pacts, etc., belong to the armoury of the Central Government. Thirdly, comes the question of division of labour even amongst the provinces themselves. Here again the Central authority alone by acting as a co-ordinating link can adjust the claims. Then there is the Railway and

Taxation policy and last but not least is the question of some amount of uniformity in legislation and action. I, therefore, maintain that the source of inspiration could be the Central authority alone and not the provinces. Leaving the things to the provinces will result only in a postponement of the issue. After all, what could the provinces with their limited resources and power do?

Sir, I have done. Such suggestions as I have made may not be free from defects or flaws, but they are meant only to indicate the directions in which we must move if we want to plan for the future. I realize that abler men could have done better justice to the subject, and made more helpful suggestions. But a stage comes when after having made the most profound analysis and discussed every aspect of the question we ask ourselves: Whither does all this lead? And then quite naturally there creeps over us a feeling of despondency, even of despair. I am sure however that none of us will allow ourselves to be overcome by such a feeling, for those who have faith in God, in the righteousness of their cause, or—to put it no higher than this—in "the inevitability of gradualness" know that darkness has to yield to light and that the Dawn cannot be indefinitely postponed.