

HOW INDIA PAYS

For the

WAR

by

K.T. SHAH

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No. 1

How India Pays for the War

How does India pay for this War? Prof. Shah answers this question by reviewing the methods of war financing adopted in other countries: and, in the light of that experience, examining the Budgets of taxation and borrowing following one another in this country.

His main theme, however, is the invisible, but insupportable, burden of Inflation, which he calls concealed taxation. He considers it from every angle, and condemns it from every standpoint. Not content with condemning, he indicates remedies, which all crystallise in the demand for a national government and an independent rupee.

Incidentally the book examines critically the latest plans for a World Currency Union, or an International Clearing House. India may join either, provided she does so by her own free will, and is able to regulate her currency and exchange by her own authority, without dictation, influence or interference from outside.

The author also considers critically the nature and working of the Lease-Lend system, and shows how India has already contributed not much less than $\frac{3}{4}$ of what Britain has received under the Lease-Lend system from the richest nation of the world, without getting anything like a fraction of the credit the United States get for their aid to Britain.

All this is due to the absence of a truly national and popular government in India. The demand for it consequently echoes through every section as an unending refrain. For the sake of the people, for the success of the war effort, for enduring peace after victory, a popular, national government in India, commanding the confidence of the masses of her people, and seeking the true, lasting, long-range benefits of the country, in finance as in currency, in industry as in commerce, in peace as in war, is the *sine quo non* for an effective solution of all the problems of war or peace.

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PRATIBHA PUBLICATIONS
PEOPLES' BUILDING,
SIR PHIROZSHAH MEHTA ROAD,
BOMBAY, I.

OTHER WORKS (in English) OF PROF. K. T. SHAH.

1. Sixty Years of Indian Finance (1921); 2nd Edition (1928)
Supplement (1935)
2. Indian Currency, Exchange, and Banking, (1922)
(out of Print)
3. Trade, Tariffs and Transport in India, (1923)
4. Governance of India (1924) (out of Print)
5. Wealth and Taxable Capacity of India (1925) (out of Print)
6. Constitution Functions and Finance of Indian Municipalities
(1926)
7. Russian Experiment 1929.
8. Post-War Germany 1928.
9. Federal Finance in India 1929.
10. World Depression 1933.
11. Post-War Price Movements 1934.
12. Provincial Autonomy 1937.
13. Federal Structure 1937.
14. Industrialisation of the Punjab 1940.
15. Principles of Planning 1943.
16. India's Place in Post War Reconstruction 1943.
17. Splendour That Was Ind. 1930.

PAMPHLETS.

18. Ethics of Public Debt. 1930.
19. Eleven Points of Mahatma Gandhi, 1930.
20. Report of the Congress Select Committee, Vol. II, on the
Foreign Obligations of the Government of India.
21. Public Services in India (Congress Jubilee Pamphlet) 1936.
22. Agrarian Charter, 1937.
23. Evolution of Fascism in India (1934).

A few copies of most of the above works are still available. To the purchaser of a copy of this work, 'How India Pays for the War,' copy of the Sixty Years of Indian Finance (price Rs. 10/-), together with the Supplement Re. 1/-) will be sent for the inclusive price of Rs. 10/- for the set of 3 books, postage extra. Please refer to this note, while ordering the set. Copies of others of these works can also be had from the Pratibha Publications, Peoples' Building, Sir Phirozeshah Mehta Road, as well as from the Popular Book Depot, Lamington Road, Bombay-7.

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LIQUIDATE REALITY. AND REALISE ?

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PREFACE.

The substance of the following pages originally appeared in a special article in the ID number of the 'Morning Star', subsequently expanded in a series of Articles, entitled **War Finance in India in World War II,** in the 'Bombay Chronicle, in October, 1942. The subject, however, admits of so many developments, almost from month to month, that its handling, once again, in March, 1943, in a series of public Lectures, delivered under the auspices of the Bombay Stock Exchange, provided fresh opportunity to review, expand, and bring uptodate the points made earlier in the Articles. Those Lectures make up the bulk of this work. The Budget of the Government of India, presented on 27th February, 1943, was referred to in those Lectures, while still more recent developments are included in the following pages. The Lectures, being delivered orally, are not possible to reproduce verbatim in these pages, which, therefore, embody only their substance.

Neither the newspaper Articles, nor the public Lectures, offered a suitable medium for statistical evidence, without which such subjects cannot be handled satisfactorily. In this publication, therefore, a number of statistical tables have been inserted, which, though referred to in the Articles, as well as in the Lectures, appear in print and in detail for the first time here. They will, the writer hopes, help to make the train of reasoning more real and intelligible.

Though cable reports of an International Monetary Conference in London, early in March last, were available at the time the Lectures were delivered, official summaries of the specific Plans proposed, by Britain and by America, were not known. They have since been published; but details are even now not available in

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India. Since, however, the subject of a World Currency Union is of vital interest to India, the delay, unavoidable in preparing the Lectures for the press, has been utilised to incorporate a review of the salient features of these proposals, and their reaction upon the national economy of India, in the following pages. They reproduce, substantially, the articles on the subject appearing in the 'Bombay Chronicle' in April-May, 1943.

The substance of these pages having grown from Lectures and newspaper articles, it has not been possible to split up the matter into specific chapter or sections of the work, as it now appears. Convenient section headings have, however, been inserted to facilitate closer study.

The title of the main subject has had to be changed from time to time. Neither the title given to the series of 'Chronicle' Articles of last year, nor that to the Lectures delivered under the auspices of the Stock Exchange, could do justice to the items included in these pages. It has, therefore, been deemed proper to alter the title, and make it as closely expressive of the substance as possible. "How India Pays for the War" will, the writer feels, meet the requirement more adequately.

Bombay, May Day, 1943.

K. T. Shah.

According to a cable dated Washington, May 25, 1943, a letter of President Roosevelt to Congress stated the total of Lease-Lend aid received since its commencement upto March 31, 1943, by China, India, Australia and New Zealand, put together, to be \$736,759,000. The amount of such aid, therefore, received by India alone, during the same period cannot be over \$300 Million. The Note on page 154 must be accordingly amended.