THE BOOK WAS DRENCHED

TIGHT BINDING BOOK

UNIVERSAL
LIBRARY

OU_170288

UNIVERSAL
LIBRARY

INDIAN ECONOMICS

ALL RIGHTS STRICTLY RESERVED.

AN

INTRODUCTION

TO

INDIAN ECONOMICS

BY

H. S. CHATTERJI, M. A.

SECOND EDITION.

S. K. LAHIRI AND CO.
56, COLLEGE STREET, CALCUTTA
1917

Printed and published by J. C. Ghosh at the Cotton Press 57, Harrison Road, Calcutta for Messrs S. K. Lahiri & Co.—15-2-17—X.

To

MY MOTHER

PREFACE TO THE SECOND EDITION.

It is gratifying to me to note that the book has won such a prompt recognition as a useful treatise from students and professors alike, throughout India. In this edition, though there may be much left to be done, I have tried my best to make the book thoroughly exhaustive, up-to-date and comprehensive, in short, all that may in any way be useful to students.

The whole book has been improved, and specially the chapters relating to Agriculture and Emigration, Principal Crops, Irrigation, Railways, Co-operative Credit Societies, Land Revenue Systems, Famines and Famine Relief, Foreign Trade, Currency, Banking, High Prices, Public Debt, Free Trade and Protection, Imperial Preference, and Public Finance, have been largely rewritten and enlarged. In the Appendices, a chapter has been added on *The Growth of Indian Industries*, based generally on the evidences before the Industrial Commission. Two more chapters have been added, one being the summary of the Report of the Royal Commission on Indian Currency and Finance, and the other embodying the trade statistics during the period of war. All statistics that may prove treacherous due to the operation of the war, have been carefully avoided. In addition to the Calcutta University questions, the Allahabad papers have been appended, and in future, I hope to insert the papers of the other Universities as well.

In conclusion, I must acknowledge my deepest thanks to Prof. Aswini Kumar Ghose, M. A., B. L., of the Ripon College, Calcutta, who has kindly gone through the proofs of a major portion of the book and has put me under a very real sense of obligation to him.

MOZILPORE,
February 1917.

THE AUTHOR.

PREFACE TO THE FIRST EDITION.

India is in a state of transition. She is now confronted with problems on the proper solution of which depends her great economic future. The peculiarity of her social structure, the complexity in her political status, the infancy of her commercial regeneration, all point to the fact that abstract principles of Political Economy are not unreservedly applicable to her economic conditions. Consequently, as her economic problems require a more careful and deliberate consideration than those of the highly commercially developed countries of Western Europe, the mind that devotes itself to such a study should be open and impassionate, both liberal and conservative, impartial and devoid of prejudice. To attain this purpose, attempts have always been made in this book to represent the both sides of a question. Different views, whether Indian or European, official or non-official, pessimistic or optimistic, sympathetic or hostile, have been stated side by side leaving the reader to make an independent opinion of his own. As it is, I had to follow my predecessors in this branch of economic study more closely than it is desired and sometimes even at the cost of originality. I have quoted without reserve from all Government literature touching on my subject, and have freely consulted the Works and opinions of the following eminent authorities on Indian Economics, Ranade, Morrison, Howard, Keynes, R. C. Dutta, Lees Smith, Prof. V. G. Kale, Gokhale, Prof. Monohar Lal, Prof. H. S. Jevons, Prof. C. J. Hamilton, Prof. J. C. Coyajee, Prof. S. C. Roy, and others.

The high appreciation with which my former book was received by students and professors alike, encouraged me to bring out this treatise, and the time allowed to me being necessarily very short for such a comprehensive study as Indian Economics, I could not avoid many unpardonable mistakes and misconceptions. Lastly, I must acknowledge my indebtedness to my brother Hari Bhuson Chatterji without whose help the publication of this book would have been impossible.

MOZILPUR.
January, 1916.

THE AUTHOR.

CONTENTS.

		Page
THE GEOGRAPHICAL FACTOR		
Chapter I	Economic Geography	3-11
Chapter II	Agriculture, Population, Indian ryot, Irrigation, Live Stock...	12-51
Chapter III	Economic Products, principal crops, principal minerals, Forests, Facilities of Transport, Railways	52-111
THE SOCIAL FACTOR		
	Village System, Peasant-proprietorship, Caste, Joint family, Laws of inheritance, Status and Custom, Domestic industries, Agricultural credit and Co-operative Credit Societies, Economic Transition and Revolution	112-179
THE POLITICAL FACTOR AND PRODUCTION		
Chapter I	Pax Britannica, Chief Systems of Land Tenure, Foreign capital, Political relations	181-253
Chapter II	Agriculture *vs.* Manufacture. Land. Labour. Capital. Organisation of Labour. Control of business. Population.	254-276
Chapter III	Indian manufactures	277-294
Chapter IV	Survey of Indian Industries. Production and Income per head. National Wealth. Factory Legislation. Technical Education	295-319
CONSUMPTION		
Chapter I	Standard, Laws, and Statistics of Consumption	321-333
Chapter II	Famines	334-351

		Page.
DISTRIBUTION		
Chapter I	Problem of Distribution. Rent. Wages. Profits	353-374
EXCHANGE		
Chapter I	Foreign Trade. Exports and Imports. Public Debt. Home Charges, a Drain ...	375-418
Chapter II	Currency. Indian Exchange. Gold Exchange Standard. Position of the Rupee. Paper Currency. Reserves and Cash Balances. Council Bills. Gold in India	419-467
Chapter III	Banking in India. High Prices. High Prices and Currency	468 485
Chapter IV	Commercial Legislation Free Trade and Protection. Imperial Preferential Scheme	486-504
PUBLIC FINANCE.	Provincial Finance. Indian Budget. Chief Heads of Revenue and Expenditure. Local Finance. Incidence of Taxation Nature of Land Revenue. Direct and Indirect Taxes	505-522
APPENDIX.	The Growth of Indian Industries. War and the Trade. Report of the Royal Commission on Indian Currency and Finance	523-545
UNIVERSITY QUESTIONS		
Calcutta ...	... ...	546-554
Allahabad ...	... ...	554-556

POLITICAL PHILOSOPY.

(With Constitutions of Important States).

(In the Press).

THE GEOGRAPHICAL FACTOR
AND
THE SOCIAL FACTOR.

PART I.

(A) The Geographical Factor.

Physical features and the conditions of the country and their bearings on Indian economic products. Facilities of Transport.

CHAPTER I.

Economic Geography :—The Indian Empire has an area of about 1,800,000 square miles ($1\frac{4}{5}$ millions) and is greater than Europe without Russia. It is 2000 miles from north to south and 2500 miles from east to west, a size nearly one-sixth of the whole British Empire and fifteen times larger than Great Britain. India is most advantageously situated from an economic point of view. It stands almost at the centre of the Eastern Hemisphere and at the head of the Indian ocean so that her *trade routes radiate in all directions*, to the west for Europe, S. W. for South Africa, south for Ceylon and S. E. for Australia, China, and Japan. Of late, plans have also been suggested to open up its connections with the world through *land routes*. Some of the most important schemes proposed are the *Baghdad Railway*,—a line extending from Konia through the Taurus range to the extreme eastern Mediterranean seaboard, and by way of Nisibin, Mosul and Baghdad to Basra,—the *Trans-Persian Line*,—a scheme to connect the Russian Caucasion system with the Indian Railways at or near Karachi,—the *Central Asian Lines*, a system linking up the Russian and Indian railway systems by

Area and size.

Geography and Economy.

Proposed land route connections.

way of Afghanistan. The first two schemes have taken a practical shape since 1913, and the *landward isolation of India is doomed in the near future.* The result of the present Great War will perhaps modify the schemes as they are fraught with great political consequences. However, the schemes when fully worked out will open the whole of Europe, Persia and Asia-Minor to India. It has already been demonstrated that the *Trans-Persian* railway would bring India within eight days of London.

Boundaries.

India is shut up on all sides by natural barriers. The Himalayas are on the north, Assam and Burma on the east, and the Hindukush, Suleiman and the desert plateau on the west. The sea boundaries are the Bay of Bengal on the east and the Arabian Sea on the west. *The land and sea boundaries are about equal in length.*

Coast-lines.

The **Coast-lines** are about 2500 miles in length but with few indentations. There are *only four openings* of importance into the land, viz., the Gulf of Cutch, the Gulf of Cambay, the Gulf of Manar and the Gulf of Martaban. But for *commercial purposes* only the last named is useful. The *Malabar Coast* is more rocky, the coast-strip between the mountains and the sea being more narrow than in the east coast. The western shores shelve down more precipitously than the eastern shores which slope down gradually.

Very few good ports and harbours.

Therefore, there are *very few good harbours* on the west coast, viz , Karachi, Bombay, Goa and Cochin ; while the defect of the east coast is that it is much serf-beaten. The only important harbour on this coast is Madras, constructed at enormous expenses. Even on the west coast navigation practically ceases during the monsoon months when it is furiously beaten by wind and waves. The Burmese coast is much supplied

with ports,—Moulmein, Akayab, Rangoon, Bassein and Chitagong, have all good harbours. But Moulmein, Bassein and Akayab are cut off from the distant interior. Practically, the whole of the foreign trade in India is concentrated in the ports of Calcutta, Bombay, Rangoon, Madras and Karachi, naming them in order of importance.

Important Ports.

§ Surface.

Sir John Strachey rightly remarks that '*India is a continent and not a country*' by referring to the divergence of nationalities, customs, language, religion, climate and natural configuration of the soil. But this spirit of provincial isolation is daily dwindling away under the benign British Rule and with the spread of western education. We should not, however, omit here to state that the feeling of unity, specially religious and physical, was not always absent in India. Geographically speaking, however, India is naturally divided into *four well-marked parts* each with distinctive characteristics in condition and product.

India is a continent and not a country.

I. The mountain-region of the North.

II. The Indo-Gangetic Plain.

III. The Deccan or the Plateau of the South.

IV. Burma.

I. The Mountain region of the North.

(*a*) To the south-west run the Hindukush, Suleiman and Kirthar mountains. Several passes crossing these ranges, viz., the Khaibar, the Gumal and the Bolan, are important trade-routes across the frontier. This accounts for the existence of such towns as Peshwar, Jelalabad, etc. The northern end of this chain receives a good supply of rain and the valleys are well-watered and fertile; but south

The South-western mountains.

of Takhite Suleiman, it is rainless and barren. In the northern region people live in villages and follow agricultural habit; while in the south the country is peopled by nomad tribes.

The South-eastern mountains.

(*b*) To the south-east runs the *Himalayas*. 'We find in it every possible variety of climate, of vegetation, and of all natural products, and they are peopled by tribes of various character in most different stages of civilization.' In ascending it the same variations of temperature is experienced as in proceeding from the equator to the pole. It covers an area of a million square miles and extends over 2000 miles from east to west and 500 miles from north to south. The economic advantages that it renders are chiefly these: (1) *it obstructs the moisture-bearing currents*. The moisture either falls as rain or is frozen into snow and supplies the plains and rivers with rain-water. (2) *All the great rivers of India come from the Himalayas*. The northern plain owes much of its productiveness to those rivers for they bring down *water* from the snows and *silt* from the mountain sides. (3) The *water power* furnished by the hill streams is of great economic value when fully utilised for mill purposes. (4) *Vegetation* varies according to climate, more abundant in the moister east than in the drier west. Large areas of forest afford valuable supplies of timber, such as Deodar, Sal, Teak, etc.,—near the plains, rice, maize, millets are grown, higher up, wheat and barley. Tea is grown in Assam, Darjeeling and the Kangra Valley. Fruit is grown in the drier range specially in Kashmir and the Punjab. The forest of the Himalayas affords shelter to a large number of animals. (5) The forests in the lower valleys arrest a large quantity of rain water in the network of their

The economic advantages it renders are:—Helps raining.

Creates great rivers.

Supplies water power.

Vegetation.

Regulates water supply.

roots and these waters trickle down continuously throughout the year and supply summer streams with water during the dry months of the year. (6) The *scenery* of the Himalayas and its excellent *climate* attract a large number of tourists from different corners of the globe and they spend large sums of money there.

Scenery and climate.

II. The Indo-Gangetic plain.

This plain forms the major portion of the continental part of India, and stretches between the Himalayas and the Vindhyas. The three great river-systems that flow in this tract are the *Indus*, the *Ganges* and the *Brahmaputra*.

(*a*) The *Indus* flows for hundreds of miles through the rainless bed and receives therefore no tributary worth the name below the junction of the *Panchanad*. All the rivers are singularly wanting in tributaries and in order to water the province an extensive system of canals has been constructed.

The Indus.

(*b*) The *Ganges* is fed by a number of tributaries the waters of which are supplied every year from the melting of the snows of the Himalayas and the monsoon rain-fall. It does not only most effectually irrigate the whole area but the silt which is brought down and deposited, is mainly responsible for the great fertility of the Ganges Valley. Unlike the Indus and the Brahmaputra, the Ganges is a river of great historic cities. Calcutta, Patna, and Benares are built on her banks; Agra and the new capital Delhi on those of her tributary, the Jumna; and Allahabad on the tongue of land where the two sister streams unite. Until the opening of the railway system, 1855 to 1870, her magnificent stream formed almost the sole channel of traffic between Upper India and the

The Ganges.

A river of great historic cities.

High traffic.

seaboard. Notwithstanding the opening of the railways her traffic has not diminished but rather increased. Sir W. W. Hunter says that the 'Ganges may yet rank as *one of the greatest waterways in the world.*'

The Brahmaputra.

(*c*) The *Brahmaputra* becomes an Indian river after breaking through the mountains in the north-east Assam. In no part of its Indian course is the bed of the river more than 600 feet above the sea level and it therefore flows slowly enough to be largely used for traffic between Assam and Lower Bengal.

Economic aspects of these rivers.

The rivers of Northern India possess the following characteristic advantages :—(*a*) They are valuable as *irrigating* and *fertilising agents* ; (*b*) they afford ready *highways for traffic* ; (*c*) they are *land-makers* ; (*d*) they have a rapid upper course in the mountains, a slower lower course in the plains and empty themselves into the oceans by the deltas, and thus help *internal trade.* But the *defects* inherent in them are that *large steamers cannot ply in them* and the frequent *changes in their courses* inconvenience to a great degree the establishment of trade centres on their banks. This latter characteristic of the rivers as *land-destroyers* has carried havoc to many ancient towns and cities and trade centres. The Ravi in the Punjab has carried away the famous Sikh shrine of *Dera Nanak* ; the ancient *Hastinapur* can now only with difficulty be identified in a dried up bed of the Ganges, 57 miles north-east of present Delhi, and the splendid capital of *Kanauj* is seen mouldering in desolation 4 miles away from the modern river-bank. As *land-makers*, their contribution is great. The whole of Lower Bengal is the 'gift of the Ganges,' as Egypt is 'the gift of the Nile.'

Rivers as *land-destroyers.*

As *land-makers.*

A few trees like the palm grow in dry Sind but in the Punjab vegetation is varied and plentiful. There are forests preserved in the Tarai, Assam and in the central highlands. *Sal* is found in the north and *Teek* in Central India. In the Ganges valley prodigal forests can be abundantly found. *Mulberry* trees of Bengal have inaugurated silk industries in the province. In the winter *wheat* and *barley* grow in the Punjab, and *millets*, *sugarcane* and *oil-seeds* grow everywhere. *Rice* and *jute* grow in Lower Bengal where fields are easily flooded, and *opium* and *indigo* in humid and equable climates.

Vegetation and the products of the river plains.

The rainfall is periodic, most of it being received from May to September. The fall amounts to a very little quantity on plains west of the Aravalli hills and although the Punjab receives a certain amount of rain, Sind practically receives nothing. The greater humidity makes the climate of Bengal and Assam more equable than that of the Punjab and Sind, where the summer and winter temperatures are alike extreme.

The rainfall.

III. The Deccan Plateau.

The Deccan plateau is triangular in shape, its base being the Vindhya Ranges and the apex Cape Comorin. In the east it is supported by the Eastern Ghats and in the west by the Western Ghats. The tableland generally slopes from west to east but north of Western Ghats the slope is from east to west.

The Deccan Plateau.

The rivers of Southern India are not fed by the melting snows of mountains but by the rains. So during the rains they become swollen and in the summer become almost dried up. So, a meagre rainfall causes *drought* and brings in its wake terrible famines. They have rapid courses and are thus unnavigable except for a few miles

Southern India rivers.

at their mouths. On the tableland they have long upper courses and then they abruptly descend to the coast plain through gorges. Thus they are less valuable for purposes of *irrigation* and *navigation* than the Northern India rivers.

Climate and rainfall.

The climate is equable for its proximity to the sea and its elevation. The most part of its rainfall is the gift of the south-west monsoon. This tract falls within the region of uncertain rainfall. The north-east monsoon also supplies a good deal of rain water to the eastern coast.

Products.

Millets, *oil-seeds*, *tobacco*, *sugarcane*, *pulses*, etc., are fairly distributed throughout the tableland. *Rice* grows in Madras. But the most valuable crop is *cotton*. *Tea* and *coffee* grow well on the warm damp hill sides in the south and *spices* flourish along the south-east coast strip. There are four great forest regions in the Deccan. The principal trees being, *Teek*, *Sal*, *Ebony* and *Sandal-wood*. The *chincona* trees also grow on the mountains and *cocoanuts* on the southern plain. Moreover, the Deccan plateau is rich in mineral products, *coal*, *lime*, *iron*, *manganese*, *mica*, *gold*, etc., being the chief of them.

IV. Burma.

Burma.

Burma is essentially a mountainous country, a continuation of the eastern end of the Himalayas. The *rainfall* is constant and the supply of water in the rivers is always sufficient. The *Irrawadi* is the principal river and is the great commercial highway of Burma. It is navigable for 800 miles. The *Burma forests* are well-known in India. The principal crop is "*Burma rice*," though *sugarcane*, *tobacco*, *millets*, *cotton* and other crops

are fairly distributed throughout the country. Burma is famous for its rich hoard of *rubies*.

§ Soils of India :

The three principal geological types of soils of India are :—

(*a*) The *Alluvial tracts*. They are the most extensive and agriculturally the most important kind of soil. They extend over the greater portions of Sind, Rajputana, the Punjab, the United Provinces, Bengal, certain districts of Madras, extensive tracts in Burma and Assam, and the Eastern and Western coast-strips of the peninsula. With a well-distributed rainfall the alluvial soils are capable of growing a great variety of *kharif* and *rabi* crops.

Alluvial Tracts.

(*b*) *The Deccan trap formation*. It covers the greater portion of the Bombay Presidency, Berar and the western parts of the Central Provinces and Hyderabad. True *black cotton soils* occur within the area of the Deccan trap and are also found in the river valleys outside the Deccan trap. *Jowar*, *Bazra*, various *pulses*, *Niger seed* and other kinds of *millets* are grown in these soils.

Deccan trap formation.

(*c*) *Crystalline Tract*. It occupies the whole of Peninsular India outside the areas of the Deccan trap and the alluvial soils. Rice grows abundantly when these soils are well-irrigated by canals, and also under *well-systems* great varieties of crops can be raised.

Crystalline Tract.

CHAPTER II.

AGRICULTURE.

§ Monsoons and the rainfall.

In the early summer the land becomes more hot than the waters of the seas below. So a gush of moist wind comes from the sea to displace the light air above the heated earth. This moisture in the wind gathers into vapour, and is borne northward by the monsoon or regular wind, which sets in from the south in the month of June. The monsoon carries the water-laden clouds northwards across India, and thus produces the 'rainy season,' on which agriculture so critically depends. It first strikes the Western Ghats and then passes higher up to the Himalayas. Large quantities of the moisture do not condense or fall as rain in passing over the hot plains. "A great condensation of rain is the immediate result of the fall in the temperature of the hot moist air as it is forced to rise in passing across the mountains." So the rainfall in the Ghats and in the Himalayas is higher than in the plains, Madras getting little rain, the moisture having already been condensed by the mountains. This is the so-called *South-west Monsoon current.*

South-west monsoon.

Conversely, when in the winter the land radiates heat and becomes cooler than the seas, a stream of moist wind begins to flow from the land towards the seas. This is the so-called *North-east monsoon.*

North-east monsoon.

(*a*) **The South-west monsoon :**—It sets in during the first fortnight of June on the Bombay and Bengal coasts and gives more or less general rain in nearly every

The South-west monsoon

part of India during the next three months. Upon the proper quantity of this rainfall depends almost entirely the prosperity or sufferings of the peasantry of the whole of India.

Three Currents.

Under the action of Ferrel's Law this monsoon current comes from the south-western direction, and for practical purposes may be analysed into three currents, the *Bombay Current*, the *Burma Current* and the *Bengal Current*, naming them in order of importance. The *Bombay current* first comes in collision with the Ghats and most of the moisture becomes condensed, giving a copious rain. Going further up it gives practically no rain. This accounts for rainless Sind, sandy Rajputana, the dry Punjab, and droughty Madras. The *Bengal current* on the otherband, freely travels over Bengal, Behar and the hill tracts, giving heavy downpours until it is arrested by the Himalayas. The little moisture that still exists in the current is then deflected westwards by the force of the collision with the mountains. This flow, again, combines with the Bombay current and the whole tract from Bengal to Punjab is moderately watered by the rains. The Burma current gives heavy rain to Burma.

The Bombay Current.

The Bengal Current.

The Burma Current.

(*b*) The **North-east monsoon** which is really the south-west monsoon in retreat gives to the south-east of the peninsula its heavier rainfall between October and December. It gives about one-tenth of the total rainfall of the year. In addition to Madras, it also gives rain to the Hyderabad States, Berar, some parts of the Central Provinces, and Bombay. The Punjab profits a great deal by this cold weather rains.

The North-east monsoon.

Thus we see that rainfall is not definitely constant throughout India. The variation has consequently given

rise to the classification of the country into *distinct zones* according to the degree of their susceptibility to drought.

Three well-marked zones.

The parts which are most liable to drought or famine are recognized as the *famine zones*. The whole country is divided into three well-marked divisions or regions :—

(*a*) The area of *constant rainfall*.

(*b*) The area of *drought*.

(*c*) The area of *uncertain rainfall*.

Constant rainfall.

The *first region*, which includes Eastern Bengal, Assam, the Central Provinces, and western coast strips, is rendered secure against famine by constant natural moisture supply in the form of rains, and the *second region* which includes Sind, Western Rajputana and the Western Punjab, by artificial irrigation. The *third region* which includes the area of 10 to 30 inches of rain extend from Lahore to Allahabad, and finally to Bombay, across Ajmeer, Oodaipur and Baroda. The Deccan up to Mysore comprises insecure tracts which *nine years out of ten* get enough rain to tempt a large population to grow crops without irrigation and in the tenth year or thereabout they are afflicted with a complete drought.

Drought zone.

Uncertain rainfall zone.

Why the distribution of rainfall is uncertain.

The meteorology of India, which is largely a result of its geographical position, explains the cause of this unequal distribution of rain. The inequality rests upon the geographical *situation* as regards the monsoons, *height* above the sea level, and the *temperature* of the country.

§ Agriculture and Population.

Agriculture and Population.

Agriculture in India gives occupation, directly and indirectly, to a large majority of the population of the country. The Census Statistics of 1901 show that it gave occupation to 68 p. c. of the population of British

India and 60 p. c. of the people in the Native States. Further, to these may be added an appreciable amount of the people who live in villages, some, whose occupation *depends upon the cultivator*, and some who engage in agriculture as a *subsidiary pursuit*. It has been estimated that nine-tenths of the rural population of India live, directly or indirectly, by agriculture."

Rural Population.

But this over-zeal in agricultural pursuit is fraught with great risks. Had the people been fairly distributed all over the country, agriculture would have found a greater scope, and improved their economic prospects instead of handicapping and crippling them. But the case is otherwise. While the hills of the Central Provinces and the sands of Western Rajputana, are *scarcely occupied* at all, great masses of people are *huddled together* in the Lower Ganges Valley and in the deltas of southern Madras. There are large tracts of country with *fewer inhabitants* than the soil can easily support, *e. g.* North and Eastern Bengal and Burma. There are again large tracts, *e. g*, North Behar, where *population is so great* that even in good years the crops do little more than provide sufficient food for the inhabitants. There is still plenty of land for the whole of the rural population. Good dry crop producing land lies waste notedly in Central India and in the Central Provinces because there are not enough people or cattle for cultivation. In other parts, specially in the Deccan, cultivation has been extended from the *best to the very poorest* description of soil. The cultivators of these poorer soils make only a bare living in favourable seasons and flock to relief works in famine years. The natural remedies for these are **industrialisation** and **emigration**.

Bad distribution of population.

Waste lands.

The problem of agriculture

Absolute recourse to agriculture as a means of livelihood for a whole country, specially for so big a one as India, is a most precarious policy. There comes a time, it must come in India—when the average agricultural income per head ceases to expand for two reasons—*first*, that the population goes on increasing; and *secondly*, that the area of fresh ground available for cultivation is finally taken up and thereby exhausted. "When this point is reached," said Lord Curzon, "what *a prudent Government endeavours* to do is *to increase its non-agricultural sources of income*. It is for this reason that I welcome the investment of capital and the employment of labour upon railways, canals, in factories, workshops, mills, coal-mines, metalliferous mines, and on tea, sugar, and indigo plantations. They diminish *pro tanto* the strain upon the agricultural population and bring money into the country and circulate it to and fro." Similarly, long ago, Lord Ripon said, when opening the Exhibition of Industrial Arts in Calcutta (1884); 'No one who considers the economic condition of India can doubt that one of its *greatest evils* is to be found in the fact that the great mass of the people of the country are dependent almost exclusively upon the cultivation of the soil. This circumstance tends at one and the same time to *depress the position* of the cultivators, to aggravate the evils of *famine*, and also to *lower wages* generally. It also tends to maintain the population in the depth of *ignorance* in which it is now sunk. It will always be found in all countries of the world that the *artizans are more highly educated* than the peasantry."

Lord Curzon's view.

Lord Ripon's view.

The truth of the above remarks becomes manifest to us when we compare the Census Statistics of a highly

prosperous industrial country with that of a poor famine-stricken agricultural country like India. Census statistics show that the total male population engaged in *industries* in England are 19·6 per cent; in Scotland the number is 19·8; in Ireland, 'that unfortunate annex of the British dominions', the number is only 3·4; in Bengal, the number falls to the incredibly small proportion of only 1·7. On the other hand, the proportion of the total male population of the country of all ages engaged in agricultural pursuits is in England 12·4; in Scotland it is 11·6; in poverty-stricken Ireland it is 33; and in Bengal it is 37·9. For our present purposes we do not propose here to go into further details about industrialisation and so we leave the subject for a later chapter.

Industry and prosperity.

Agriculture and poverty.

As regards **Emigration** the first difficulty that confronts us is that "the Indian peasant clings to the neighbourhood of his own home, however much it may be overcrowded." Of late years there have been some *migrations*, as from Bengal and C. P. to Assam, from the United Provinces to Bengal, from Madras and Chittagong to Burma, and outside of India to Ceylon, Mauritius, South Africa, British Guiana, and other Colonies: but on such a small scale that 'little relief has been given to either conjested or sparsely populated districts. A great deal of land in the Punjab and Sind has, however, been brought under canal irrigation recently and has been colonized by people from thickly inhabited tracts."

Emigration.

Internal migrations.

Though the question of *internal migrations* has to some extent been solved, the *foreign emigration* problem remains a burning question of the day. Indians in Canada, Fizi Islands, South Africa and in other places have been most ruthlessly treated and sometimes forced to

Foreign emigration.

return home on failing to satisfy most uncompromising terms. Recently, the problem assumed a crisis in *South Africa*. The British tea-planters and mine-owners of *Natal*, a little over half-a-century ago (in 1859), made a representation to the India Government through the Home Government for a supply of indentured labourers every year from India under promises of lively and cheerful prospects. Accordingly the first batch of Indians crossed the Indian Ocean from Bombay in 1860. Gradually these indentured Indians, as well as a number of free Indians, grew in number there and they crossed the British frontier to Transvaal seeking 'fresh fields and pastures new' for ordinary trade, agriculture and business purposes. They were, however, soon found very hard to compete with on equal terms. This led to the beginning of sorrows for the Indians. The treatment accorded to the Indians constituted a special ground in the eyes of Joseph Chamberlain, the then Colonial Secretary of England, to go into war with Kruger's Republic early this century. The Indians helped Britain during the war with all their might and strength and raised an ambulance corps thousand strong to help the wounded and the sick on the British side. To their disappointment, however, after the conclusion of the war, the Transvaal Government passed an *Asiatic Law Amendment Ordinance* (1906) restricting the liberty and freedom of the Indians, the most galling of which was *compulsory registration* with thumb impressions for the purposes of either domicile, trade or labour. Though this Ordinance was eventually withdrawn in 1907, an *Immigration Restriction Law* was passed introducing for the first time a *racial and colour bar*, soon after responsible Government was granted to South Africa.

South African Question.

The beginning.

The Boer War.

First law of humiliation.

The Act *excluded* from the colony all the Indians who had not *already acquired a legal right* to be in the colony. It also gave absolute discretionary powers to the ministers to drive out from the colony any person considered to be a danger to peace, order and good government of the colony. The *passive resistance campaign* which followed was conducted by Mr. M. K. Gandhi and was only given up in 1910 on the distinct assurance of a responsible minister that due justice should be made. The negotiations that followed, however, failed and the restrictions were extended to all the provinces of the S. A. Union Government beyond Transvaal. Lately, the new *Immigration Act* which received the royal consent not only maintained the old racial bar but also retained the license-tax of £ 3 and prohibited the free entry of wives and children of people married under religions which permit polygamy, and *further* the Indians were prohibited from entering Orange Free State without making a declaration which is not wanted of any Europeans. Lord Ampthill, Lord Curzon, Lord Lamington, Lord Morley, **Lord Hardinge,** Lord Sydenham, Sir Valentile Chirol, Mr. Ramsay Macdonald, Mr. Pollock and others strongly denounced such treatment of the Indians. Thanks to the right-minded justice and active sympathy of the British statesmen and the *head of the India Government* that such galling restictions have been made to be withdrawn by the Union Government at the instance of General Smuts.

The second law.

The negotiation and its failure.

The final Act.

The great champions of the Indian's cause.

Of the self-governing Colonies South Africa has by far the largest Indian population, the number being above a lakh and a half, Natal alone counting a lakh and a quarter. This is, however, the result of ordinary migration. The natural increase of the Indian population

in South Africa is now much larger than the increase by immigration.

The following are the other important countries where Indians have emigrated to an appreciable extent:—

Mauritius.

Mauritius:—The Census Returns of 1881, show that more than two-thirds of the population of the island are of Indian origin, and at present the number is about a quarter of a million. They generally find employment in domestic service, docks, plantations and in retail trades. The indentured coolies are employed in the sugar-cane plantations and sugar manufactories. The treatment meted out to them was thus described in 1883: "While the Government of India have taken great care to secure the satisfactory regulation of the Emigrant ships, the Laws of the island have been so unjust to the coloured people, and so much to the advantage of the Planters, that gross evils and abuses have risen from time to time."

Unjust Laws.

British Guiana.

British Guiana:—The Labour Laws are as stringent and one-sided as those of Mauritius. The emigrants generally return home after a certain period but there are many who settle themselves permanently. The majority of these Indian settlers are employed on the Farms, a few keep cows and ply-carts, and there are Lodging-Houses and Shops owned and managed by the Indians. A few have also enlisted in the Police, and in the Army. The Indian population now numbers about a quarter of a million.

The emigrants' occupations.

Trinidad.

Trinidad:—Sugar, Coffee, Cocoa, Cotton, Tobacco and Indigo are chiefly produced in the island. The condition of the Trinidad coolies compares favourably with those of Mauritius and British Guiana. The Indians

Treatment better.

form more than two-third of the entire population of the island. The permanent Indian population is over a lakh.

Fiji:—The chief industry in the island is the cultivation of suger-cane. The number of Indians emigrated there was about 40,000 in 1914. Fiji.

Jamaica:—The chief products of the island are Sugar, Rum and Coffee. The Indian coolies are employed chiefly in Sugar and Coffee Plantations and in the Breeding Pens on the hills. The condition of employment are on the whole satisfactory. Jamaica. Principal industries.

The period of indenture in the above colonies extend from five to twelve years and the average rate of wages fluctuate from 8 to 12 annas a day. The emigrants get free double passage and rations and houses and generally return to India with large fortunes. In the last eight years the average number of coolies emigrating totalled 7, 000 per annum. The terms of *indenture*.

Justice Ranade says that "No object of National Economy is more directly practical in its bearings upon the prosperity of the people than the question of providing expansive and remunerative labour facilities commensurate with the natural growth of the population." Ranade's remark.

United States:—Indian emigration into U. S. A is of recent growth. The flow began with a few professors and lecturers of religion, then came the students, followed ultimately by the labourers, merchants, and others. Though the Indians are treated generally with respect in U. S. A. the country as a whole does not believe in the prospects of the immigration of a coloured race. The recent treatment of the Indians by the Cana-

dians is very discouraging to the Indian emigrants in America. Indian population in Canada does not exceed five thousands.

Why immigration is resented by the Colonists.

The Colonists view with disfavour the immigration of the Indians for the following reasons :—

Danger of inter-marriage.

(1) They fear the *danger of inter-marriage* between the coloured and the white population which might degenerate the latter.

Claiming of civic rights.

(2) They view with apprehension the spread of education and the growth of prosperity among the coloured races. If the two processes continue it would be hard for them to deny *civic rights* to the immigrants, and who knows that their increasing numerical majority would not drive them some day to the corner in the political arena.

Fear of under-selling.

(3) There is the fear that the Indians who live cheaply will ultimately under-sell the Europeans in the trades and get a monopoly of it in the Colonies.

Lowering of the standard of life.

(4) Again, the influx of a poor, dirty, ignorant mass of human beings is expected to keep down permanently the standard of economic life, and it might ultimately destroy the order and probably the structure of society. (cf. Taussig, p. 140. Vol. II.)

Sanction of the Imperial Government.

(5) Lastly, the acquiescence of the Colonial Secretary Lord Elgin, in some of the measures adopted by the South African Union (1907-08), has convinced the Colonists in the propriety of the policy adopted by them, and from this state of things the Imperial Government now finds an escape difficult.

Andrews and Pearson.

In 1915 two English missionaries Revds. C. F. Andrews and W. W. Pearson visited Fiji and enquired into the condition of indentured labour there. The report they

submitted to the Government was appalling to the sentiments of the Indians, and following it Lord Hardinge's Government promised the entire abolition of indenture in the islands. The announcement evoked applause all over the country, though from an economic point of view we cannot wholly endorse such a policy. Even a cursory glance at the report shows that the evils which have sprung up are largely responsible for want of a good leadership and thorough negligence of the mother country towards their emigrated enterprising sons. A strong committee at home and the united efforts of the religious societies whose members emigrate abroad can easily do away with much of the irreligiousness and moral degeneration to which the emigrants are said to be so prone to fall a prey.

Lord Hardinge's proposal to abolish the system.

Not a convincing solution.

The total abolition of the indenture system is likely to produce much more mischief. In 1914 Mr. J. Mc Neill, I.C.S., and Mr. Chimman Lal, who went on a tour of inspection to enquire into the conditions under which the emigrants lived and worked in the Colonies, wrote thus: "The Emigrants live under very much better conditions than their relatives in India, and have had opportunities of prospering which exceeded their own wildest hopes. They became citizens of the Colonies to which they emigrated and both they and their descendents have attained to positions commanding general respect and consideration." And however pessimistic the report of the missionaries is, it is admitted by them also that the free emigrants are much more well off in circumstances than their brethren at home, some earning as much as ten thousands of rupees a year.

The emigrants generally live a prosperous life.

The present position of the indenture system was thus stated by **Lord Chelmsford**, the Viceroy, in the Indian

Lord Chelmsford on the system.

Legislative Council in 1916: "We are not going to substitute a separate scheme for indentured emigration, but we are contemplating a very different matter, viz., the *control of the operations of persons so engaged.* We can not limit the individual right to emigrate, but we are to try to devise arrangements which will secure that *recruitment in this country is conducted under decent conditions*, that a proper *sex ratio will be maintained*, and that, on arrival in the country of their destination, *they will be properly treated* and allowed to engage themselves *on conditions at least as free* as those obtaining at present in the Malay Peninsula, where a labourer can leave his employer by *giving a month's notice.* There are only a very small number who emigrate as genuine free labourers, that is to say, unassisted by pecuniary help and uninvited by any interested agency. In case we abolish the indenture system, the parties interested in procuring Indian labour will be free to induce labour to emigrate by pecuniary help under *any conditions* they like. The evils that will arise thereof will vie with the conditions existing in Assam in 1901 and which Mr. Charles Rivaz put it in his speech thus, 'that a horde of unlicensed and uncontrolled labour-purveyors and recruiters sprang into existence who, under the guise of assisting free emigration, made large illicit gains by inducing under false pretences ignorant men and women to allow themselves to be conveyed to Assam.' The abuses complained of arose in connection with the recruitment and not with the contract. So uncontrolled recruitment cannot, it is clear, be permitted under any circumstances".

Not to abolish but to control the perations.

The great evils of abolition.

Assam Labour reviewed.

An exaggerated fear.

The fear that the Self-governing Colonies may be deluged by Indian immigration is greatly exaggerated. The total number of Indian emigrants abroad is under

two millions, and of these the majority are to be found in tropical countries. Ceylon alone absorbs about a million, Mauritius and British Guiana a half, and the Straits Settlements and Malay States a little less than a quarter million. Of the Self-governing Colonies, South Africa employs a lakh and a half, Australia 7,000, and the Dominion of Canada 4,500 in all. Again, in future this number is not susceptible of great increase. The demand for labour in India is always greatly in excess of the supply. Bombay cotton mills, the tea plantations of Assam, and the coal mines and jute mills of Bengal always suffer from the chronic difficulty of labour shortage. As industrial expansion proceeds and agricultural methods improve, as more land is brought under cultivation, there must be a diminishing likelihood of emigration from India on any large scale. Add to this the inherent reluctance of the Indian to go far from home, and it will be apparent that the danger of "white men's countries" being swamped by Indian emigrants is a distant likelihood. It is never likely to assume such proportions as would pass the wit of statesmen to control. Finally, we hope that the present comrade-ship-in-arms and partnership in death for the cause of the great Empire will kindle respect and appreciation for the Indians in the eyes of the Colonists.

Distribution of the emigrant population.

Emigration cannot greatly increase.

Home demand.

Home attachment.

A confident hope.

§ Manures.

In the changes of her climate from summer to winter and in the configuration of her soil, India possesses a diversity of conditions that enables her to produce almost any known crop. But the soils are rather deficient in phosphoric acid, nitrogen and organic-

Need for manures.

matter. One of the chief obstacles of Indian agriculture is the need of manure. "*Water and manure together, says Dr. Voelcker, represent in brief the ryots main wants.*"

Chief forms of manures.

The chief forms of manure supplies are derived, (*a*) from the *dung of the animals*, the litter of cattle sheds, and *household waste*. (*b*) The *urine of farm animals* is as valuable a fertilizer as dung but the whole quantity of it is daily wasted and dung is burned as fuel. The Government, as an encouragement for the use of the dung as manure, reserves and controls areas in order to supply firewood where there is a demand for fuel for burning, and gives free or at a reduced price timbers from state forests. In the towns, the cattle are fed on concentrated food produced by agriculture, but little of their manure goes back to the land. (*c*) If *town manures*, such as town sweepings and night-soils, be fully utilized the Indian agriculture could be greatly helped. "Town sewage, if purified in septic tanks and filter beds, gives an affluent which produces an enormous out-turn of valuable garden crops, and can be used as continuously as canal water on land suitable for irrigation." (*d*) In some parts of Madras and Mysore peasants cultivate particular trees in order to manure their lands with their *leaves and tender twigs*. The planters in Ceylon use green manures with effect to a great extent. (*e*) India is very poor as regards *mineral manures*. Mineral *phosphates* found in the country are generally of poor quality. Crude *nitre* is a local product in the north of India and in Madras. *Gypsum* is obtained extensively in the salt ranges and other places. (*f*) *Bones* as a manure have never found appreciation at the hands of the cultivators of India due to religious and caste

Animal dung.

Urine of farm animals.

Town manures.

Leaves and tender twigs.

Mineral manures.

prejudices, also partly to the difficulty of crushing and heating them and partly to their small effect on some Indian soils. There are about twenty-five bone-mills in India. (*g*) *Oil-cakes* are extensively used as manures. (*h*) *Fish manure* is used along the west coast in various places where fish is not taken as food. (*i*) *Sea-weed* as a manure is available in immense quantities on the sea-coast line of railway in Ceylon and is a valuable fertiliser. (*j*) Government Economic Products Department has discovered that the *rice-husk-ash* is a good fertilizer and recommended the utilization of a hitherto unused bye-product of the Burma mills.

Bones.

Oil-cakes.

Fish manure.

Sea-weed.

Rice-husk-ash.

"The practice of regular *rotation of crops* is followed in many parts of India. The staple crops are regulated by local conditions of soil and climate and the rotations that are possible are similarly determined as the result of experience." The usual practice of *growing mixed crops* in India serves the purposes and reaps the advantages of a rotation of crops. The habit of growing mixed crops has the *two-fold advantage* of maintaining the fertility of the soil, and minimising the risk of a total failure of an *only* crop, e. g., if the 'cereal fails, the pulse may succeed and vice versa'. Moreover, certain crops are such that they enrich the soil and make up the losses which accompanying crops inflict upon the land. Of the *pulses*, which are great fertilizers of land, *Arahar* is the greatest contributor. Again, as it ripens its leaves fall and they further enrich the soil. The extent of *fallowing* varies with local condition of soil and climate. In northern India *Ravi* is followed by nearly three months rest and the *Kharif* by an interval of nine or ten months. Throughout Peninsular India where the agricultural population

Rotation of crops as a fertilizing means.

Advantages of Mixed Crops.

Two-fold advantages.

Fallowing.

is not congested, land which has become reduced in fertility by cropping is allowed to lie waste usually for several years to recover fertility. This practice is chiefly due to want of sufficient *capital*, *labour*, *cattle* and *manure*.

§ The Indian Ryot.

Sir John Strachey says that "it is probable that 90 p.c. of the whole population are so closely connected with the land that they may properly be called agricultural." Taking into account this immense magnitude of importance of agriculture, the Government of India appointed in 1889 *Dr. Voelcker* to enquire into the conditions of the Indian peasants and suggest possible methods of improvements regarding them. He made the following remarks about Indian peasants:—"At his best the Indian ryot or cultivator is quite as good as, and in some respects the superior of, the average British farmer, while at his worst it can only be said that this state is brought about largely by an absence of facilities for improvement which is probably unequalled in any other country." He will patiently and uncomplainingly fight with his difficulties and will not hesitate to adopt improvements if he is convinced that it will conduce to his benefit. Some races are superior in hereditary skill to others, *e. g.*, the Jats and Kurmis to Rajputs and Brahmans. "Nowhere is greater industry shown than by the hardy hillmen who cultivate terraced patches on the slopes of the foothills of the Himalayas." But with due respect to all these remarks it can never be denied that he is not always very efficient, nay, sometimes hopelessly inefficient, in comparison with the peasants of the other countries of the world.

Dr. Voelcker's appointment.

His opinion about Indian peasants.

The *principal drawbacks* of Indian agriculture are :— (a) The chief obstacles to the improvement of Indian agriculture are the want of *water and manures.* (b) *Chronic ignorance* of the cultivator class. (c) *Want of cheap credit* and *banking* facilities. (d) Absence of co-operative associations that will supply them with seeds and implements at a lower cost. (e) Want of *advanced knowledge* in agriculture through books and magazines. (f) Meagre *supply of cattle*, degraded in quality. (*g*) A little *higher rate of rent* demand.

Draw-backs of Indian agriculture.
Water and manures.
Ignorance.
Credit and banking.
Co-operative associations.
Agricultural knowledge.
Cattle.
High rent.

The Government, however, paid sympathetic attention to these drawbacks and largely acted upon the report and recommendations of Dr. Voelcker. The latter in his *Report on the Improvement of Indian Agriculture* made the following recommendations :—(*a*) The spread of *general and agricultural education* and the preparation of suitable text-books in the vernaculars for the purpose. (*b*) The use of *manures* and the *excavation of canals, wells and tanks* in those tracts of the country where they are required. (*c*) The establishments of *model farms* and the trial of *new implements* which were to be distributed among the peasants when they prove to be advantageous and economical. (*d*) The distribution of *seed* from agricultural farms. (*e*) The active undertaking and encouragement of cattle-breeding. (*f*) Organized *enquiries* by agricultural departments *into the irrigation requirements* of each district. (*g*) The advancement of the *Tacquavi loans* for productive purposes, especially in times of scarcity.

Dr. Voelcker's recommendations.
Education.
Manures and water.
Model farms.
Seed.
Cattle-breeding.
Irrigation.
Loans.

To the credit of the Government be it said, that it substantially followed the recommendations so far as the finances did permit. But to improve the condition of

Why government fails.

agriculture in such a vast country like India, the might of the Government is quite insufficient and active co-operation of the class, who enjoy permanently the benefits of agriculture, is absolutely required. The Zaminders of the permanently settled tracts of India will utterly fail in the discharge of their *trusts* if they do not come forward with their purses to help the destitute cultivator, whose good, however, means a *greater good to them.*

What has the government done.

The Government has taken the following measures to help *agriculture in general* :—(1) It has actively undertaken the task of *irrigating* the country. Though there is much left to be accomplished, the Government

Irrigation.

is doing its part moderately well. Now it is the imperative duty of the landholders and Zaminders to actively co-operate with the Government instead of hindering Government schemes by demanding exorbitant sums for the use of their lands or passively allowing the government officials to misappropriate a greater amount of the sanctioned money. (2) The Government is

Manures.

trying to spread informations about *manures* but unless the proprietors of land help the former, it is simply impossible for a handful of paid officials to meet every peasant and make him understand its advantages. (3)

Protective Railways.

The Government has constructed *protective railways* to facilitate transportation of food grains in times of scarcity and to open new fields of cultivation in sparsely populated

Experimental farms and colleges.

areas. (4) The Government has made facilities for the acquisition of agricultural knowledge by establishing experimental farms and agricultural colleges (*e.g.* at Pusa). "Technical education in agriculture has been hitherto represented by the instruction given at the colleges of Poona and Saidapet, and by Schools at Cawnpore,

Nagpur, and Sibpur; while for teaching of an advanced type, Indian Students have had to attend the educational institutions in England." (5) The government has made judicious *improvements in the revenue and rent systems* by taking measures for the prompt relaxation of government demands when there is failure of harvests. (6) The government has passed the *Co-operative Credit Society Act* to give relief to millions of improvident cultivators from chronic indebtedness. It also passed the *Land Improvement Loans Act* and the *Agricultural Loans Act*. It is expected that the effects of these Acts will produce better results than improving merely the ryot's pecuniary position. It is hoped that the moral and social tone of their life will be greatly improved and co-operation will pervade every act of their lives, through and through. (7) The government has opened *primary schools* in the most remote villages for the education of the cultivator's sons. Though the beginning is slow and leaves much to be desired, we may hope that the time will soon come when Gokhale's Bill will be thought necessary to be voted and passed. If the local Zaminders spend a little money, which they unrelentingly extort from their ryots in various shapes, for the education of the cultivator's sons, then great many things may become possible and the obloquy of an incompetent, ill-paid and ill-fed *Gurumahasaya* of an Indian *Pathsala*, may be removed. Education is a necessity and until a peasant learns the modern conditions of life, he will become improvident and anything in the form of a reduction of land revenue, Co-operative Acts, etc. will do him but little good. (8) The government has also taken measures *to improve the breed of cattle* by establishing breeding farms at different

Revenue and Rent.

Co-operative Credit Society.

Primary Schools.

Cattle-breeding.

centres. It has also established a *Civil Veterinary Department* in each province, with District Veterinary dispensaries and itinerary native officers to control rinderpest by inoculation, and other less deadly cattle diseases by segregation and treatment. But the question of slaughter of animals has never seriously engaged the attention of the government. A stringent measure (in the shape of a high license fee) against the slaughter of kine, we believe, would justify the government, as milk butter and *ghee* are the chief articles of nourishment to the Indians and the he-animals are of great importance to the agriculturists.

Slaughter of animals is to be discouraged.

§ Irrigation.

'Speaking broadly,' says Dr. Voelcker, 'the normal state of an English soil is "wet" and that of most Indian soils "dry" ; and whereas in the former the object is generally to get rid of the superfluous water by means of drainage, the difficulty in India is, as a rule, to keep the moisture in the land.' 'Hence the paramount importance of irrigation in a country throughout the greater part of which the rainfall is uncertain, insufficient or unevenly distributed. Without irrigation large areas in India would lie permanently waste or could be cultivated only in years of exceptionally favourable rainfall."

Irrigation why important.

Irrigation works may be divided into three great types, viz, (1) *Lift works,* as for example, wells. The water is raised from a lower to a higher level by means of manual, animal or mechanical power. (2) *Storage works.* They are reservoirs formed by the arresting of water by means of dams. (3) *River works.* They consist usually of canals.

Lift works.

Storage works.

River works

All kinds of irrigation are not suitable for every kind of soil. The *alluvial tract* is specially favourable by its facilities for *canals* and *wells*, in the *crystalline tracts* irrigation from *tanks* is the most extensive, and in the *Deccan trap* a considerable area is cultivated under *wells*.

Kinds of irrigation and soils.

Wells play an important part in the agricultural system of India and need much to be encouraged. The great importance of well-irrigation lies in the fact that wells are mainly constructed by *private enterprise*. Further, the area cultivated by it aggregates to *30 p. c. of the total area* irrigated from works of all classes in British India. The *government* also is not idle to extend its helping hands to the agriculturists, and encourages the construction of wells (and other works of agricultural improvements) *by two ways*, by the system of agricultural advances known as *takavi*, and by the temporary or permanent *exemption from enhancement of revenue* of lands improved by well-irrigation. 'Takavi advances are made freely to approved applicants, the general rate of interest being 6¼ p c., except in Madras and Bombay, where it is only 5 p. c. Recovery is made by instalments extending over periods varying from seven to thirty years.' In Madras and Bombay no enhancement of land revenue is effected on the ground of enhanced value of land due to improvements, while in the other provinces, the exemption lasts for specific and reasonable periods.

Well-irrigation in India.

Private enterprise and government help.

Takavi loans.

The alluvial plains of Northern India which contains an inexhaustible supply of subsoil water, are most favourable for well-irrigation. The chief well-irrigated provinces are the Punjab, the United Provinces, Madras

Well-irrigated Provinces.

and Bombay. Wells are either *temporary*, (*i. e.*, those which are abandoned after one or two years' working), or *permanent* (*i. e.* those which last for an indefinite period). Between these two types there is another type known as *intermediate type.*

Temporary and Permanent wells.

'*Tank-irrigation* is practically unknown in the Punjab and in Sind, but is to be found in some form or other in all other provinces, including Burma.' They are of all sizes, ranging from the great lakes, formed by the erection of high dams across the beds of large but irregularly flowing rivers, to the small village tanks. The system of damming rivers for storing water for irrigation purposes was in vogue in India from very early times and most of the now existing tanks are merely the remains of the old Indian works. It differs from wells in that its administration is generally left in the *hands of the state*, the arrangement originating mainly from the inability of private individuals to cope with the difficulties natural to its magnitude.

Tank-irrigation.

The last but the most important kind of irrigation works are *river works* or *canals*. Excepting a few petty works, practically the whole system of canal irrigation has been constructed and maintained by the state. These works may be divided into two classes, *perennial* and *inundation* canals. Strictly speaking, a *perennial* canal is one in which there is an assured supply of water all the year round, while an *inundation* canal is one the bed of which is higher than the low-water level of the stream out of which it is fed, the supply of water coming in only when the stream is swollen. Canal irrigation was not unknown in India. The Grand Anicut of the Deccan, the Tungabhadra work of Krishna Raya, the Jumna Canal of Firoz Shah Tughlak and the improvements upon it by Akbar and

Canal irrigation.

Perennial and Inundation canals.

Ancient canal systems.

Shah Jehan, and many other such canals, are examples. At first it was thought possible that large irrigation works could be successfully constructed by *private enterprise*. So in 1857 the Madras Irrigation Company was formed to carry out the *Tungabhadra Project* and in 1860 the East India Irrigation and Canal Company was formed to carry out the *Orissa Canal Project*. Ultimately, however, the companies were unsuccessful, as the capital costs greatly exceeded the original estimates and the financial prospects proved very discouraging : and finally the Government purchased the works.

Private enterprise.

Their failures.

Since the Viceroyalty of Lord Lawrence, for departmental purposes, *irrigation works in India are divided into two classes,* viz, (1) the *Major* and (2) the *Minor* Works. The Major works may be divided into, (*a*) *Productive Public Works*, the capital for the construction and extension of which is actively and systematically provided out of borrowed money or by appropriation from the Famine Insurance Grant, and which are expected to yield within ten years of their completion sufficient revenue to pay their working expenses and the interest on the capital expended on their construction ; and the (*b*) *Protective Works*, which are designed as a protection against famine and the cost of which is provided out of current revenues or by appropriation from the Famine Insurance Grant. The *capital, revenue and interest accounts* are regulary kept for Major works. It should be noted, however, that Major works do not consist *entirely* of river works or canals. 'The irrigation works in the Punjab, Sind, the United Provinces and Bengal are all of this type ; but those in Madras and the Bombay-Deccan include some purely storage works and some canals, such as the Periyar Project and the Nira Canal, with which

Major and Minor Works.

Productive Public Works.

Protective Works.

Major works do not always consist of canals.

large storage works are combined.' Next comes the *Minor Works*. They are constructed from funds provided out of the current revenues of India. These works generally consist of old and indigenous irrigation works the maintenance and extension of which the Government has undertaken, and many other new small works which were lately constructed. Both kinds of works are classified as "Minor works for which capital accounts are kept." *Minor works may be divided into three classes from financial point of view*, viz,—(*a*) those for which neither capital nor revenue accounts are kept; (*b*) those for which both capital and revenue accounts are kept; (*c*) and those for which only revenue accounts are kept.

Minor Works.

Two kinds.

Of all the Provinces, the **Punjab** affords the greatest facilities for irrigation. Notwithstanding the construction of such canals as the West Jumna Canal, the Bari Dbab Canal, the Sirhind Canal, the Swat river Canal, the 'Shidhani, Lower Sohag and Para and Chenab Canals,' the Jhelum Canal and the Minor Punjab works, there still remain two large tracts, the *Bari Doab* and the *Sind Sagar Doab* where new fields for irrigation exist. The most dramatic irrigation work in the Punjab which has recently been completed is the *Triple Project*. The object of this project is to irrigate the formerly mentioned *Bari Doab*. But as the Chenub is not left with any surplus water after irrigating a certain area, it was resolved to draw the surplus water of Jhelum into it by means of a weir and then draw that water from the Chenub and finally irrigate the Doab. The scheme has now been carried into practice. In **Sind**, which is almost a rainless tract, artificial irrigation has converted a desert into an Oasis. In **Bombay** however, irrigation work is a financial failure and

Scope for irrigation works.

Irrigation in the Punjab.

Sind.

Bombay.

the two reasons which are ascribed to it, are, (*a*) the great cost of storage works and the precarious and unreliable nature of the water supply, and (*c*) the inconstancy of the demand due to regular seasonal distribution of the rainfall in most of the years. But in the **Deccan**, which is liable to severe famines, irrigation works are of urgent interest. Perhaps **Madras** is the leading Province where irrigation has been thoroughly appreciated; and it dates from the most earliest times. The storage of water constitutes the principle want. If the Tungabhadra Project, supported by large storage works and thus secured of an unfailing supply of water, can be constructed at an expense which will not be prohibitive, it can protect a very large area from famine. Numerous other works of small dimensions are possible in almost all districts, supported by storage works. State irrigation works in **Bengal** have never proved remunerative as the supply of natural rain water is constant in the Province. In Bengal, the only irrigation system of importance is the Midnapur Canal. "The field for the extension of canal irrigation in the **United Provinces** also is not large."

Deccan.

Madras.

Bengal.

Thus we see that though there is further scope for the extension of irrigation in some Provinces, the prospect of extension is not unlimited. The limitation is due mainly to the following causes:—(*a*) Rainfall in some Provinces is so *regular and constant* that irrigation proves as of no great importance, *e. g.* in Bengal, Assam and the greater part of Coorg; (*b*) the *difficulty of storing water* in times of sufficient rainfall for use during months or years of insufficient rainfall, *e. g.* in Madras, Guzerat and in the Deccan; (*c*) the *nature of the soil* sometimes does not allow canal irrigation, *e. g*, in Rajputana; (*d*) the *sur-*

Why irrigation can not be extended without limit.

face configuration of the country does not allow all kinds of irrigation works in every province, some are favourable for one kind, the others for a different type; (*e*) again, there are some *unavoidable* drawbacks, as when in a Province where there are great facilities for the extension of irrigation there are very few people to take advantage of it, *e. g.* the sparsely populated tracts of Central India and the United Provinces; (*f*) moreover, the Irrigation Commission of 1901-3 apprehended *inadequate supply of labour* in the Deccan to construct some irrigation projects, which was to cost six crores of rupees and was to be completed within a period of twenty years.

The Irrigation Commission of 1901-3.

The economic importance of irrigation was thoroughly vindicated during the famine years of 1896-1901 and the Government of India appointed the Irrigation Commission (1901-3) to investigate and report upon, (*a*) the productive, protective and financial results which has hitherto been attained by irrigation, (*d*) the extent which has hitherto been irrigated by the state, (*c*) the scope lying open in the different provinces, (*b*) and the method by which private enterprise can be stirred.

The Commission's recommendations.

The Commission recommended that, (a) the fields for the construction of new works on which the *net revenue would exceed the interest charges* were restricted to the Punjab, Sind and parts of Madras, and stated that the tracts in which most of such works could be constructed *were not liable to famine*; (*b*) the tracts in which protective irrigation was most wanted,—*e. g.* in the Deccan districts of Bombay and Madras, the Central Provinces and Bundelkhand—there was no prospect of new irrigation works *proving remunerative*: the Commission, however, recommended that works should be undertaken

in these tracts with a view to reducing the cost and mitigating the intensity of future famines; (*c*) they *reviewed* all irrigation works of importance in every province and pointed many *suggestive projects* for the protection of different tracts; (*d*) they sketched out a rough *programme of works for the next twenty years*, to add 6½ million acres to the irrigated area at a cost of £30 millions; (*e*) the Commission remarked *that the area protected by private irrigation is larger than that irrigated by the state* and suggested that the former should be encouraged by a more liberal and elastic system of government loans, by grants-in-aid in famine tracts, and by other means. They, however, expressed their conviction that though irrigation can restrict the area and mitigate the rigours of famines, it cannot entirely protect India from the visitations of famines. The recommendations with a few exceptions have been accepted by the Government of India and formed the basis of its policy. The impetus which this report gave to irrigation was considerable and subsequently it was found that the possibilities were even greater than those contemplated by the Commission. The expenditure in irrigation rose not only to the amount of a million-and-a-half pound yearly as suggested by the Commission but to a considerably higher figure. The accumulation of capital, the spread of the co-operative credit movement, the increasing use of power, such as oil engines working pumps and cheap electricity from hydro-electric projects, will bring under cultivation millions of acres of fallow and waste lands. It may be said with confidence that for a generation at least the demands for irrigatian in India will more than absorb the money-producing power of the government. Of the big canal schemes that are under

Their conclusion.

The result of the commission.

Projected schemes.

consideration now, the most important are the Lower Sutlez Canal, Sarda-Ganges-Jamna feeder, the titanic Sind-Sagar scheme and the construction of a weir at Sukker for irrigation in Sind.

How irrigation revenue is collected.

'The revenue receipts are obtained from charges made for water or for water advantages which depend not on the volume of the water supplied but on the *kind of crops cultivated* and the *areas irrigated*.' The revenues are assessed in quite different manner in the different provinces. Thus we see, (*a*) *in Madras, Sind, etc.*, the charge for water forms a part of the land revenue assessment. This system has many advantages where water is delivered to the same fields for the same kind of crops year after year. But it is inapplicable where water is applied to various crops and to different fields in different seasons; (*b*) *and in the Punjab, the United Provinces and Bengal*, the charge for water is levied in the form of a water-rate on the occupier. In Bengal, a system of *long water leases* has been introduced; in the other cases, the rate is chargeable only *in respect of fields* for which the water has actually been taken and the revenue fluctuates according to the *characters of the season*. The *average rate charged on* Major works is about Rs. 3-8 per acre and the Provincial averages fluctuate from Rs, 1-9 to Rs. 4-8 per acre. The *average percentage of net revenue* from water rate *on total capital outlay is* 6.3%.

Average rate charged.

Financial results.

The percentage of net revenue on the capital outlay on works in operation was in 1910-11 for *Productive Works*—8.2% and for *Protective Works*—1.01%. The standard now laid down for productive works was not attained in the case of some of the earlier irrigation projects in Bengal, Bombay and Madras, expenditure on which is now charged against current revenues although

they remain on the list of productive works. So the average yield was only 8·2%. But on leaving these out of account the remaining productive works paid in 1910—11, over 10% on the capital outlay and had up to that year contributed to the general revenues of the country after paying interest charges and running expenses over £ 35 millions, a sum considerably in excess of their capital cost. Over and above these objective considerations, we may add the following subjective financial considerations to make up and complete the balance-sheet regarding the revenue and expenditure in irrigation works. They are :— (1) the *reduction in the future cost of famine relief* and the *avoidance of human suffering* consequent upon it ;(2) the *increase in the wealth of the community* ; (3) *increase of food supply* and the alleviation of the chronic sufferings of the lower strata of society ; (4) some canals, e. g., the Jhelum and the Chenub, have succeeded in converting some railways, such as, the North Western Railway, from being a drain on the exchequer into a source of profit.

Does the revenue pay the outlay ?

Objective considerations.

Subjective considerations.

The Irrigation Commission of 1901-3 estimated the total area ordinarily irrigated in British India from all sources to be 44 million acres, the total cultivated area being taken at 226 million acres. In Sind 88 p. c. of the cultivated area is irrigated, in the Punjab (including the N. W. Provinces) 37 p. c., in Ajmeer 36·6, in U. P. 27 p. c., in Madras 29 p. c., Upper Burma 17·7 p. c., Bengal 10 p. c., and in Bombay and the Central Provinces 4 p. c. Statistics show that on the 31st March 1907 about 56 thousand miles of main and branch canals with tributaries had been constructed commanding 50 millions of acres of cultivable land, the productive canals yielding to the state a net profit of 227 lacs of rupees.

Area irrigated.

Canal Colonies.

Canal Colonies:—Canal Colonies prove to the greatest advantage the extreme case of improvement of land by irrigation. Canals have thoroughly altered the face of the country and to every poor peasant of old there lives as many as a hundred people contented and well-off in circumstances. The land which men were loathe to accept as a gift now sells at Rs 225 per acre.

(a) Chenab canal colony.

The largest of the Canal Colony is the **Chenab Canal Colony**. Before the construction of the canals in 1892 the population consisted of a few thousands of people mostly belonging to nomad tribes, and the revenue collection also amounted to only a few thousands of rupees. In 1912, however, the population rose to a little over 11 lacs and the net revenue to 94 lacs, the value of crops raised being above 6 crores of rupees. The area extends over a space of about 3900 square miles and the actual area cultivated was 2870 sq. miles. The area exported in 1912, 150,000 tons of wheat. The return on the capital cost of the canals was 32 p. c.

Population, revenue, area and trade.

(b) Jhelum canal colony.

The next important Canal Colony is the **Jhelum Canal Conoly**. It has flourished since 1902. The population has more than doubled in 1911. It covers an area of 900 sq. miles of which 630 sq. miles have been allotted to the colonists. The prosperity of the population is manifest on all sides.

(c) Chunian colony.

Another Canal Colony which deserves mention is the **Chunian Colony**. The area covers 130 sq. miles and the population in 1912 was 43,000. Other old canal colonies in the Punjab are the **Sohag-Para colony** in the Montogomery district and the **Sidhani colony** in the Multan district. Schemes for colonisation on the canals included in the Punjab Triple Canal Project are being prepared. In Sind, also, colonisation has been carried out on a considerable

scale since 1901 on the Jamrao, Nasrat and Dad Canals. At present the government is encouraging cattle-breeding and dairy-farming in the canal colonies.

A concession of some importance was made to peasant colonists in the Punjub in 1910, when it was decided to allow them to purchase proprietory rights, on very favourable terms, in all colonies except in the Jhelum colony. The concession was made possible by the passing of the Alienation of Land Act, which secures in another way the result that a former restriction, of the peasant's right to an inalienable right of occupancy, intended to achieve.

Why the government took upon itself the task of irrigating India has been thoroughly vindicated by the incapacity of private companies to cope successfully with the responsibility undertaken by them. Besides this practical difficulty there are other reasons intervening, the effects of which are more far-reaching. Now, if the private companies irrigate, the conflict would *first* arise in the allotment of profits from the increased land revenue due to irrigation works, the conflict taking place between the government and people on the one hand, and the companies on the other. *Secondly*, if the government allows the companies to levy rates, then a strict vigilance and control amounting to interference would be absolutely necessary, as the companies goaded by the motive of pecuniary gains may violate and interfere with the traditional rights of the landholders. Thus two-fold mischief may follow. *Thirdly*, the companies will never take up protective works, thus leaving to the government only the losing part of the game. The government can wait for the profit or even deliberately lose money for the welfare of the people but why should a

Irrigation by a private company.

Its defects.

private company suffer? Lastly, if the system of guarantee be introduced, private companies will come in herds but no one would take the slightest care to exercise due prudence and care, or economy in the construction and administration of works.

§ Cattle—Agricultural Live Stock.

In India, bulls, buffaloes, and cows, are the principal kinds of cattle. Sheep, goats, horses, donkeys and camels, also form a great part of the Live Stock.

Cows.

The cows are of great utility to the Indians. A large proportion of them, though old and decrepit, are left to live owing to the sanctity of them among the Hindus. In the deltaic areas and in the rice tracts generally, the cattle are miserably weak owing to the sheer want of grazing fields. The cattle of Guzerat are the finest in India, and the Bengal cattle are the weakest. The cows are bred and reared for milk supply and the bulls for field work and transport services. The inferiority of Indian cattle is mainly due to the want of good grazing grounds and careful crossing.

Buffaloes.

The buffaloes thrive well in regions of heavy rainfall. Of the various breeds, Guzerati, (or better known as *Surati* buffaloes), is perhaps the second best breed, the Delhi buffaloes claiming the first place. The female buffaloes supply milk from which the greater portion of Indian clarified butter (*ghee*) is prepared. The males are generally employed in tillage or road work.

Sheep and Goats.

Sheep and goats thrive in areas of moderate rainfall. Indian sheep is inferior both as regards meat and wool. In the north the wool is generally of white colour and fair quality but in the south the colours are various and

the quality inferior. No systematic experiments have ever been made to improve the breed. The goats are utilized as milkers and objects of meat.

The government establishment for breeding horses was abolished by Lord Mayo as extravagant and inefficient. Subsequently, the Civil Veterinary Department developed the present system. Stallions are distributed free of charge to the masters of approved mares. The object of the breeding is to obtain suitable remounts for the Indian Cavalry and Police. In 1903 the C. V. Department handed over a major portion of this charge to the Army Remount Department. Horse fairs in different parts of India, such as at Harihar Chatra, give a great encouragement to the breeders. Camels are largely used for agricultural operations in the Punjab, Sind and Rajputana and for commissariat purposes in desert tracts.

Horses and Camels.

Means for improving Indian Cattle :—The difficulties of improving Indian cattle have already been referred to. The chief difficulties outstanding are, (*a*) the want of proper care in *mating*; (*b*) the poor supply of *grazing fields* in many tracts; (*c*) the *religious sanction* of protecting old and invalid cattle, who only supply manure in exchange for an enormous quantity of fodder which they consume; (*d*) the difficulty of procuring *drink* in addition to *fodder* in the hot weather, specially in times of famine; (*e*) the *killing of calves* at the slaughter houses; (*f*) and the want of *scientific knowledge* in the proper rearing and breeding of cattle.

Difficulties of improving cattle.

But these difficulties, grave as they are, should not and ought not to be left to themselves. The *first* difficulty has engaged the attention of the government

The difficulties discussed and the

remedies proposed.

and small spasmodic efforts have been made to combat it by the distribution of *bulls* to *district boards and otherwise*. The benefit derived is of no great importance as the selection of bulls was often defective and the half-bred cattle were seen very liable to many virulent diseases. But the activities of the *Civil Veterinary Department* bore much fruit. Experience teaches that the best way of improving cattle is to guarantee the *purity of indigenous breeds* and to effect this purpose it is advisable to breed inferior cattle by the best of their own kinds. To carry out this purpose, government has opened experimental farms for bull-breeding and bull-rearing at convenient centres, notably at *Hissar*, *Chharodi*, *Pusa*, and other places. To meet the *second* difficulty the government keeps open forest tracts for grazing. But the relief is not far-reaching for very few cattle can be made to take advantage of the opportunity and the benefit does not always satisfactorily pay the transport cost. It would do well, we believe, if the government acquire lands in villages and throw them open as "Commons" for pasture to the villagers, free of rent charges. The third difficulty, as alleged, is not so very convincing. On the otherhand, if the Hindus had looked with the same reverential spirit upon their cows as their religious books and customs both enjoined, then the problems of suitable crossing bulls, proper housing and the questions of careful rearing would have been solved without the help of Government interference. Moreover, the Jain *pinjra-poles* help to serve as good charitable asylums for the old and decrepit cattle, and those who think the burden of maintaining them too galling may safely avoid the charge by having recourse to such institutions. The

First difficulty: mating of cattle.

Second difficulty; want of grazing lands.

Third difficulty: Hindu religion and cows.

fourth difficulty can be avoided by private charity, for example, by the old practice of the dedication of tanks ; or by the help of the local government and District Boards in the form of irrigation schemes and digging of tanks, Again, fodder can be amply provided for in the years of necessity if the practice of making hay be adopted. If the forest grass which annually rots on the ground be collected, stacked and properly protected from rain, then it would form a substantial reserve against famine. Milking of cows by the *fuka* is an offence under the law and if in addition to it a high license tax be imposed against the slaughter of calves, the slaughter of healthy calves may diminish to a great extent and thus benefit the public at large. Such regulations will again do away with the *fifth* difficulty. The *last* difficulty is as injurious as it is easy to remove. If the government or wealthy landlords distribute freely or at a nominal price, pamphlets and booklets to the public then much of the abuses may disappear.

Fourth difficulty : Drink and Fodder.

Fifth difficulty: slaughter of cows.

Sixth difficulty: scientific knowledge.

Prospects of Cattle industries :—

There are great prospects of cattle industries in India. With small capital the following profitable industries may safely be started.

Prospects of cattle industries.

I. Tanning :—Large quantities of hides are exported out of this country every year, specially in famine years. The value of such hides amount from three to three-half crores annually. This is an unmixed evil. By exportation the raw materials are not only drawn out of the country, causing the prices of what are left to rise very high but also, on the other hand, help to supply the home markets with foreign manufactured articles at such a moderate cost that the prices of the indigenous

Exportation of hides is an unmixed evil.

manufactures must be lowered and their out-turn reduced, if the industry has still to be carried on by the Indians. The erroneous idea that, could tanneries yield a good profit in India they would have been opened by this time, is without any basis. *The question is not one of profit* at all but of *knowledge* in up-to-date methods of tanning and working in leather, of traditional *caste prejudices*, and of *capital*. Besides, the materials necessary for tanning, *e. g.*, Horitaki, Babul, Amloki, Garan, Mahua, Bahera, Gab, etc., can be obtained free or only at a nominal cost all over the country. Professor Alfred Chatterton, of the Madras Government School of Art, observed that "tanning of chrome leather disclosed the possibility of an entirely new industry, which if properly developed may change the face of the leather trade of the country." Lately, a good number of well-equipped factories have been started, particularly in Agra, Cawnpur, the Punjab, Bombay and Bengal. In the last named province there are nineteen tanneries, seven managed by Europeans and the rest by the Indians. "The Madras School of Arts and Chrome Tanning Training Institution," under the auspices of Prof. Chatterton, has given an impetus to the Indian leather industry.

Drawbacks and prospects of the trade.

II. Dairy-farming:—The indigenous system of dairying knew no division of labour. The village *gowala* supplied both milk, butter and *ghee* to his neighbours. The modern European System of dairying was introduced into India about 1890.

The Bombay Agricultural Department was the first to establish a dairy farm under the management of a Swedish expert and gave opportunities for the people of the country to copy the scheme. Since then large farms have been established throughout the country, notably

Bombay experiment.

at Aligarh, Bombay, Darjeeling, Kirkee and other places, under the initiative of both the government and private individuals. Sweden and Denmark dairies now stand as models of cattle-farming to the world. It has transformed the two most poor countries into the most richest countries as regards *per capita* wealth. The centre of activities and manufacture of these dairies are generally concentrated in a big town and the supplies of milk and cream are transported from different local centres by railways to the central place of manufacture. The above method is gradually introducing itself into India. The most brilliant achievement of Indian dairying is the establishment of co-operative dairies at Nagpur and Benares. "The experiment at Nagpur organised by the Central Provinces Agricultural Department, is a very interesting one. A capital of Rs. 30,000 was laid down by government, Rs. 20,000 to purchase land and Rs. 10,000 to put up sheds, and the co-operating *Goalas* put their cattle on this land and in these sheds. They pay Rs. 6 for pasturage of a milking cow and Rs. 3 for a 'dry' cow or young beast per annum, and purchase other food from the Government, who buy in bulk and hence at a low rate. The cattle are milked before a special staff, retained and paid by the Department, and the milk is sold at 8 seers per rupee for buffalo's milk and $8\frac{1}{3}$ seers per rupee for cow's milk, to a contractor who retails it at 6 seers per rupee. At present there are 320 animals in the scheme, and it appears to have paid all concerned, while more *Goalas* are gradually coming into the society and bringing their animals." A similar scheme has been worked at Benares under private co-operative management. *The government*

Model dairies of the world.

Co-operative dairies in India.

is greatly encouraging dairy farming by admitting necessary machinery duty free.

Indian output of wool.

III. Wool and sheep breeding ;—Of the total world-stock of 480 million sheep, India contributes 18 million and stands eighth in the list of wool-producing countries, and supply no less than 85 million pounds of wool. Thus we see the industry is not an insignificant one and deserves special attention in the way of improvement. Whilst it is unlikely that any marked improvement can be looked for in the wool grown on the plains, there is much scope and great prospects for wool-growing in the hilly districts. In Cawnpur and Dharwar woollen mills have been started of late.

Its prospects.

IV. Bones :—Large quantities of bones are exported out of the country every year for being manufactured into manures and blades of cutleries. "Ox bones have a considerable value. The four feet of an ox will make a pint of neat's-foot oil. The thigh bone is the most valuable, being useful for cutting into tooth-brush handles. The foreleg bones are made into collar buttons and parasol handles. The water in which the bones are boiled is reduced to glue, while the dust which comes from sawing the bones is turned into food for cattle and poultry". If, however, they are utilised in this country, much improvement, in agriculture and industries, may accrue. We have seen how the manufacture of sulphuric acid has made possible the establishment of bone-mills in India. The growth of iron industry may some day divert the greater part of this export into indigenous consumption. In Orissa many fancy articles are sculptured out of buffalo bones and command an overwhelming demand.

Bone manufactories in India.

V. Horn Combs :—The horns of cattle are utilized from time immemorial in the preparation of combs. But the modern cheap celluloid method of preparation has given a death blow to the former kind of manufacture. However, there is still much scope for the expansion of the industry in India, as horn combs can still be manufactured in hill states (e. g. in Mourbhanj) at only a nominal cost of a quarter-anna, but they only fail to capture the market merely for lack of finish.

VI. Raw-meat :—Australia is the chief raw-meat producing country and supplies both Europe and Asia. The competition with such a rival holds no bright prospects before India.

Indian Agriculture: Economic features :—*vide* Production.

CHAPTER III.

ECONOMIC PRODUCTS.

§ Principal Crops.

Of the industries in India, agriculture is by far the greatest, and in a rough estimate recently made the *annual value* of the agricultural produce of British India is taken at over *1,500 crores of rupees* or one thousand million sterling. This vast importance of agriculture makes a critical study of the subject imperative.

The chief crops raised may be classified into.

(A) Foods, such as, (I) *Rice*, (II) *Wheat*, (III) *Barley*, (IV) *Millets*, (V) *Pulses* and *Grams*, (VI) *Sugarcane*, (VII) and *Spices*.

(B) Fibres, such as, (I) *Cotton*, (II) *Jute*, (III) *Silk*, and (IV) *Hemp and Flax*.

(C) Oil-seeds.

(D) Drugs and Beverages, such as, (I) *Poppy*, (II) *Tobacco*, (III) *Tea*, (IV) *Coffee*, (V) *Cinchona*, (VI) and *Indigo*.

A. Foods.

I Rice:—Is one of the chief staple crops of India, and is grown in the valley of the Ganges, on the Madras coast-strip and in Burma. The total area cultivated in India exceeds *a hundred thousand square miles*, Bengal alone contributing half the area cultivated. In addition to it, Burma and Assam add to the total some 20,000 sq. miles. The other provinces where rice is cultivated are

the United Provinces, Madras, the Central Provinces and Bombay. Thirty-five per cent. of the *total cultivated area* in India is under rice; in Assam nearly 80 per cent., in Burma 74 per cent., and in Bengal 70 per cent. It grows in areas of heavy and constant rainfall but may thrive even in areas of moderate or light rainfall, if assisted by artificial irrigation. The two principal sowings in Bengal are the *Aush* and the *Aman*. They are either *intensively* cultivated, for example, as in India, or *extensively* cultivated, as in Burma

Area and conditions of cultivation.

The total value of the exported rice amounts to 27 crores of rupees. The bulk of the exported rice comes from Burma. In years of scarcity much of the Burma rice is diverted from foreign to Indian consumption. About 9 per cent. of the total production is available for export, the remainder being consumed locally. India's share of the world production of rice is about 46 per cent. and she is the largest exporter of rice in the world, Burma alone contributing *three-quarters of the total Indian exports*. Every year Burma ships also as much rice to India proper as the rest of the world sends to western markets. The demand for rice in foreign countries grow out of the following reasons :—(*a*) For the preparation of *starch*; (*b*) for brewing *wine*; (*c*) for supplying food to Indian emigrants living abroad; (*d*) and for supplying Japan, China and some European countries, both as human and animal food. The first demand is fast falling owing to the discovery of chemical synthetic starch, the second remains steady, while the third and and the fourth rising phenomenally with increased foreign emigration and the industrialization of China and Japan. A great future rival of Indian rice is steadily

Export.

Causes of the demand for export.

Prospects of future export.

developing itself in America. It is the Carolina rice. It was a native of India, and about the year 1700 was taken to America by the captain of a ship from Madagascar, where it was first transplanted. The grains are not only big and white and contain a very large portion of fine starch but the most encouraging feature is that the roots go straight down the sub-soil and can withstand long periods of drought.

A rival.

Though the production of rice commands a greater attention of the people in India, the wheat engages a greater academic interest of the economists. Two reasons may be attributed to it. First, the railways earn a good deal in the form of freight and so engage the attention of European managers and government financiers; and secondly, it is a question of life and death to the Europeans who consume wheat and not rice.

Rice and wheat.

II Wheat:—It is a winter crop, grown most extensively in those provinces which have a pronounced cold-weather, *e. g.*, the Punjab and the Frontier Province, the United Provinces, the Central Provinces and Berar, Bombay and some parts of Bengal. About 10 per cent. of the total cultivated area of British India and about 15 per cent. of the Native States is under wheat cultivation. There are two chief classes of wheat, soft and hard. Irrigation, specially canal irrigation, has given great impetus to wheat production, and now India is the second, U. S. A. being the first great wheat producing country of the world. *Prior to 1870 there is no mention of India's participation in the world supply of wheat.* Gradually, however, the export trade emerged, but was much hampered by two great obstacles, one, the export duty of 3*as.* per maund, and the other was the damage done to consignments of the

Wheat.

Where grown:

Nature and amount.

Export.

Former difficulties.

article by insects when the trade route lay round the Cape. But with the opening of the present route and removal of the export duty the trade began to flourish till it reached its present dimension, but the rate of growth was very slow. However, the exportable surplus is never very large in comparison with the amount produced. The amount of the crop retained in the country is considerable and amounts to from 80 to 90 per cent. of the total production. Some experts are of opinion that it is never larger than about one-seventh of the average yield. The Upper India wheat is generally consumed in the country, wheat grown elsewhere is chiefly diverted to export. Sir James Wilson pointed out that the import of Indian wheat into England between 1892-1902 was only 5 p. c. of the total export, but now more than two-thirds of the export in normal years go to the United Kingdom.

Production and export.

Trade with England.

The chief reasons attributed to the expansion of wheat cultivation are, (*a*) extension of irrigation and of cultivation in India: (*b*) rapid improvement in communication: (*c*) better seasons. But the existence of impurity in Indian wheat has interfered with the expansion of the trade and imputed to it the reputation of being "dirty." However, Dr. Voelcker "has shown that this is in no way due to bad cultivation or careless threshing on the part of the ryot, but to deliberate adulteration to suit the requirements of the English corn trade." To prevent this, in 1907 the form of Contract of Sale was altered, so that any percentage of dirt up to 2½ p. c. is to be allowed for by the buyer at the market rate and if more, it is allowed for by the seller at the penal rate of double the market value. At first wheat was largely exported from Calcutta but with the expansion of railways in the wheat growing provinces of Upper India, much of the export

Reasons of the growth.

"Dirty" wheat.

Economic history of the trade.

Grain Elevators.

trade has been diverted to Karachi and Bombay. In Karachi facilities for export has been made by the erection of 'grain elevators', and great quantities of what are stacked there for subsequent transportation. The principal destinations of export trade are the United Kingdom, France, Belgium, Italy and Egypt, of these the first three countries take 95 p. c. of the total export. The export trade of wheat is very fluctuating and unsteady. It depends mainly on the condition of the harvests at home and on the price ruling in the importing countries, which again, however, is always influenced by the price of U. S. A., Russian and Argentine Republic wheat. Thus we see that in years of scarcity when the price rules high at home much of the exportable wheat is diverted to home consumption and in years of good harvest when the price stands low it is exported abroad. The great rival of Indian wheat is the U. S. A production. Over and above the government encouragement it receives in the way of lower freight,—the virginity of U. S. A's soil, scientific cultivation, nearness of cultivations to the sea and extensive no-rent lands, give her an advantage over India. The latter's advantage is less in comparison with the former though she gets government concessions in the form of reduced railway charges and facilities of handling and warehousing the produce. Though the trade has greatly increased since the beginning of the new century, still there is much scope and opportunity left which should be availed of to utilize a great national agricultural industry.

Where exported.

Conditions of Export.

The rival of India.

Barley.

III. **Barley**:—It requires similar conditions of cultivation as wheat but being less in demand is not so extensively cultivated.

IV. Millets :—Indian millets form the staple food of a large section of the population and are grown more or less all over the country. The two chief types are —*Jowar* and *Bazra*. In addition to its being used as human food, *jowar* is the most important fodder crop over a large part of India. The value of the export in 1903-4 amounted to 71 lakhs. Millets.

V. Pulses and Grams :—Half the production is confined to the United Provinces. The other provinces in which it is important are the Punjab, Bengal, Bombay, and the Central Provinces. In 1903-4 the exports amounted to about a crore. Pulses and Grams.

VI. Sugarcane :—India is the original home of the Sugarcane and the soil is admirably adapted to its cultivation. In history it is mentioned that, white-sugar was shipped to Europe in 500 A. D. Indian sugar is mainly produced from sugarcane, and also to a great extent from the bastard date and Palmyra palms. Sugar-cane is a tropical plant and requires a great deal of water but a well-drained soil. In the United Provinces sugar-cane cultivation extends to about 2000 sq. miles, Bengal cultivating half of that and the Punjab cultivating half of the latter half. Cultivation in other provinces is insignificant. The indigenous method of crushing has been largly replaced by iron-mills which were at first introduced into India by European firms. Sugarcane. Cultivation.

"The history of the Indian sugar trade in instructive. The arts of preparing, refining, crystallizing raw sugar have been practised from ancient times, though it is probable that the knowledge of some of the stages of manufacture may have been derived from China. When the East India Company began to export this History of sugar trade.

substance from India to England, their transactions were confined to the finer qualities of crystallized sugar, procured from Bengal. Restrictions were, in fact placed by the Company on the traffic from Madras and Bombay, it being desired that Bengal should be accepted as the Province from which sugar and silk could best be procured. In course of time, however, the British Government found cause to grant special favours to the sugar-planters of the West Indies. An import duty was accordingly imposed on Bengal sugar, at such a high rate as to render the Indian traffic no longer profitable. This state of affairs continued till about 1845, when the establishment of large refineries in Great Britain created a demand for raw sugar. This new traffic was first organised with Madras; but soon after, refineries on European methods and with European capital were establised all over India. These for some time successfully contested the Indian markets against imports; but gradually India exported less sugar and imported more, so that in 1903-4 the exports were trifling as compared with the imports. The imports of refined sugar in the latter year amounted to nearly 6,000,000 cwt valued at Rs. 5½ crores. This state of things has resulted from the development of beet-sugar in Continental Europe and the stimulation of its export by bounties, and also from the increasing export of cane-sugar from tropical countries, such as Mauritius and Java. Refined sugar is rapidly tending to push out the crude stuff formerly consumed by the people."

The different stages through which it passed up to 1903-4.

The duty of 1902.

The imposition of Countervailing Duties in 1902 checked the import of bounty-fed sugar from Germany, but the competition of Mauritius and Java proved an uncurable evil. The enormous advantages of Java

over India consist in the combination of cheap trained labour with the most modern scientific methods of production, as well as for the proximity of an unlimited market like India. Further, the development of Formossa industry under Japan's initiative, and the practical closure of the American markets by the granting of the privilege of free import to the Phillipine sugar, has turned the sole attention of Java towards India. The causes which incapacitate Indian industry to compete with Java are:—(*a*) unscientific cultivation; (*b*) defective method of extracting juice; (*c*) great waste in refining; (*d*) the poor out-turn of bad *country* cane and of abnormally small saccharine matter: the yield of molasses in India is 1 to 1½ tons per acre while that of Java is 3½ to 4 tons; (*e*) small and scattered nature of the holdings and the impossibility in most cases of concentrating cultivation round the central factory; (*f*) and want of capital.

India and her rivals.

Drawbacks of India.

VII Spices:—They are chiefly grown in the extreme south but certain varieties are cultivated everywhere. The spice gardens of Kanara produce almost the entire amount of Indian spices. The average export value of the spices amounts to Rs. 50 lakhs.

Spices.

B. Fibres.

I. Cotton:—It is the chief fibre in India. The soil best suited to its growth is the black-soil of the Deccan, and the Bombay Presidency is the most important cotton growing area. Half the total area under cotton is confined to Bombay and Berar, the other half to Madras, the Central Provinces, the United Provinces, the Punjab, Bengal, Assam, Burma, and Sind. It is a tropical

Areas of Cultivation.

plant and the numerous indigenous kinds can be broadly grouped into two kinds, (1) varieties which take at least eight months to ripen, and (2) varieties which ripen in five months. The latter kind is more extensively cultivated. It is often stated, and truly stated, that Indian cotton is systematically deteriorating. The chief causes of deterioration are, (*a*) that the first variety which makes up a high percentage of the total production is *pure white* in colour and is very suitable for mixing with wool: so there is always a great demand for it at a high price for export into Japan and Europe, and consequently earns a greater profit than even the higher quality could fetch; (*b*) the inferior cotton can withstand drought more successfully than the superior one; (*c*) the separating of seed in ginning factories instead of by hands gives no chance for good seed-selection; (*d*) the difficulty of the Indian cultivator to find locally a ready and remunerative market for long stapled cotton, the Indian markets as a whole being unaccustomed to deal in anything but short staple. Mr. Jamsetji Tata was the first who conceived the idea of producing finer staple cotton in India with a view to provide a ready supply of raw materials at home for the development of a new feature in cotton industry. He brought his experience from Egypt but unfortunately the experiment was not so successful. About the year 1905, under the initiative of the British Cotton Growing Association, the India Government was persuaded to appoint a cotton expert, while, on the other hand, the former body was successfully induced to advance a sum of £10,000 for distribution among the cultivators for the extension and improvement of cotton-growing, on a business basis and at a reasonable rate of interest. The Agricultural

Deterioration of Indian Cotton.

Mixing with wool.

Withstand drought.

Defective seed selection.

Want of demand.

Jamsetji Tata.

British Cotton Growing Association.

Department has taken active measures to improve superior indigenous varieties and made successful experiments with exotic cottons. *It has been fully demonstrated that exotics, as American and Egyptian, can thrive well in Sindh*: *Cambodia* in Madras, and *Buri* in the Central Provinces. Agricultural Department.

Of the total cultivated area of India proper over 6 per cent., is under cotton and within the last 20 years the area has increased by over 67 per cent. The local demand has increased by as much as 80 per cent., and on the average about 44 per cent. of the whole crop is retained for local manufacture and consumption. Raw cotton exported in 1913-14. amounted to £27 millions in value, and cotton-seed, from £309,000 in 1901-2 to more than a million in 1911-12. Where produced.

II. Jute—The lower course of the Ganges is the most important jute-growing centre in the world. Jute is grown mainly in Bengal but the area under this crop in Assam has increased considerably in recent years, while small quantities are also produced in Cooch Behar, Nepal, Upper India and Madras. The soils most suitable to its growth are those *lowlands* which become submerged under water after the plants have made some progress. It also grows on *fairly high lands*, if it be sufficiently supplied with water or the dampness of it is maintained during the whole period of growth. The jute plant is cut in September or October, and the bundles of green stalks are kept completely submerged in water for several weeks (generally three) and then the decomposed bark is easily stripped off by hand and the fibre is finally separated by washing and beating. "The commercial value of the fibre depends upon colour and lustre, strength, Cultivation.

Trade.

fineness, and absence of roots. The village *Mahajan* and petty middlemen, who make advances beforehand, buy the article from the cultivator and sell it to wholesale dealers. The latter again, sell the article to the exporter, who get it steam-pressed into bales of 400 lbs. each, before export. On an average, after deducting home consumption, about half the crop would appear to be exported as raw jute, and the remaining half as manufactured goods. The last pre-war period figures give exports of *raw jute* at a value of Rs. 30½ crores. The United Kingdom is our best customer, but Germany, the United States and France are also heavy purchasers.

A new problem.

Notwithstanding the excessive gain of the cultivators the question of increased jute production requires an economic retrospection. Jute has *displaced rice* from many tracts and is exhausting the *fertility* of the soil more rapidly than the latter produce. Further, sanitary enquiries adduce the evidence that there is a causal connection between jute-washing and Malaria. The *jute-stick* is a bye-product of jute and is used plentifully for domestic purposes, specially as a fuel, and thus saves a great quantity of animal-dung from being wasted as fuel. Dr. Roxburgh was the first person to use the word "jute" for this fibre, though Buchanan-Hamilton was the earliest botanical writer who investigated the cultivation of jute in Bengal. He called it *San*. 'The earliest commercial reference to this fibre occurs in the Customs returns of 1828.' Once the export of raw jute had been firmly established the trade increased rapidly and the Crimean war gave it a strong impetus. A Commission was appointed in 1872 to investigate "the cultivation of, and trade in jute in Bengal" and a voluminous report was issued two years later by Hem

Jute: its name.

Chandra Kerr. This may be taken as the starting point of experimental work in connection with jute. In 1905 Mr. Finlow made an extensive tour through India to investigate the possibility of extending the cultivation of jute in tracts outside those in which it is at present grown. He opined that the successful cultivation of jute is quite possible over a wide area outside the jute growing districts, and that in Burma, Assam and North Bihar the area is capable of large extension. But the dearness and scarcity of labour are the only obstacles.

Experimental work.

III. Silk.—The manufacture of silk is believed not to be indigenous to India. A passage in the *Mahabharat* referring to the people of China bringing silk and silk-worms as tributes to *Yudhisthir*, and another in Kalidasa's *Sakuntala* referring to silk as *Chinangsuka*, distinctly go to prove the Chinese origin. Had there been any silk in India it was certainly 'one or other of the non-domesticated worms, and not the true silk worm (the mulberry-feeding insect) of modern commerce.' It was under the initiative of the East India Company that the modern silk industry flourished. The chief areas of mulberry silk production are the districts of Murshidabad, Malda, Rajshahi and Burdwan in *Bengal*, Dehra Dun and Partabgarh in the *United Provinces*, and Kohat, Peshwar, Gurdaspur, Kangra Districts and Kashmir in the *Punjab* and the *Frontier Provinces*. The *tasar* silk grows in *Choto Nagpur*, and the *Central Provinces*. The *eri* silk grows in Rangpur, Jalpaiguri, Bogra and in the Assam Valleys; the *Muga* kind is also grown in the latter tracts. The silk industry of India is rapidly falling. The exports both of raw and manufactured silk have considerably decreased while imports are

History.

Areas of Production.

Mulberry: Eri: and Muga.

steadily increasing. One main cause of this decline is the *organised competition* of Japan and other countries where *state aid* has been freely given, with the result that Indian and Burmese silk no longer hold their own.

Suggestions for improvement.

The revival of the Indian silk industry is partly an agricultural and partly an industrial problem, and there is here a promising field for *co operative* organization. The question well merits attention, and the somewhat depressing records of provincial effort leads one to believe that little can be expected unless the matter is taken up *on broad lines* and *for India as a whole.* (*James MacKenna*).

IV. Hemp and Flax.—As large tracts of land lie uncultivated in the tea districts, it was found economic to utilize those less fertile lands by the planting of *sisal hemp.*

Hemp: different kinds.

The plants prosper well in a well-drained, light and less fertile soil. When the leaves stand at right angles to the trunk of the plant, generally in the third year of their growth, the leaves are cut and the fibre is extracted by drying the leaves in the open air. The other varieties of hemp are Bombay, Jubbalpore, Allahabad *sunn*, Bengal *sun*, and many others, most of the latter coming from the Deccan.

Linseed Flax.

In India, flax is quite an unknown article and many think it to be the same thing as hemp. However, flax is made out of linseed plant and as linseed is every day being grown in larger and larger quantities in India, the supply of flax is also increasing. It is largely used in making nets, fishing lines, ropes, etc.

The decay of the indigo industry in Bihar induced the Bihar Planters' Association to make systematic experiments in flax and a Belgian flax expert was

engaged by the Association for five years (1908-13). Though it has been definitely proved that the crop can be grown in Bihar at a fair profit, there is no general inclination to take up its cultivation and manufacture as prices are uncertain and planters are unwilling to sink capital in a new industry.

In addition to these, it is said, that there exist some **300 more kinds** of fibres in India of more or less importance, and it is hoped that they will be commercially utilized with the growth of scientific knowledge. Of them, we may here mention, Rhea, Aloe or Agare fibre, Pineapple fibre, plantain fibre, Akand fibre, Lady's finger, Malva, Darjeeling or Nilgiri nettle, etc, etc.

C. **Oilseeds** —The most prominent Oil-seed Crops are Linseed, Sesamum, Ground-nut, Mustard, Rape, and Castor. Cotton Seeds which yield a valuable oil have risen to a prominent place among exported oil-seeds since 1900. *Sesamum* is grown chiefly in Madras, Bengal and Burma, *Linseed* in the Punjab and the United Provinces, and the *Castor* in the Ganges Valley. The area under *Groundnut*, most of which is in Madras and Bombay, has more than doubled during the decade and the exports, which had fallen to a very low figure in the preceding decade, show a rapid recovery. Ground-nut cultivation has recently made considerable headway in parts of India where it was little known before, particularly in Upper Burma. The seeds are to a large extent pressed in India, the refuse or cake being of great value to agriculturists, both as *cattle-food* and, in the case of less edible sorts, as *manures*. But oil-seeds are also very largely exported, the proportion of exports to production varying from 30 to 50 p.c. Thus seeds

Export and its effects.

are exported and the oil is obtained at a high price The transaction is injurious both from the *pecuniary* point of view, and from the side of agricultural standpoint, as the manurial constituents in the form of oil-cake are lost to the soil. The Indian export trade in oil-seeds and vegetable oils is worth on an average about 25 crores of rupees annually or over £16½ millions. Very little work has yet been done on these crops and they offer a large field both for the botanist and the chemist.

Export Trade.

D. Drugs and Beverages.

I. Poppy.—The principal areas in which the poppy is grown in India are, (1) Bihar and the districts of the United Provinces lying along and in the north of the Ganges Valley; and (2) a number of Native States in the Central India and Rajputna Agencies, principally Indore, Gwalior, Bhopal and Mewar. There is also some production in Baroda. The produce of the first region is known as *Bengal*, and that of the second, as *Malwa*, opium.

Areas cultivated.

'The manufacture of Bengal Opium is a state monopoly. The poppy may be grown only under license from an authorised officer of the department, specially created and the cultivator, who receives advances, when requried, to assist him in production, is bound to sell the whole of his out-turn at a fixed rate to Government. He delivers it in the form of Crude Opium at local centres, whence it is despatched to the head factory at Ghazipur and there prepared for the market. The opium for export, known as "*provision*" opium, is packed in chests and sold by public auction in Calcutta. "*Excise*" opium is distributed from the

Method of production of Bengal Opium.

Provision and *Excise* Opium.

factory, or from the Calcutta ware-house, to the Government treasuries, whence it is issued, on payment, to licensed vendors and druggists only. Out of the sale proceeds a sum representing the estimated cost of production is credited to the opium revenue; the remainder credited under Excise. The crop being particularly sensitive to seasonal influences, and the out-turn very variable, a reserve stock is maintained.' Revenue.

The Malwa Opium revenue is derived from a *pass-duty* levied on opium exported from the Native States and also by a duty at the *time of export* from India, as the exporting port is always in British territory. The amount to be exported in each year is fixed by the British Government. The duty is levied 'at convenient stations maintained by the British Government at Indore and elsewhere, whence the bulk of the Opium is consigned to a Central Depôt at Bombay for issue to trades. A considerable increase in the revenue from this class of opium resulted. A proportion of the receipts, it should be added, is, under the new arrangements, made over to the Native States concerned.' (Vide *Export Trade.*) Malwa Opium. Revenue.

II. **Tobacco.**—It is not an indigenous plant, otherwise, mentions of it could have been found in the Vedas and the Puranas. It is possibly the Portuguese who introduced it into India. It is universally believed, that tobacco is a native of America and first discovered by Columbus. It is chiefly grown in the Madras Presidency, Burma, and Bengal. Half the recorded area under tobacco is in Bengal, but the province takes practically no share in the higher-grade manufacture, the bulk of the leaf being exported in a crudely cured form to History.

Areas of production.

Burma or foreign countries. The cultivation in Bengal is mainly confined to the districts of Rangpur, Jalpaiguri, Jessore and Nadia. In Southern India a fair amount of superior tobacco is grown and cured and the manufacture of cigars is an industry of some importance in Madras. Although there is a great demand for Burma Cigars, not a single factory has been started in Mandalay and the industry is still carried on in its primitive form of a hundred years ago, the only plant used by the Burmese damsels being a low table, about six inches high, a pair of scissors, and a pot of stick-fast. Their skilful fingures supply the rest.

Cigar manufacture.

Trade prospects.

In Tirhut, in the new province of Bihar and Orissa, there is a great prospect for tobacco manufacture. Lately, the moderate price of Indian Cigar has drawn the attention of European Consumers and opened a great future for the trade, but it must be remembered that the magnitude of the imports are becoming appalling everyday, specially of cheap cigarettes from the United States and England.

History.

III. **Tea**—"In 1788 Sir Joseph Banks suggested to the Directors of the East India Company that efforts should be made to cultivate tea in India" Accordingly, missions were sent to China to collect tea-seed and induce China-men to come to India to teach the Indians the secret of cultivation. But, in the meanwhile, tea plant was discovered in Assam. In 1836 a Government plantation was opened in the same province. Finally, the industry became established by the middle of the last century. Between 1886 and 1910, the *area* had increased by 98 per cent., while the *production* in the same period had gone up by 226 per cent.. The total area of the

tea plantations is about three times the planted area, and for this reason, we have seen, the sisal-hemp cultivation has been introduced. More than half the area is confined to Assam, the other tea-growing areas are, Darjeeling and Jalpaiguri in Bengal, the Nilgiris in Madras, Kangra in the Punjab, Dehra Dun in the United Provinces, and Travancore and Cochin. About six lakhs of people are engaged in the industry. The estimated output is 268 million pounds. The quantity of consumption of tea in India cannot be stated with any accuracy. The margin between estimated output and export, *plus* the net import of foreign tea, is some 15 million pounds a year, leaving out of account pickled tea consumed in Burma. The tea industry of India is mainly managed by two Associations, the *Indian Tea Association* of Bengal and Assam, and the *United Planter's Association* of Southern India. Their activities are generally concerned with the investigation of *scientific problems* regarding the cultivation and the creation of *extensive demand* in India. To achieve these purposes, the former Association gets a subsidy from the Government in the form of an export duty on tea, and, besides engaging chemists for scientific researches, itself opens bogus tea shops furnished with gramaphones and other attractive establishments, widely advertises and distributes pamphlets explaining the usefulness of tea drinking, and devises measures to substitute other drinks by tea.

Area under cultivation.

Labour and Output.

IV. Coffee.—It is believed to be a native of Abyssinia and brought into India about two centuries ago by Baba Budan (seven seeds only) on his way home from Mecca. The cultivation is practically confined to Mysore, Coorg and Madras. It is now a declining industry, tea having largely displaced its cultivation in India, and cheap

Coffee.

Brazilian coffee in the European markets. The total area has diminished from about 188 to a little over 140 square miles in the last ten years ending with 1912. No estimate of the quantity of coffee consumed in India can be given. Since 1902 the figures of export trade are stationary. The exports to the United Kingdom have fallen off considerably in the last few years, but the trade with France is stationary, and exports to other continental countries have shown some increase. The number of persons returned as employed on the coffee estates was about 73,000 in 1911.

Cinchona.

V. Cinchona —Cinchona is grown mainly on the government cinchona plantations in the Nilgiri Hills and Darjeeling. There are also a number of private plantations in Madras. The government plantations were started in 1862, with a view to securing a cheap and abundant supply of quinine and cinchona febrifuge for the people of India. The drug is issued to prisons, dispensaries, etc., and large quantities are sold through the post offices in the form of pice-packets. The exports of cinchona barks have fallen from 19 to 4 lakhs of pounds in the ten years ending with 1912, but the imports of quinine have risen from 43,00 lbs. to 125,000 lbs.

Early history.

VI. Indigo.—It used to be exported to Europe by the Dutch East India Company but its import was prohibited in France and in England till 1660 and for some time it suffered from the competition of Indigo Planters in the West Indies. But after America separated from England, the industry stopped spreading in America. The East India Company brought American planters to India and encouraged the trade. In 1789 the trade which had been the company's monopoly was opened to the people. But the European planters excelled the Indians

The dawn of prosperity.

in the process of manufacture and the main firms were in their hands. These planters advanced money to the ryots and compelled them to work in their plantations on very unfair terms, or contracted with them to sell the article at a nominal price only to them. The exportation began in 1790 and the cultivation spread from Dacca to Delhi, the output rising to nine million lbs. There were 300 or 400 factories in Bengal, chiefly in Jessore, Krishnagar, and Tirhoot. The best soil were those subject to inundation from the Ganges. Some Indigo was also grown in Madras and Bombay. What caused the great and sudden prosperity of the Indigo trade in Bengal was the destruction of St. Domingo, which had supplied nearly all the world with indigo previous to the French Revolution, and it did not produce a single pound after the rebellion of the black population. But the oppression of the planters, which according to Macaulay amounted to "*partial slavery of the tenants*," led the government to interfere. This act on the part of the government led to a partial migration of the industry to Behar, Upper India and Madras. The zenith of the industry was reached in the 90's when the price rose to Rs 300 per maund, while the exports exceeded nine thousand tons. But in 1897 Germany put on the market its *synthetic indigo*, and by 1910 the indigo production of India was one-tenth of what it was in 1897. The planters made heroic efforts to rehabilitate the drooping industry but without success. The work has now been taken up at Pusa by Mr. and Mrs. Howard. They have demonstrated that the industry can be made to withstand German competition if, (*a*) Java seeds be introduced, (*b*) the method of selection be reorganised, (*c*) and improvements be introduced in cultivation. The work is only

Planters and ryots.

Phenomenal development.

Government intervenes.

Synthetic indigo.

in its early stages. But the preliminary results obtained seem to indicate the possibility of again establishing the crop on a firm basis.

Fruits.

Fruits.—In addition to the above principal crops, a great variety of fruits are cultivated, ranging from the temperate kinds grown in the hills to the tropical kinds of the plains. The most important fruit from an economic point of view is the *mango*. The *Mahua* also supplies large stores of food. Scented grass and flowers grow luxuriantly in many parts of the country. Lately, several food-preserving companies have been started in notable fruit centres to export tropical fruits to the West, and it seems that the trade will prove very lucrative. We hope, the Department of Agriculture will soon divert its serious attention to fruit growing. When it is said that a clear profit of Rs. 1500 per acre on tomatoes has been obtained in Baluchistan it should be noted that market gardening in India is not to be despised. Fruits peculiar to some locality, where it usually commands a very little price, can also with profit be transported to some less favoured localities, and thus open a new branch of internal trade.

Prospects of the trade.

§ Principal Minerals.

Principal minerals.

'The feature that stands out most prominently in a survey of the mineral resources of India is the fact that, while striking progress has been made in recent years in opening out deposits from which products are obtained suitable for export, or for consumption in the country by what may be called *direct processes*, very little has hitherto been done to develop those minerals that are associated with the more complicated metallur-

gical and chemical industries.' But in the past such was not always the case with India. She could once market alum, the various alkaline compounds, copper, lead, steel and iron of the famous Delhi pillar type, nitre, borax, etc. But the cheap European methods of metallurgical and chemical operations have driven her out from the arena of competition. Now a country like India must be content to pay the burden of imports until industries arise demanding a sufficient number of chemical products to complete an economic cycle, and India does in fact import at present large quantities of metals and mineral products, while possessing in many cases the mineral resources required to supply the demands in question. There is thus great scope for the development of mineral industries for supplying the internal requirements of the country quite apart from any markets that might be found abroad.

Mining by direct processes only done.

Extraction of metallurgical and chemical products not undertaken.

'With the spread of railways, the development of manufactures like jute, cotton, and paper, and the gradually extending use of electricity, the demand for metallurgical and chemical products in India has steadily grown. Before long the stage must be reached at which the variety and quantity of products required, but now imported, will satisfy the conditons necessary for the local production of those which can be economically manufactured only for the supply of groups of industries.'

The future lies with the latter processes.

The total value of minerals for which returns of production are available for the year 1912 was £9⅗ millions (Rs. 14 crorea).

The following are the chief kinds of minerals mined in India :—

Chief kinds of minerals.

Coal.

I Coal.—Naming in order of importance and utility, coal comes first. Of the total coal raised in India 85 p. c. comes from Bengal *Gondwana strata* coal-fields, *Jherria* fields alone contributing one-third, and Raneegunj more than 40 p. c., of the total Indian output. The other important coal-fields are situated at Barakar, Giridih, Daltongung and Makum (Assam) in Bengal, at Singerani in the Nizam's territory, at Mohapani and Warora in the Central Provinces and in the Central India Agency. The other less important mines are found in the Punjab, at Khost in Beluchisthan and Rajputana. The total output in 1913 was more than 16 million tons. Indian coal is now extensively, in some cases exclusively, employed in the railways, coasting and river steamers, mills and factories; but it should be noted that there is still much scope for indigenous coal consumption if the conditions of transport would permit. We find that the output of coal increased by about 2 million tons in 1913 than the previous year, but the exports instead of rising rather fell. The reason lies in the fact that deducting $\frac{1}{2}$ million for increased railway consumption, the rest ($1\frac{1}{2}$ milion) was devoted to the expansion of other industries. On the other hand, the increased imports that resulted mean, that factories of up-to-date machineries used foreign coal for their superior strength (British to Bengal coal is in the proportion of 5 to 3) in addition to the consumption of foreign coal by steamships other than Indian. Of the total output, about 94 p. c. is consumed locally in India for all purposes and of it 30 p. c. goes to the railways. The advantages of English coal over Indian lie in the facts, that (*a*) they are *superior in strength*; (*b*) they *lie close to great industrial centres*, as Manchester is better

Areas of mining.

Home consumption.

Condition of exports and imports.

Output.

situated as regards her supply of coal than the cotton mills of Bombay, which largely depend upon the supply of its coal from Bengal, (*c*) they are *transported promptly and at a very low rate of freight*, a question which now puzzles the economists in India; (*d*) they are mined by *cheap labour*, for English labourers raised 317 tons of coal per annum in 1911 while an Indian only raised 167 tons; (*e*) they are mined by more *scientific and improved appliances*, of which the Indian miner is ignorant, and usually incapable to afford; (*f*) they can fetch a more *steady price* as the demand for them at home and abroad is overwhelming due to their superior quality, while an increased production of Indian coal will soon bring a glut in the market and lead to a heavy fall in prices; (*g*) they are little wasted during extraction due to greater scientific training of the labourers and mine managers.

English coal's superiority over Indian.

Coal-mining employs far more labour than any other mining industry, the average number of persons employed being 116,000 in 1911. The workings are, with few exceptions, comparatively shallow. The workers are mostly landless day-labourers, with some agriculturists. In some of the long-established mining centres, however, a population wholly devoted to mining is being evolved. The Indian miner being still to some extent a miner by caprice, scarcity of labour is apt to become acute in times of agricultural prosperity. As the workings will get deeper, the need of a specialised mining population will also become greater. The use of electricity on the coal-fields is extending.

Labour employed.

II Gold.—The almost entire output of gold in India comes from the Kolar field in Mysore, where the annual

Areas of mining.

output now exceeds half a million ounces. Since 1902, electric powers from the Cauvery falls have been utilized for the economic work of the Kolar fields and thus its life has been prolonged. The Nizam's mine at Hutti in Hyderabad comes next, but at a respectable distance, to the Kolar gold field. The mines in the Dharwar district of Bombay were closed down in 1911; but in the Anantpur district of Madras, where the workings were opened only in 1910, the output is doubled, and a second mine is being developed. The greater part of the present output in Burma is won by *dredging* on the Irrawady, and the small quantities produced in the remaining provinces are obtained by *washing from the river gravels*. There is no complete record of the gold obtained in this latter way, because the individual return is exceedingly small and is locally absorbed in jewellery. The labour employed in all the gold-fields number about 50,000.

Sources of extraction.

Present state.

III. **Iron** —India has large deposits of valuable iron-ores but very little manufacturing has been undertaken till recently, on European lines; while, cheap foreign imports have totally stamped out the indigenous forms of manufacture from tracts within the reach of railways. The best iron ore is found in Madras but the absence of coal and lime-stone close together prevent it from being worked extensively. In the Raneegung district of Bengal alone more than 90% of the total output (average : 50,000 tons) of ores have been extracted up to 1910, due to her close proximity to the coal-fields. But with the assumption of work by the Tata Iron Works the output suddenly rose to 366,180 tons. 'In the returns for future years, iron-ore will no doubt take a more prominent position.' The out-put of iron-ore rose from the estimated value

Drawbacks.

Future.

of about Rs. 1½ lakhs in 1910 to more than Rs. 7 lakhs in 1912.

IV. **Salt** —There are five great sources of supply of salt in India:—(1) importaion by sea; (2) rock-salt from the Salt Range and Kohat Mines in the Punjab; (3) brine salt from the Sambar Lake in Rajputana; (4) Salt brine condensed on the borders of the lesser Runn of Cutch; (5) and sea salt factories in Bombay, Madras and at the mouth of the Indus. Of the total amount of salt consumed in India, from a quarter to a third is imported by sea, mostly into Bengal and Burma, and more than a half of the locally produced remainder consists of sea-salt evaported by the sun's heat (in the sea-salt factories) on the coasts of Bombay and Madras. Thus we see, one-half of the indigenous salt is manufactured by Government Agency, and the remainder under license and excise systems.

Sources of supply.

There has for many years past been a gradual increase in the consumption of salt per head, and, generally speaking, a reduction in retail prices. The facilities for bringing salt to the consumer have been greatly increased by the development of communications, and by other measures, such as the introduction of arrangements under which salt is issued on credit. Concessions have also been made to meet special cases. In Madras and Bombay, in order to reduce the hardship caused by the interference of the preventive operations of the salt departments with the use of illicit salt for fish-curing, yards for fish-curing, at which salt is sold at cost price, have been established at all important fishing centres along the coasts. Exemption from duty is also granted under certain conditions for salt used in manufacturing processes.

Increased consumption of salt.

How the consumption was increased.

Petroleum.

V. Petroleum.—Petroleum is found in two distinct areas, at either end of the Himalayan arc. Of the two, the eastern which includes Assam, Burma, and the islands off the Arakan coast is by far the most important, and in it the most successful oil-fields are found in the Irrawady valley. On the west, oil springs have been known for many years to exist in the Rawalpindi and other districts in the Punjab, and in Baluchistan, but their contributions are insignificant. Of the total production of 226 million gallons in 1911, Burma alone contributes 222 millions and Assam 3 millions, while the Punjab only produced 1500 gallons.

Areas of production.

Out-put.

Consumption and imports.

The consumption of kerosene oil in India is rapidly increasing, and the activity of production in Burma has had no marked effect on the imports of foreign oils from Russia and the United States; but of the kerosene consumed in India (excluding Burma) 53 per cent. was of Indian origin in 1911-12, as compared with 13 per cent. in 1901-2. The exports of kerosene to foreign countries were in most years of the decade very small; but the exports of other petroleum products and specially of paraffin wax, increased greatly in the closing years, reaching a total value of £442,000 in 1911-12. The *imports* of kerosene in oil in 1912 amounted to 62⅓ million gallons, Burma supplying 12½ millions and U. S. A. 35⅔ millions.

Export trade.

Mica.

VI. Mica.—India turns out more than half of the world's supply of mica, and the mines of Hazaribagh, Gaya, and Monghyr share with those of Nellore, over 99 p. c. of the Indian total, much greater than that of the two chief foreign competitors—the United States and Canada combined.

Areas of production.

The chief uses in which mica is employed are:—(1) in industries connected with electricity; (2) as a substitute for glass, for mica does not burst with excessive heat like glass; (3) to cover the sides of vessels, in which boiling water is kept up in steam engines; (4) in many other parts of steam engines; (5) toys of many kinds are made in India of mica; (6) as ornaments in Delhi and Patna, or for decoratlve purposes; (7) for chimneys in Europe; (8) and as an ingredient of an explosive like dynamite called "Mica Powder."

Chief uses of Mica.

VII. Manganese ore.—The industry has advanced so rapidly that India now ranks second in the list of manganese ore-producing countries. This industry commenced some twenty years ago by quarrying the deposits of the Vizagapatam district and subsequently it was developed by attacking the extensive, richer and high grade deposits in the Central Provinces. 'One unsatisfactory aspect of the manganese industry is the loss that India has suffered by exporting manganese ore and importing steel, instead of manufacturing at least a portion of the ore into ferro-manganese.' The recent development of steel manufacturing is expected to divert a large proportion of the export to home consumption. The other less important tracts where the ores are extracted are Mysore, Bombay, Central India and Gangpur in Behar and Orissa.

Manganese.

Areas of production.

Unsatisfactory aspect of the trade.

VIII. Tin.—Tin is plentifully found in isolated crystals in the Palanpur state, in Burma, and in the Hazaribagh District of Chota Nagpur. But the only persistent efforts to work were made in Burma by various companies but they being carried on primitive lines proved unimportant in comparison with the requirements of the country.

Tin.

Production and demand.

Rubies and Gem-stones.

IX. Rubies and Gem-stones.—'The precious and semi-precious stones at present mined in India are the diamond, ruby, sapphire, spinel, tourmaline, garnet, rock-crystal and the various chalcedonic forms of silica, jadeite, and amber.' Of these the ruby and jadeite industries of Burma are of appreciable value, diamond was valued at only £478 in 1911. The jadeite raised is mostly exported to China.

Salt-petre.

X. Salt-petre.—Though the use of saltpetre in making gun-powder has largely been displaced by the invention of dynamite, other uses have been found for this article to keep the demand equally great. The important sources of supplies are Bihar, the United Provinces and the Punjab. The ores after being refined at the various factories in Northern India are exported to HongKong, the United States, and the United Kingdom.

Areas of production.

Exports.

Copper, Silver, Lead and Antimony.

XI. Copper, Silver, Lead and Antimony.—Copper is found in Southern India, in Rajputna, and at various places along the outer Himalayas, but the ore is smelted for the metal alone, no attempt being made to utilize the bye-products. An attempt is being made to work lead near Pangyang, in the Northern Shan States, for the production of silver and lead, and in Southern India for antimony.

Ornamental and building stones.

XII. Ornamental and Building Stones.—In Western India, good sand-stones and various forms of lime-stone, including marble, are met with. South India has massive granites, gneisses and basalts. In Central India marbles and red-stones are found. Slate is found along the outer Himalayas, in the Aravalli and some parts of the peninsula. Bengal has little stone, while in Behar, Chota Nagpur, and Orissa divisions of the new province a negligible quantity can be found.

XIII. Clay and Lime.—*Clay* for common bricks, tiles and pottery is found almost everywhere in India. *Fine clay* for better grades of pottery is found in Jubbulpoor, Bikaneer, Raneegunj, etc. *Lime*, of which one of the most wide-spread sources is *Kankar*, is found in alluvial deposits. Clay and Lime.

XIV. Tungsten and Aluminium.—*Walfram* has been found in various parts of India. Considerable activities of European companies have followed the discovery of the ore in Lower Burma. *Aluminium* is derived from the deposits of laterite which are abundant in the peninsula and Burma. The deposits also furnish the pigment known as *Ochre*. Tungsten and Aluminium.

The table below, gives the figures of quantities and value of the chief minerals of India.

	Quantities.		Value in £.	
	1901	1911	1901	1911
			£	£
Coal (*tons*)	6,635,727	12,715,534	1,323,375	2,502,616
Gold (*ounces*)	532,303	583,567	1,931,030	2,238,143
Pertroleum (thousand of gallons)	50,075	225,792	204,342	884,398
Manganese ore (*tons*)	157,736	670,290	215,934	648,701
Salt (*tons*)	1,102,039	1,225,490	374,133	429,295
Saltpetre (*tons*)	15,555	14,674	191,904	220,012
Mica (cwt) *exports*	16,298	48,871	70,034	207,778
Lead ore (*tons*)	—	35,361	—	181,989
Tungsten (*tons*)	—	1,308	—	99,989
Rubies, etc., (*carats*)	229,127	288,213	105,936	67,594
Iron ore (*tons*)	49,798	366,180	7,932	54,487
Jadestone (*cwts*)	3,015	2,028	31,713	29,815
Tin ore (*cwts*)	1,394	1,946	7,773	9,388
Silver	—	—	—	11,575
Graphite (*tons*)	2,785	4,048	15,248	9,425

From the comparison of the above figures we find that coal and petroleum have made rapid and continuous development, manganese-ore a steady growth, and iron, a sudden advance in 1911, due to the establishment and working of the Tata Iron Works. The output of gold varied little throughout the decade.

§ Regulation and Inspection of Mines.

Two kinds of Licenses.

According to the mining rules promulgated in 1899, two sorts of licenses, "*exploring licenses*" and "*prospecting licenses*," are granted. The former do not give any exclusive or preferential rights, while the latter confer the sole right to mine in a specified area for a limited period, together with a right to be granted subsequently a mining lease, or in the case of precious stones, to have the first offer of a mining lease. Mining leases are granted generally for 30 years and not exceeding an area of 10 sq. miles, by the local government on payment of royalty. In Bengal the mineral rights to coal mines have passed permanently into private hands with the surface ownership. In 1901 the *Indian Mines Act* was passed which excluded from the category of *mines* 'any excavation no part of which is 20 ft. deep and no part of which extends beneath the superjacent round.' The Act provides for the appointment of inspectors of mines, and for the constitution of local mining boards and committees with various functions in connection with the regulation of mines.

Terms for mining.

Definition of mines.

§ Mines and its neighbourhood.

Man and minerals.

More than the minerals, the people engaged in the extraction of minerals, must occupy our attention rather closely. Again, the welfare of the labourers determine the

out-put and even sometimes decide about the profitable working of a mine. For our purposes, we are to enquire about the economic environment they have already created, which in its turn will bring home to us as to what they ought to create. The economic influences of mines upon its neighbourhood may be thus summarized: (1) *Increase of population.* The census statistics of 1901 show that population in mine areas increased from 4 to 25 per cent. and in some places even to 75 per cent. The majority of the workers are landless day-labourers and migrate from too much conjested districts. But the relief thus given is not an unmixed good. It is sometimes found that cultivators leave their fields and migrate to mine areas with the whole family lured by the hope of getting a higher money wages and enhanced real wages. (2) *Increase of Poverty.* It is only the able-bodied who get employment, and the old, weak and decrepit hung on the shoulders of their more strong relatives. Thus the margin of consumption is lowered among them impairing the future capacity of the family to do hard work. This leads to increasing poverty of the labourers. (3) *Degradation of future labour.* The women of child-bearing age and little children as mine workers, both underground and aboveground, suffer much in their development and conduce to national degradation. The number of women employed is more than one-half of the men and the ratio of increase is faster than that of the latter, while the only hopeful sign lies in the fact that the number of children employed has decreased greatly in the recent years. (4) *General prices rule high.* Demand for goods not being very steady the supply is often insufficient to meet the requirements of the people, so the price level is always high. The ignorance of the

Economic effects enumerated.

Increase of Population.

Increase of poverty.

Degradation of future labour.

General high prices.

people, the want of better communication, and the monopolisic nature of the supply are also responsible to some extent for this high price. (5) *Fear of unemployment.* A depression in the market demand for the mineral raised lowers wages and sometimes throws out of employment a lot of labourers. The growth of subsidiary industries in the neighbourhood may relieve the pressure to a great extent. (6) *Improvement in communication.* Now, railway communications have been established even in most backward mine areas while many big towns are still left unconnected. (7) *Growth of towns.* Within the last quarter of a century many towns have grown around the mine areas due to the opening of communication, supply of sufficient menial labour and the compulsory residence of the different grades of mine officers. (8) *Degradation in morality.* Want of proper education, inducements of mine officials, easy reach of various intoxicants, defective housing, the absence of strong social ties, and the social oddities which is the cause of many migrations become cumulative in their effect and thus permanently degrade the morals and physical capacities of the labourers.

Fear of unemployment.

Communication.

Growth of towns.

Degradation in morality.

§ Forests.

The distribution and character of Indian Forests are due in the first instance, to the more or less *plentiful supply of rain*, and next, *to elevation.* Within the direct influence of the full force of the monsoon rains the country is covered with *evergreen* forests, where the rainfall is less copious the tree crops change into *deciduous forests*, gradually blending with still decreasing rainfall into *dry forests* and ending in *unproductive deserts.*

Kinds of forests.

(1) The *wet evergreen* forests occupy the eastern coast of the peninsula, the coast districts of Burma and Chittagong, and along the foot of the eastern Himalayas. These forests yield timbers of great value, e. g. Teak, Blackwood, Ironwood, etc.: besides, large bamboos and palms. (2) The *dry evergreen forests* occupy the Carnatic. They contain trees of a comparatively small size and hard texture, such as, Ebony, Neem, Tamarind, etc. (3) The *deciduous forests* occupy the larger part of the peninsula and Burma, and the Andamans. This type of forest, the most common and the most important in India, consists of the chief of the Teak areas, the forests of Sal, the forests of Red Sanders of the South Deccan, the sandalwood tracts of Mysore, etc. The Indian Padauk is also found in this area. (4) The *dry forests* are situated in Rajputana and the Punjab. Their produce is not of much value. (5) *Hill forests* are found along the whole of the Himalayas and on the higher mountain ranges of Burma; the most important trees are the Deodar, the Pine, the Fur, the Oak, Ash, Elm, Chestnut, Walnut, etc. (6) The *tidal forests* are situated along the greater part of the coast of India, and the deltas of its rivers. The chief trees are *Sundri* and the *Mangrove*.

(1) Wet Evergreen forests.

(2) Dry Evergreen forests.

(3) Deciduous forests.

(4) Dry forests.

(5) Hill-forests.

(6) The Tida forests.

The State forests in India are lands administered as forests by the Forest Department under legal enactments for the time being in force. There are in British India large forest areas outside the direct control of the Forest Department which are managed by district officers, local boards or municipalities, or private persons. The first Indian Forest Act was passed in 1865 and the subsequent enactment of 1878 are still in force in most of the provinces.

Departmental classification.

State forests are departmentally classified as, (1) *Reserved*, (2) *Protected*, and (3) *Unclassed* or *Public* forest land. The '*reserved*' are forests intended to be maintained permanently for the supply of timber, fuel, and other produce, or for the protection of the water supply or for other similar purposes. In the case of '*protected*' *forests*, the local government has power to close a portion for a limited period, to reserve particular trees or classes of trees, and to prohibit or regulate the removal of forest produce, the clearing of land, and the pasturing of cattle. The protected forests may be either in a state of transition to reserves, or intended to remain permanently in the second class. The main difference between the two classes of forests is that in the reserved forests the control is more stringent than in the protected forests where it is much lax.

Reserved forests.

Protected forests.

Unclassed or public forests.

The '*Unclassed or public forest lands* are given over with fewer restrictions for the use of the public.

The table below shows the areas of forest land under the management of the Forest Department.

	Forest Area, 1912.			Proportion of Forest Area to Total Area of Province, 1912.	Proportion of Forest Area under Working Plans, 1912.
	Reserved.	Protected.	Unclassed.		
	sq. miles	sq. miles	sq. miles	Per Cent	Per Cent
Bengal ...	4,663	1,711	4,030	13·3	45
Bihar and Orissa ..	1,719	1,057	...	3·3	52
Assam ...	4,321	...	18,403	42·9	5
United Provinces ...	4,117	30	29	3·9	97
Punjab ...	2,208	5,203	1,312	9·0	46
N. W. Frontier Province ...	236	...	...	1·8	100
Central Provinces and Berar	21,038	...	...	21·1	46
Burma ...	26,135	...	111,218	83·5	6
British Beluchisthan ...	313	...	472	1·7	...
Coorg ...	520	...	...	32·9	25
Ajmeer-Merwara ...	142	...	...	5·1	99
Andamans ...	156	...	2,013	69·0	15
Madras ...	18,601	...	838	13·7	41
Bombay ...	11,979	471	...	10·1	52
Total ...	96,148	8,472	138,315	23·9	20

"The influence of forests on the climate of the country and the fertility of the soil is of special interest in India." Forests are responsible not only for the storage of rain-fall water in the soil but also for the supply, by transpiration from the foliage, of moisture to the air. They thus form *the head-works of nature's irrigation scheme in India.* The *grazing* which they annually afford to innumerable herds saves in years of drought from starvation the cattle upon which the agriculture of the country depends. They afford to the villagers who live near them a *ready supply of materials* for house-building, of fuel, and of minor forest products which add to the comforts of their life. The forests are a source of *revenue to the State*, as providing timber and other products which are utilized throughout the world. In addition to timber it also supplies many minor products, such as, grazing and grass, cautchout, lac dyes, cutch, gambier, rubber, gums and resins, babul, fibres, flosses, Myrabolams and other tanning materials.

Utilities of Forest.

(1) Head-works of nature's irrigation scheme.

(2) Grazing fields.

(3) Materials for domestic purposes.

(4) Revenue to the state.

(5) Minor products.

But *for industrial purposes* the forest products of India have rarely been availed of to any great extent. The area in charge of the Forest Department amounts roughly to $\frac{1}{4}$ the total area of British India. So the small staff employed to manage and protect these forests have little or no time to do more than carry out routine duties. The commercial side of the business is thus left to its own fate. To develop forest industries the forest service is to be remodelled. 'It should be *divided into four sections*, Forest Management, Forest Commerce, Forest Engineering, and Forest Research. The officers of the *Forest Commerce Department* should be in charge of all sales of timber and other minor products, demons-

Commercial side overlooked.

The forest service should be remodelled.

tration factories, seasoning and treating plants, &c. They should issue commercial statistics, and form a link between the Forest Department and the commercial world and with the assistance of the *Forest Research section* work out schemes for new forest industries. The *Forest Engineering Department* should give technical advice in engineering matters e. g. on problems of extraction, &c.' It should also take proper measures to develop the art of **afforestation**. Forests of the same or kindred species should be reared together to allow of their being utilised commercially. Indian forests team with all possible kinds of industrial timber but very few of them is capable of being commercially utilised. To cite only one case in point, the Himalayan spruce and silver fir, which are very suitable for the manufacture of match splints, for boarding, planks, &c., cannot be got out sufficiently cheaply to allow of their being utilized industrially.

Proper afforestation is essential.

§ Animals.

Wild Animals.

Indian animals can be grouped mainly into the two following classes :—(1) Wild *animals*, and (2) *Domestic animals*. Wild animals are numerous. The birds are often conspicuous by their gay plumage. Hides, horns, tusks, bristles, etc., of several wild animals, the feathers of some birds, shells, corals, and food animals like fish, etc., are of great economic value. The collection of the above things however, being left in the hands of ignorant and unintelligent people they fetch very low price. As regards domestic animals, such as cows and buffaloes, we have already treated their value and prospects.

Domestic Animals.

§ Facilities of Transport.

The *Indus*, the *Ganges*, the *Brahmaputra* and the *Irrawady* and their tributaries are magnificent natural waterways navigable for thousands of miles. The *Narmada* and the *Tapti* are unfortunately by reason of their rocky beds and swift floods practically useless for navigation except at their mouths. The *Mahanadi*, *Godavari*, and the *Kristna* are navigable for some distance above the heads of their deltas. There are all around the coast innumerable small rivers, creeks and back-waters affording facilities for water transport which are fully utilized by small native craft; but outside the zone of such operations inland navigation is practically confined to the deltas and to the valleys of the great rivers. It is stated that there are 26,000 miles of navigable waterways in the great river systems of Northern India, which, if made use of, will provide with an unbroken line of communication from the interior of the Empire to both sea borders on the Arabian sea and the Bay of Bengal.

(1) Natural waterways.

The utility of the rivers has been greatly increased by the construction of *navigable canals* of which the Buckingham canal (parallel to the east coast) and the Ganges canal from *Hardwar* to *Cawnpur* are the chief. Besides these, there are a long chain of *irrigation canals* which can not be utilized as waterways as they are generally shallow and get dry in the summer months. Moreover, they are unconnected with the larger water systems, they pass through unpeopled tracts, and their courses lie in a zigzag and roundabout manner making the transport very costly.

(2) Canals.

Before the advent of British rule' roadways in the modern sense were practically unknown. The level

plains of India scoured by streams, which for eight months or more in each year are passable without difficulty by the conveyances generally used in the country, offer so small an obstacle to intercourse between different localities that up to the end of the 18th century there was no demand for prepared tracks, transports being chiefly carried on by *pack-animals* travelling along the village pathways while travellers could ride, or be conveyed in *palanquins* or *bullock-carts*. The Moguls, however, built several military roads, such as the road leading west and north through the Punjab into Afghanistan and Kashmir—the present Grand Trunk Road—and the road to the south through Gwalior and Ujjain to Birhanpur and Surat and thence to Golconda and the Deccan. The main roads of India built after the advent of the British are generally good although those connecting the smaller towns and villages are still unmetalled. The Grand Trunk Road from Calcutta to Peshwar is 1500 miles in length.

(3) Roadways,

There are about 34,656 (1913-14) miles of railways open for traffic in India. The great railway systems run inland from the chief ports. The systems of the north and north-west converge on Delhi.

(4) Railways.

Roads and Railways have revolutionized the methods of transport causing pack-animals to be almost entirely displaced by wheeled vehicles throughout the greater part of the country. Formerly, the commerce of the country was chiefly dependent on animals for transport. At the present time it is only where railways have not penetrated that packed transports have preserved any important share of long distance traffic, though in sandy or hilly tracts a considerable amount of local traffic is still dependent on this means of conveyance.

Present condition.

§ Railways in India.

Early history:—The history of Indian Railways very closely reflects the financial vicissitudes of the country. Not for some time after the establishment of Railways in England was their construction in India contemplated, and then to test their applicability to Eastern conditions sanction to build was given in 1845 to three private companies viz., the East Indian Railway Company, the Great Indian Peninsular Railway Company and the Madras Railway Company. But railway building in India on any serious scale dates from Lord Dalhousie's great minute of 1853, wherein, after dwelling upon the great social, political and commercial advantages of connecting the chief cities by rail, he suggested a great scheme of trunk lines linking the Presidencies with each other and the inland region with the principal ports. This suggestion commended itself to the Directors of the East India Company and their doubts and misgivings were wiped out by the experiences of the Mutiny. By the end of 1859 eight English Companies had been formed for the construction of nearly 5,000 miles of line, with a capital under guarantee of £52½ millions.

Early history.

Railways opened.

Dalhousie's minute.

Eight Companies opened in 1859.

Gradually, railway expansion proceeded in India. We may distinguish *three periods* in the history of railway construction in India.

First period:—**Guarantee System. 1850-1869.** First period.

As there was no private capital available in India for railway construction, and as foreign capital could not be attracted without the guarantee of a minimum return on the capital to be invested, the Government finally decided to give a *financial guarantee* to the companies

Guarantee system.

in 1850. Of the guarantee system, Juland Davers in his "Report on Railways in India," thus speaks: "The guarantee, which is for a term of 99 years applies to all monies paid by the companies into the Government Treasury and expended with the sanction and approval of the Government.

Juland Davers' report.

The net receipts from the Railways are paid into the Government Treasury. If they amount to less than the sum due for guaranteed interest, such an addition is made to them from the revenues of India as makes up that sum; if they amount to more, half the excess is added to the dividend of the shareholders, and the other half is applied to the repayment of the sums previously paid by Government on account of the deficiency in the guaranteed interest; if the receipts should not reach the amount paid for working and maintaining the railway, the deficiency is chargeable against the guaranteed interest. If at any time the whole of the monies paid by government for interest shall have been repaid and discharged, the companies are entitled so long as this is the case, to the whole of the profits.

How the profit is distributed.

For example, if the railway upon completion, yields a net profit of 4 p. c. the government would have to add 1 p. c. (supposing the guarantee to be 5 p. c.) to make up the rate of interest guaranteed; if it yields a profit of 7 p. c., the government would then pay nothing, but would receive 1 p. c. and the remaining 6 p. c. would be given as dividend to the shareholders; and when by this process the whole of the sums (with interest) previously advanced by government to meet the deficiency in the guaranteed interest is repaid, the shareholders would receive a dividend of 7 p. c. If, on the otherhand, the following should be the result

A concrete example.

of a year's tariff operations, viz., that the working expenses were £ 100,000 and the receipts only £ 90,000, then £ 10,000 of the sum paid by government on account of guaranteed interest would go to make up the deficiency, and the dividend to the shareholders would be rateably reduced.

Surrendering of works by companies.

A railway company can surrender its works on a notice of six months, after the line has at least for six months been constructed. The Government at the expiration of 25 or 30 years after the contracts can purchase the railway at the mean market value in London of the shares selling during the last three years.

Purchasing right of the Government.

Surrendering and lapse.

At the expiration of 99 years the land reverts to the Government and if the Railway Companies have not availed themselves of the power of surrendering before that period arrives, the works also lapse to the government who would have to purchase the stock of engines, carriages, etc. at a valuation.

Annuity pruchase.

The government instead of paying the whole sum can buy a company by an annual annuity.

Supervision.

All supervision of the companies is reserved to the government. In the fixation of rates, the company is to consult and act up to the advice of the government.

Privileges retained.

The Government also retained the privilege of its mails being carried free and troops and stores at reduced rates."

Early financial results were disappointing.

The early results, however, were disappointing. Whilst the railways greatly increased the efficiency of the administration, the export and import trade of the country, the mobility of the population, and the general revenue of the state, *they failed to make profits sufficient to meet the guaranteed interest* and by 1869 the deficit

on railway account which the Government of India had to meet amounted to 166½ lacs. Critics attributed this to the unnecessarily high standard of construction adopted, to the engineer's ignorance of local conditions, the improper method of sharing profits—such as by 'the operation of the clause in the contract requiring surplus profits to be divided half-yearly, it deprived the Government of the benefits of the first half of each year, when traffic is always much higher than in the second half, and left a deficit on the whole year's transactions,'—and other causes, such as the distance of the supply of materials, climatic hindrances, Mutiny, loss of ships carrying materials and the consequent heavy insurance fees and freight charges, bad supervision and management, and the uneconomical working of the *guarantee system.*

Causes of Financial failures.

To complete the total breaking down of the prevailing guarantee system, there came the Orissa famine of 1865-7 and the prolonged drought in the United Provinces and Rajputana, which finally shook the financial equilibrium of the Government and now there was crying need for money in every branch of the administration.

Breaking down of the guarantee system.

In 1869 Sir John Lawrence, the then Governor-General, in his minute to the Secretary of State first ably criticised the guarantee system, and others followed suit. The chief defects of the system were pointed out to be:—

(1) *Double supervision.* The supervision was exercised by the Government both in England and in India and the evils produced by it were evasion of responsibility, lesser scope for the exercise of discretionary power, and friction of authorities. In England, an official Director was appointed to join the meetings of the

Defects of the guarantee system.

Board of Directors of the Railway Companies and had a veto power, while all matters of importance were referred to the Secretary of State. In India the supervision was exercised by the Government principally through officers appointed for the purpose. (2) The *danger of unlimited liability.* As the Government had the power to extend the lines without limit, so there was no limit to the sum to be invested in railways and thus there was no limit to the interest liabilities. (3) *Want of economy in construction.* The guaranteed interest being available under all circumstances there was no motive to proper economy in construction, and as more capital meant more interest there was always lurking the danger of over-investment. Lord Dalhousie said, that 'the money under the guarantee system is *de facto* public money: the shareholders are *de facto* lenders to the Government: so a check and a real check, then there must be'. (4) *Sacrifice of highways.* Sir J. P. Grant asked as to how the Government leaves the highways to the private parties in contravention to its duty to the people. The raliways of to-day are what were exactly the highways of yore. (5) *Throwing away of profits.* The Government is always in need of railways for military purposes which never aspire to become remunerative. Under the circumstances no private company will take up the construction of those unprofitable lines and will restrict their activities solely to those works which will pay them. Thus an inequitable partition of interest follows, the Government losing always while the companies reaping the profits in every case. (6) *Loss of efficiency in construction.* The unlimited nature of the liability forces the Government to check the expenditure on railways and to enter upon a very close scrutiny of all the expenses and as a result to

Double supervision.

Unlimited liability.

Want of economy in construction.

Sacrifice of Highways.

Throwing away of profits.

Loss of efficiency in construction.

kill those internal incentives to action and efficiency.

Financial objection.

(7) *The financial objection.* The loan was not raised at a cheaper rate, on the contrary, at a rate guaranteed by the Government which was generally higher than the market rate. If the enterprise fails the whole loss falls on the Government and if it succeeds the whole gain does not go to the Government. Moreover, the principal of the loan could not be repaid at pleasure by the Government even if it has a good balance at hand. But the investing company could claim the payment at any time irrespective of the financial position of the Government.

Guarantee abolished.

Seeking for some more economical method of construction, the Government of India made repeated suggestion to the Secretary of State, and finally in 1869 obtained sanction for the discontinuance of the guarantee system and the inauguration of the building of lines by direct State Agency.

Second Period :—State Railway system. 1869—1879.

Second period.

Under the system the Government undertook the construction of railways itself. This system remained in force till 1879 and during these ten years *all the lines were constructed by the State by means of funds supplied by it.* The charge on the revenues of India under the guarantee system then amounted to £ 1½ millions and the Government hoped to appropriate annually £2 millions sterling for direct railway construction. In 1875 the government increased the amount annually spent on railways to Rs. 4 crores. But owing to war and famine which occurred about this period the Government was unable to continue the provision of

takes up the task.

Railway expenses.

funds for railway undertaking and in the year 1879 again reverted to the old practice of giving *guarantee* to private companies.

Third Period:—Present system. 1879—1915.

Third period.

At first endeavours were made to induce companies to enter the field again without State assistance. But they met with no success and the Government had again to fall back on a *guarantee*. Now railways are being constructed by the joint efforts of the companies and the State. Under the old guarantee system the companies were the proprietors and raised the capital, while the Government guaranteed interest and reserved the power of purchase. But under the *new guarantee system* the Government borrowed money and advanced a part of the capital on which it charged interest while it guaranteed interst on the balance of the captial raised by the company. The financial advantage that accrued was that as the credit of the Government was placed at the disposal of the companies, loans could be raised at a lower rate than the market rate. Now the Government is the proprietor and the companies that work the lines are mere lessees for a term of years.

The guarantee again.

Old guarantee and the new guarantee compared.

The economic effect of the new guarantee.

The further development in the construction was brought about in 1893 by the introduction of the "*Rebate terms.*" Under the rebate terms a company was permitted until it became remunerative, to construct approved branch lines and to pay interest out of the capital during the period of construction and was allowed a rebate up to 10 per cent. of gross earnings derived by the main line from traffic interchanged with the branch, in supplement to its own earnings, so as to permit a dividend of 4 per cent. on its capital. For example, if the

Rebate terms of 1893.

capital expended on the branch line was Rs 4 crores and the gross earnings from interchanged traffic was Rs. 30 lacs, and the working expenses Rs. 15 lacs, then the main line would give a rebate of Rs. 1 lac. (Four p. c. on Rs 4. crores, is 16 lacs; the net profit that remains is 15 lacs by deducting 15 lacs from the 30 lacs; then the deficiency to make up the 4 p. c. is only a lac.) In addition to these, free grants of land and the rights of being fully equipped with rolling stock and locomotive power by the main line were conceded. These terms, however, did not prove attracting and of any practical importance to the companies. So, in 1896 the rebate terms were modified and the liabilities of the main lines were extended from 10 per cent. to cent per cent. but the total dividend of 4 per cent. was reduced to $3\frac{1}{2}$ per cent. Most of the modern companies have received financial assistance from the Government and may be divided into three classes, viz, Later Guaranteed Companies with English Sterling capital, Companies with Indian domicile and rupee captial, and Railways over which the Government exercises no financial control.

Rebate terms of 1896

Financial assistances of three kinds.

There are also two other systems by which railway construction have been developed in India: They are, (*a*) the *Subsidized System*, and (*b*) the *Pure State Railway System*. According to the former system the Government assists companies by various indirect means, such as, free grants of land, the grant of a fixed annual sum to add to the railway revenue, free supply of slippers and fuel for engines, etc. According to the latter system, the Government both construct and work the lines. In addition to these there are railways owned and managed by the Native States.

Subsidized Railways.

State Railways.

Native State Railways.

In 1900, the railways in India began to prove

remunerative and it struck the Government to apply its own fund for the extension of railways. So came the *Programme System* in the Viceroyalty of Lord Curzon. Under the system the Railway Department is annually allotted a sum of money the amount of which depends on, (i) the state of the treasury, (ii) the money market, (iii) and the general conditions of the country at the time. The money so allotted is apportioned at the commencement of the year among the several railways which look to the government for funds, and among any new project for which money may be available.

Programme system.

Its capital account.

Its expenditure.

By far *the greater part of the Indian railway system is now owned by the Government.* The systems of the last of the old guaranteed companies were acquired during the last decade—the Bombay, Baroda and Central India Railway in 1905, and the Madras Railway in 1907. In exercise of the power of the Government to purchase guaranteed railways the following railways have been acquired:—The E. I. R., E. B. (S). R., Sind, Punjab and Delhi Railway, G. I. P. R., O. R. R., South Indian Railway, Bombay-Baroda Central Indian Railways and Madras Railway.

Government ownership of railways.

Railways purchased.

In the case of E. I. R., E. B. S. R., S. P. D., G. I. P., and Madras Railways, the purchase was made by annual payments or annuities, and in the other cases the payments were made either in cash or in Government of India securities. Alike the different systems of purchase, these lines are also worked under different managements. The E. B. S. R., N. W. R., and O. R., railways are worked under direct State management while in the case of E. I. R., N. W. R., G. I. P., and B. B. C. I. R., the working of the lines after purchase have been *leased under special contracts* to the

How the purchases were made.

Worked under State management.

Worked by the

Companies under a lease.

companies which originally constructed and owned them. 'Under these contracts the companies were to supply a small amount of capital on which they were to receive a rate of interest guaranteed by the State together with a share of the surplus profit. These companies have no proprietary right in the lines which they worked and are merely the working agents for the Government.'

The following table shews the distribution of the Indian Railways, as regards ownership and working, at the beginning and end of the last decade:—

	Route Mileage open.	
	31st Dec. 1901.	31st Dec. 1911.
Lines owned and worked by the state—	5,125	6,874
Lines owned by the state but worked by companies	13,387	17,949
District boards' lines (worked by companies) ...	54	155
Line leased by the state (worked by a campany) ..	—	79
Old Guaranteed Companies' lines	1,334	—
Companies lines guaranteed under modern contracts	32	32
Branch line companies railways assisted under rebate serm	2,276	1,171 554
Assisted companie's lines subsidised by Government		
,, ,, ,, ,, District boards		265
,, ,, ,, receiving land only ...		1,646
Unassisted companies lines		
Native State lines worked by Native States ...	42	66
,, ,, ,, companies	1,229	1,662
,, ,, ,, State railway agency ...	1,584	2,056
Lines in foreign territory	235	257
	74	74
Total ...	25,373	32,839

Since 1911 the railway mileage has increased considerably and in 1913-14 the total mileage registered is 34,656, an increase of 1817 miles within the period of a couple of years.

Privately owned companies.

The only lines of any magnitude not owned by the Government are the Southern Punjab, a rebate-aided line, and the Bengal and North-Western, which receive no financial assistance (though land was granted free). In the case of all the lines not already acquired, the Government reserves the right of purchase at certain dates, and *within the next twenty years all the railways now existing in British India* (with one or two trifling exceptions) *may, if government should so desire, become State property.*

Financing of Railways.

In 1883, three crores were assigned.

In 1883 a limit was fixed to the annual borrowing power of India to Rs. 3½ crores, of which Rs. 3 *crores were assigned to railways.* In 1892, half a cror added.

In 1892 the Secretary of State sanctioned the addition of ¾ crore to capital expenditure.

The committee report of 1908.

In 1908 the committee appointed to enquire into the matter reported that *no definite limit could be assigned* at the present time to the amount that could be remuneratively devoted to the development and extension of Indian railway system and that apart from existing lines, *improvement of which are continually demanded*, there is *scope for the construction of new lines* which would not only be remunerative but would materially add to the prospect of the population, greatly enhance the State revenue and largely develop the resources of the country.

It recommended an annual ex-

"The committee after considering the practical financial question involved, recommended that the programme of annual expenditure on railway construction and develop-

penditure of 12½ millions.

ment should for the present be fixed at 12¼ millions. The funds are to be raised thus, (1) by loans in England £ 9 millions, (2) from surplus in India, Rs. 100 lacs, (3) Famine Insurance Grant, 75 lacs, (4) by loan in India, 325 lacs, (5) and from profits on coinage, 130 lacs. The figure has not actually been worked up to. But the principle was followed, as that in providing for the needs of the opened lines specially in regard to the rolling stock, and lines already under construction, before deciding to undertake the construction of new lines. The transport facilities, however, failed to keep pace with the expanding trade requirements.

How that fund is to be raised.

The figure not worked up but the principle followed.

Financial results of Indian Railways.

Financial results.

Up to the end of 1898-99 the railways worked at a loss but after it the revenue has exceeded the expenditure with the exception of the year 1908-09. In the year 1913-14 the net gain after deducting the expense of working, all charges for interest on capital outlay by the State and on capital raised by Companies, also annuity payments connected with the purchase of railways by the State, was found to be Rs. 3,056⅓ lakhs or about £ 20⅓ millions. In 1911-12 the net earnings were only £ 5½ millions. The net earnings in 1913-14 yielded a return on the capital outlay (Rs. 49,509 lakhs) on open lines, i. e., on mileage earning revenue, of 6·19 per cent.

The net gain of 1913-14.

The control of Government over the railways and its administration.

State control.

Upon the railways constructed and worked by the State the Government exercises full control; and also upon the railways managed by private companies on behalf of the Government, the control exercised by the latter is substantial. The chief objects on which control

is exercised and the ways in which they are mainly exercised are, (*a*) the regulation of rates and fares and the raising of fresh capital, (*b*) the inspection of accounts by Government officers always at the company's expense, (*c*) the direction by the Government to deposit all capital of the companies whether on revenue or capital account into the treasuries, (*d*) the Government through the Secretary of State is to exercise control on all novel expenditure by the companies and the former's approval is necessary to incur such expenses, (*e*) the companies are to take the permission and sanction of the Secretary of State when borrowing any capital above a specified limit.

The Chief items of control.

Rates and fares and capital.

Inspection of accounts.

Deposit of capital into the treasury.

Approval required for novel expenses.

Sanction for borrowing.

As the traffic in the Indian railways developed, the Secretary of State deputed in 1901-2 Mr. Thomas Robertson to enquire into the whole question of the organisation and working of Indian railways. According to his recommendation a Railway Board was created in 1905 consisting of a chairman and two members with a secretary. The Board is outside, but subordinate to the Government of India in which it is represented by the Department of Commerce and Industry. "It prepares the railway programme of expenditure and considers the greater questions of policy and economy affecting all the lines. Its administrative duties include the construction of new lines by State Agency, the carrying out of new works on open lines, the improvement of railway management with regard both to economy and public convenience, the arrangements for through traffic, the settlement of disputes between lines, the control and promotion of the staff on State lines, and the general supervision over the working and expenditure of the company's lines." The only change that has been made

Railway Administration.

Mr. Robertson's enquiry

Railway Board formed

Its status and duties.

in the administration since then is the raising of the Chairman's status to a secretary of the Government and his easy access to the Viceroy.

Railways managed by companies.

The railways managed by companies have Boards of Directors in London. They are represented in India by an Agent who is assisted in his work by a number of officers. The head of the line is termed the Manager.

Classification of Railways.

Classification of Railways.

The railways in India have been divided into two main divisions;—(A) *Railways for which the State assumes full financical responsibility.* In this division the following kinds of railways may be included, viz, those owned and worked by the State, those owned by the State but worked by private Companies under an agreement, and those promoted by Companies under the assistance of the Government.

State assumption of financial responsibility.

The Government withholding financial responsibility.

(B) *Railways for which the State has no financial responsibility.* In this division may be grouped the following kinds of railways, viz, those financed by companies and receiving only the Government assistance of free grant of land, those financed by companies but receiving Government assistance in the form of a subsidy or a guarantee from local Governments, those financed by Companies but receiving rebate terms from the main lines, and those owned and financed by the Native States.

§ Nationalisation of Railways in India.

Nationalisation of railways in India.

The question of nationalisation of railways assume different grades of importance in different countries. Railways can be possessed by the Government either by *'purchase'* or by *'construction.'* It was the condition of the

particular country that always determined its own policy, it being either military, political, financial, economic, or fiscal. In India all the above circumstances have entered into consideration to determine her policy. The sea-girt Britain attaches no importance to her railways for *military or political purposes*, nor her *financial or economical questions* depend solution on the nationalising of railways, while as a free trader, her *fiscal policy* does not require exclusive possession and control over railways. The circumstances are just the reverse with Germany and Belgium. They are *inland countries* where railways form the main instruments of communication with neighbours in peace time and means of transport in times of war mobilisation. Germany's *impoverished finance* due to the Franco-German war of 1870, coupled with her policy of *protection in trade* determined her policy of a wholesale nationalisation of railways. In the democratic countries of France and U. S A., the railways are wholly owned by private enterprise. In Germany only 6 p c. of the total mileage are in the hands of private companies while in India only double that number is owned by private companies, but that mileage is dwindling day by day. In accordance with this policy of nationalisation adopted by the India Government, Indian Railways have been classified by some economists into three classes, (1) commercial, or *productive* railways, (2) *protective* railways, and (3) *military or strategic* railways. Railways are termed productive or protective in accordance with the principle adopted in the classification of irrigation works.

British policy.

German and Belgian conditions are akin to that of India.

Classifications following the policy.

The question of the nationalisation of railways has been settled definitely in India. The next issue that arises is who should manage them, the *State* or the *Company*.

This brings us to the most controversial question of the day. We may here briefly summerize the arguments that are put in favour of and in opposition to the State management of railways. The arguments that are mainly put forward in favour are :—

Official arguments in favour of State management.

(*a*) That it is very important for *military reasons* that the Government should have absolute control at all times of such railways as the North Western State Railway; (*b*) That the State lines are needed *for the training of Military Officers* in railway duties; (*c*) That the State lines are needed *as a training ground* for the supervising staff in the offices of the Government of India and of the consulting engineers; and it has been stated that the state railway training is so good that the *Companies select their Agents* from among the State Railway officers; (*d*) That the State worked railways afford an excellent opportunity to the Government of *holding them up as object lessons* to all other railways of the best practice in railway management.

The above were the arguments examined by Thomas Robertson, the Special Commissioner for Indian railways, (in his Report on the Administration and Working of Indian Railways) in favour of State management. *But we think he omitted the most vital aspect of the question.*

The grounds on which Indian opinion claims state management.

The chief arguments upon which Indian opinion claims for a substitution of the Company management by the State management are the following :—(*a*) it works more to the welfare of the community than to private gains, (*b*) it is more efficient and less costly, (*c*) many concessions that are beneficial to satisfy social needs may be easily secured, (*d*) advantages of large-scale production are most manifest in transport services and if they be brought under single control the economy

would be tremendous, (*e*) the financial gain is great, the extinction of the opium revenue is expected to be recouped one day by the increasing railway revenue, (it will stop the ever-increasing drain of £ 15, 647,267 a year from India), (*f*) a great many men of the country can find respectful service in them specially in a country like India where the doors of the Army and Navy are closed to the people, (*g*) the Railway Board's *management from a distance* hampers the executive ; (*h*) having an eye to *profit* only, it *overlooks the interests of the public* and development of the country ; (*i*) the Company managed railways *do not make economy in the use* of the rolling stock of the country which is specially necessary in consideration of their inadequacy to meet the requirements of trade ; (*j*) finally, cases are not wanting where European company managers *allowed special discrimination rates* to their brethren traders, while imposing unfair and prohibitive rates on the Indian traders and transporters.

Two special grounds.

Mr. Thomas Robertson was wise enough to deal with the advantages of company management more elaborately. He forwarded the following arguments in favour of Company management. They are the following :—(*a*) the difficulty in which the Government must often find itself through having *to adjudicate in disputes* or differences in which they themselves are really one of the interested parties ; (*b*) the danger that the interests of the State Railway may be *sacrified to serve some object*, political or otherwise ; (*c*) the danger that something necessary in the *interests of some other railway or the public may be withheld* because it may be regarded as being in some way injurious to the interests of the State Railway ; (*d*) the difficulty of working the

Official arguments in favour of Company management

railway *on strictly commercial principles* when a part of the staff is pensionable and is not confined to one railway; (*e*) the danger that *continuity of policy will be absent* from the management of the property; (*f*) the very great difficulty of differentiating between the Railway Department and the other Departments of the State, and of treating the business of the railway as a purely commercial undertaking, and of regulating the salaries of its servants by the same considerations as govern skilled labour in similar undertakings managed by companies instead of by a standard which may be suitable enough for officers in other Departments of the State, but which is quite inapplicable in the case of men managing large commercial concerns; (*g*) the great difficulty experienced in *getting rid of inefficient men*, whether superior or subordinate, pensionable or non-pensionable; (*h*) the difficulty of *ignoring the claims of seniority* when there is nothing special against a man, but when it is well known that he would not be the best selection for an appointment, and another, his junior, would perhaps be much more suitable; (*i*) lastly, the *absence of that healthy and beneficial control* which a strong and judicious Board of Directors is capable of exercising. To these some *European Chambers of Commerce added the following arguments*:—(1) the power of the State with regard to borrowing money for railway purposes being very limited, *it cannot effect desirable improvements or construct necessary lines* as the Railway revenue being included in the general revenue is directed to other channels for the exigencies of the State to the prejudice of the development of the country; (2) there is a *tendency to lavish expenditure* in every respect as there is no personal interest to observe strict

Some technical and avoidable difficulties.

Opinions of some Chambers of Commerce.

economy; (3) the *tendency to rigidity*, whereas elasticity is necessary in railway matters where urgent questions require prompt decisions.

Now, weighing the both sides of the question from *strictly* an Indian point of view, we advocate nationalisation of railways and State management. The increase in land revenue collection, amounting to more than Rs. 3 crores, within the last few years and the daily increasing unemployment of educated Indians bringing aweful evils in its train, makes the idea of company management more and more untenable. When even the European Chambers of Commerce and Associations are not unanimous in their advocacy of Company management, we believe, the technical difficulties that are so often urged can be easily avoided and what has been so remarkably possible in Germany and Belgium can also be made feasible in India. The existing railways now managed by the State have also not been found wanting in the task of handling traffic on a business principle.

Conclusions to which we arrive.

The Economic effects of Railways.

Economic effects of railways.

(1) The *pilgrimages* which play such an important part all over India in the daily life of the population and which formerly occupied months and absorbed the saving of life time, now involves comparatively a *trifling cost* and an *absence from home* of only a few days.

Pilgrimages question.

(2) The cheap, easy and quick communications *enable the surplus population in congested areas to move to the more sparsely populated parts of the country* where labour alone is needed to make the soil yield bountiful harvests.

Movement of congested people.

Equalisation of prices.

(3) The improvement in communications has *equalised prices* in the case of agricultural produce within reasonable distance from a railway, and it also made the *imports available at a cheaper rate* than before.

Development of manufacture.

(4) It has made modern *development of manufactures* possible by making coal and other requisites cheap.

Prevention of famine.

(5) The value of railways as a *means of preventing famine* is great. Food grains can now be easily and quickly transported to districts affected by famine from districts where there is an abundant harvest, so that *famine no longer means scarcity of food but only scarcity of money* which is always less difficult to meet. Besides, railways enable people to leave the affected places for a time and go elsewhere *to find work and food.*

Breaking of caste.

(6) The railways are *weakening caste prejudices* and making the different castes more tolerant towards one another.

Employment.

(7) It gives employment to a large number of poeple. There are, however, some Indian economists who *do not look upon the extension of railways as an unmixed blessing.* Mr. Ranade, for instance, thinks that the railways have as a matter of fact except in a few Presidency towns *killed out local indigenous industries* and made the people more hopeless than before by increasing their dependence and pressure on agriculture as the only resource. He therefore contends that the amount now spent on railways by the Government would be better employed *if used in encouraging new industries in the country by means of advances or subsidies or guarantees according as circumstances require.* (Cf. *Indian Finance.*)

Ranade's views.

The comparative merits of Irrigation Works and Railways as a means of Famine protection.

'The relative merits of railways and irrigation works as means of preventing famine have often been the subject of discussion, but the *claims which may be made on behalf of either are not conflicting* for the means of *production and distribution* must be regarded as mutually supplementary. Railways do not, like canals, increase the food supply of the country but they *render possible the transfer of surplus supplies* to parts of the country which require them. They are the only means of food supply in times of famine to many places where irrigation is impossible or could only be made possible at a prohibitive cost. Again, *the protective value of* many of the most important canals *depends on the existence of railways* for by them the surplus produce may be readily and cheaply distributed. It may be that the construction of a particular railway might have been held in abeyance in favour of an irrigation work or vice versa but *improvements in the means of production and of distribution must proceed simultaneously*. The smallness in the difference of prices in all parts of the country during the famines which have occurred since 1896 is the best justification of the policy of railway extension as a means of mitigating famines. *Irrigation works can do much but they cannot by themselves give as complete or universal protection as is required.*'

Railways distribute while canals produce.

Their utility increase with the co-operation between each other.

They steadied prices in times of famines.

PART II.

(B) The Social Factor.

The village system and rural economy. Peasant-proprietorship. Caste and its economic significance. Its influence on the organization of Indian Industries. The joint family, and Hindu and Mahomedan Laws of inheritance in regard to their economic bearings and consequences. Status and custom, and their influence on rents, wages and prices. Organisation of agriculture, handicraft and domestic industries in rural India. Caste Guilds. City Industries. Mahomedan Guilds and Industries. Indigenous organization of Trade and Transport, of Banking and Agricultural credit.

§ The Village System and Rural Economy.

An Indian village.

Over 90 per cent. of the Indian people live in villages. In England more than half of the whole population is found in towns of 20,000 inhabitants and upwards, whereas in India only 5 per cent. of the people live in such towns. It has been estimated that nine-tenths of the rural population in India live directly or indirectly upon agriculture. An Indian village is in fact an aggregate of cultivated holding with or without some waste area belonging or attached to it, and usually it has a central site for the dwelling houses congregated together. In some cases the small homesteads and farm buildings are found separately located on the holdings. The ordinary Indian villages may be divided into two main classes :—

Two kinds of villages.

(1) **Severalty or Rayatwari village** which is the prevalent form outside Northern India. There is no

joint responsibility among the villagers though some of the uncultivated lands may be set apart for a common purpose such as grazing, and the waste land may be brought under the plough with the permission of the revenue authorities and on payment of assessment. The village government vests in a hereditary headman known as *Mondal*, *Pátal*, *Reddi* (*Tamil*) or *Maniyakarl* (*Telegu*), who is responsible for law and order, and the collection of the Government revenue. He represents the primitive headship of the clan by which the village was originally settled. Rayatwari village.

(2) **The Joint or Landlord village.** This type is prevalent in the United Provinces, the Punjab and the Frontier Province. Here the village site is owned by proprietary rights (*i. e.* by an individual or a family or a group of ancestrally connected families) which have the claim to be superior to other cultivating landholders. The waste land is allotted to the village and if wanted for cultivation is partitioned among the members of the proprietary body. The village government was originally administered by the *Panchayet* or group of heads of superior families. In later times one or more headmen known as *Lombardar* had been added to the organisation of the present village in its dealings with the local authorities. The co-proprietors are in general a local oligarchy with the bulk of the village population as tenants or labourers under them. Their position, as a rule, was due to descent and the equal rights afforded by the Hindu joint-family system. They came into existence (*a*) either from an original superior proprietor who obtained that position by grant from a native ruler or in latter times as a revenue farmer, or by purchase; (*b*) or, from a body of men, connected by ties of blood Landlord village. Panchayet. Lambardar. Co-proprietors' rights how evolved.

or association, who originally colonised the village or superimposed themselves on the earlier inhabitants. Many land-lord villages were founded by scions of once ruling chiefs who became local landlords on the dismemberment of their houses.

Areas of land-lord villages.

In Bengal, Oudh and North Madras and to a certain extent in the Central Provinces, Agra, Western Bombay, Assam, Ajmere and Berar, there are landlord estates on a larger scale, but even of such estates the component parts are formed by villages, the rights of which though now subordinate right are still in existence.

General organisation of Indian villages.

Each village constitutes *an industrial unit* which contains in itself all the labour, capital and skill which are in India considered necessary for the cultivatian of the soil. Under both forms of village mentioned above the people require the aid of certain functionaries, artisans and traders. So, in addition to the population directly engaged in agriculture, almost every village possesses a blacksmith, a carpenter, a potter, a barber, and a washerman; and most villages retain the services of some sort of holy man, such as priest, astrologer, fakeer, and others. In larger villages there will also be found seller of brass or copper pots, a weaver, a mason, a schoolmaster, a musician, a physician, an oilman, a leather curer, a sweet-meat maker, a miscellaneous small shop-keeper, and we might add a jeweller and besides the village servants who perform the menial offices. A more important functionary is the *money-lender* or the *grain dealer*, who combines the purchase and sale of grain with money-lending. Besides these representatives of industrial classes there are village officials, viz. (1) the *headman*, whose position is most important in Madras, Bombay and Burma, and who, besides being responsible

Village traders.

Village Officials.

for the collection of revenue and its remittance to the Taluq or Government treasury, as a village magistrate tries petty cases and maintains law and order in his village and as village munsiff acts at a petty Civil Court. (2) The *Accountant* (Patwari in Northern India, Karnam in the south, Karkun or Kulkarani in the west), who keeps the village account showing the ownership of holdings and the payments due to Government or to landlord, maintains the village map and is generally the scribe of the community. (3) The *Chowkidar* or village watchman reports crime, arrests offenders, maintain a watch over bad characters and gives general aid to the police. In the greater part of Bengal there are no headman, and *patwaries* do not exist except locally. *The whole village system in fact has no vitality under the Landlord Estate system.* The importance of villages has been thrown into the shade and the influence of the village officers has been much undermined by the growth of the Zemindars in Bengal.

The Headman.

The accountant.

The Chowkidar.

The village artisans and officials exercise their vocations as a matter of *caste and heredity* and were originally remunerated by freeholdings of lands or fixed fees in kind for their services to the community and to members. The artisans do not generally receive direct payment for each act of service but they are given at each harvest a specified measure of grain as a remuneration for the services performed throughout the year which shows that other village industries are subordinate or subsidiary to the staple industry, agriculture. The village official are, however, now practically Government functionaries who are being more and more remunerated by fixed salaries as it has been found difficult to keep the lands attached to their offices secure from alienation.

Remunerations of artisans and officials.

Courts of Arbitration.

Panchayats or courts of arbitration are part of the *indigenous self-governing machinery* in village and they have received legislative recognition in some part of the country. Without involving themselves in any serious costs the village folk have settled disputes of all kinds from time immemorial at these courts. There are two kinds of Panchayat, viz., the *Village Panchayat* and the *Caste Panchayat.* The members of the Panchayat are generally men of position who enjoy the confidence of the villagers. Unfortunately, the Panchayat system is not much in use at present and the villagers often ruin themselves by going to the regular law courts for every imaginable grievances.

Kinds of Panchayat.

Village fair.

Another useful institution is the *village fair* which serves as an economic bond of union among several neighbouring villages and has the effect of *widening the village market.* It also affords opportunity for supplying the best quality and large quantities of any article that is useful in village family life. Things which cannot be had in the village bazars can be purchased at the fairs. There are thousands of such village fairs (or *hats*) in the country. A suitable and convenient centre is chosen to which people from different villages (say within 10 miles' circumference) assemble once or twice a week to sell their goods and to purchase what is necessary for themselves. The dealers in goods open out their petty bazar on plains either under some trees or the shade of a country umbrella, or under the temporary shades that are erected by private parties to whom they pay a small rent for the privileges of occupation.

Wherever means of communication are imperfect society distributes itself in *self-sufficing units.* As in

India natural waterways suitable for primitive navigation are few and there are few metalled roads, every village has to be so constituted as to suffice for its own needs. As long as the village is self-sufficing *the village industries can not be developed* further than is needed to minister to the simple wants of the community of peasants, for the extent of *division of labour is always limited* by the extent of the market. In the absence of means of transport the village artisan or cultivator can not carry produce to the bigger markets and so is not much affected by the *fluctuations of demand and price* in the latter. Of late, the construction of metalled roads and railways have to a certain extent enabled the village producers to get a better price for his produce. In places where the means of communication have been improved, the poor cultivator is no longer absolutely dependant on the local grain-dealer. The villagers in the past probably *imported next to nothing* from the world outside his village and to this day he imports very little except a few cheap domestic articles, as foreign cloth, kerosene oil, matches, etc., but in respect of what he does import he has been a gainer by the reduction in the cost of carriage. Development of the means of transport is however, still far behind the actual requirements of the country and in consequence the *self-sufficiency of the village has been only slightly impaired in most places, and the division of labour is only carried a small way.* Moreover, the peasant and artisans being mostly poor, ignorant, and conservative in their habits, do not know much of the world beyond their village and *cannot therefore turn to account the economic advantages* that may present themselves outside the narrow circle of familiar fields in which they are

Self-sufficiency.

Division of labour is limited.

Price fixed and unchangeable.

Importations to the village few.

Economic advantages not utilized.

imprisoned. They have thus hardly any facility for improving their condition. *Pursuit of hereditary profession and production on a small scale are natural results of this state of things.*

Solidarity of interest.

Another feature of the village life is the *solidarity of interest* by which the different classes in a village are bound together. All the persons who are maintained, in whatever capacity, by one industry have a common interest in its prosperity. Specially, in a small community depending entirely upon agriculture, the sense of solidarity is great, for there every member of the community has no difficulty in realising that if the village crops fail it will cause suffering not only to the cultivator but other classes in the village as well. Besides this consciousness of inter-dependence there is also a *sense of unity* which springs from the comparative isolation of the village. These two bonds knit the inhabitants of the village into a very compact industrial unit. But familiarity does not necessarily beget friendliness nor is solidarity of interest incompatible with competition. *The Indian villagers are bound by the same motives to pursue their economic interest as all other industrial communities.* The country-folk in fact seem to be even more pertinacious in their quarrels than the inhabitants of the town.

Sense of unity.

Competition not totally absent.

From this survey we can conclude that Indian villages are *little republics*, administered by people nine-tenths of whom are *agriculturists*, where people live as an *industrial unit which is in itself self-sufficient*, where *mobility of capilal and labour* is internally secure but altogether immobile as regards the outside world, where the *fixed price has no chance of being affected* by external ups and downs, where the *division of labour is wholly limited*, where there is an economic *solidarity of*

Conclusion.

interest, where the *sense of unity* is supreme, and where *competition exists internally* but finds no onslaught from an outside world.

§ Peasant-Proprietorship.

According to the census statistics of 1891 the number of peasant proprietors in India is about 46 millions. They are full and inalienable propitetors, their revenue is fixed in perpetuity and they can alienate property according to their own sweet will. The British Government has everywhere conferred or recognized a private right in land, and in large areas of country, *e. g.*, in Bengal Behar, Beneras, Oudh, and the whole of Northern India, it has expressly declared the proprietary rights of the landlords and village-owners. The land revenue, which in such cases, is paid to the Government should not be called *rent*, except where the Government is the immediate owner. Land revenue in fact *operates as a tax* on agricultural incomes—a contribution to the State out of the profits of land cultivation just as the income tax is a contribution out of the proceeds of other industries. In *Ryotwary villages*, the landholder may always throw up his holding or any portion of it and thus escape revenue liability. Under the circumstances, it had been usual to avoid calling the ryot owner of his land *eo nomine*. But the law courts have decided that 'his right is only theoretically rather than practically distinguished from a proprietary right.'

Peasant-proprietor.

Land revenue is a tax.

Ryotwary villages.

The principle that *land improvement should be exempted either permanently or temporarily from taxation* has now been accepted by the India Government. The Bomhay and Madras ryots have a recognized right

to enjoy for ever the fruit of their own improvements. In Zemindary Provinces where the revenue is temporarily assessed, additional assessment is not imposed on any estate until the private labour or capital expended upon it has had time to reap a remunerative return. Even in the case of tenants the benefit of the "*magic of property*" *has not altogether been made absent* and several laws have been passed to protect the cultivating tenants or ryots.

Governments' attitude towards Peasant-proprietorship.

Improvement is not always taxed.

A critical survey of the different existing classes of tenants in India will bring home to us the nature of ownership they have already acquired in the land. The following classes of tenants are now recognized by law :—

Different grades of proprietorship.

I. Permanent Tenure Holders.
II. Fixed-rate Tenants.
III. Ex-proprietary Tenants.
IV. Occupancy Tenants.
V. Non-occupancy Tenants.

Tenants of the first *two classes* constitute a class of *sub-proprietors*; the rent can not be enhanced and the holder can not be ejected except for some expressed breach of conditions. *Ex-proprietary tenant* is a tenant with a right of occupancy in his *Sirland* or home farm and in the land which he has cultivated continuously for twelve years, and he is entitled to hold the same at a rent which is 25 p. c. less than the general rate. *Occupancy Tenants*, as defined by the Rent Act of 1859, are tenants who have held the same land continuously for twelve years and have thus acquired a right of occupancy in such land. *Occupancy* is heritable and conditionally alienable and an occupancy tenant is protected against arbitrary eviction and rack-

Ex-proprietary Tenants.

Occupancy Tenants.

renting. Thus, for *practical purposes*, they are peasant-proprietors. *Non-occupancy Tenants* are tenants of less standing than twelve years. Even these are not altogether without protection. A non-occupancy tenant on first admission to a holding may pay whatever rent is agreed upon between himself and his landlord. But when once admitted to the holding he can only be ejected on certain grounds specified in law. It is indeed the intention of the Government to facilitate the growth of occupancy rights as much as possible. It is believed that 90 p. c. of the cultivators of Bengal have already obtained occupancy rights *and it may be hoped that this is only a transitional state leading to full peasant-proprietorship*, the proprietary rights of the landlord being satisfied by a quit rent or some other compensation. Rules are also laid down as to who has the right to make improvements on the land, how far enhancement may follow such works and how far a tenant's expenditure of capital is to be protected for his own benefit. *In short, the present tendency is to foster the growth of peasant-proprietorship in India, or at least to confirm the ryots' substantial ownership of land.*

Non-occupancy Tenants.

Government favours peasant-proprietorship.

But whatever the form of proprietorship or semi-proprietorship may be, nearly all the holdings of the peasant occupants or tenants are small and indeed in some areas excessively small. The practice of joint-cultivation is carried out to a very great extent but with increasing population there is an inceasing tendency towards the partition of cultivating units. Small farming in India is accompanied by the same advantages and drawbacks that are usually found connected with small farming in Europe.

§ Caste and its economic significance.

A caste is a collection of families or groups of families bearing a common name which usually denotes or is associated with a specific occupation. There are various types of caste, *e.g*, *tribal type*, *sectarian type*, etc., but the *functional or occupational type* is so numerous and so widely diffused that community of function is ordinarily regarded as the chief factor in the evolution of caste. Almost every caste professes to have a traditional occupation though many of its members have abandoned it, changes of occupation sometimes bringing about the formation of separate castes, *e. g.*, Radhu Pramanicks who were *barbars* have become *confectioners.*

Advantages of the caste system.

Advantage of the caste system :—(*a*) It has led to *division or specialization of employments*, thus securing to some extent the advantages of the division of labour; (*b*) the principle of heredity involved in it has tended to intensify the *dexterity* once acquired ; (*c*) fair and proper training of *apprentices* is ensured by it, as father teaches trade secrets more willingly to a son than any other tutor; (*d*) like the trade guilds of Mediæval Europe a caste serves as a *mutual benefit society* for its members. It trains up apprentices, promotes good feeling among the members, provides courts of arbitration to settle their disputes and punishes the wicked occasionally, regulates wages and profits of its members and not unoften helps the members in distress ; (*e*) it has *prevented the deterioration of the higher races* in India to a certain extent by disallowing intermarriages with the inferiors : purity of blood is generally accompanied by moral qualities which are of great value in the industrial world.

Defects of the caste system.

But the caste system has also its defects. They may be enumerated as follows :—(*a*) The differentiation

of industrial functions and the specialisation and localisation of trade brought about by the caste system make *labour partially immobile and change of occupation difficult.* (*b*) Rigidity of caste *takes away the freedom to chose one's profession* in life; everyone must adopt his paternal profession whatever his aptitude or bent of mind may be. (*c*) Certain castes are forbidden to take up certain occupations however productive, profitable and useful for the country they may be. This *prevents higher intelligence to be brought to bear upon these occupations.* (*d*) Caste prejudices sometimes *stand in the way of the adoption of industrial and agricultural improvements, e. g.* use of bones as manure. (*e*) Caste limits one's prospects and thus *kills ambition and spirit of enterprise* without which progress is hardly possible. (*f*) The Indian caste system *does not recognize dignity of labour* and has assigned too low a position to the artisans and labourers in the social scale. Industrial efficiency of a country is always impaired by the degradation of labour, as it tends to pauperise and brutalise the labouring classes. (*g*) Caste system while supplies technical education to the artisans and manufacturers on the one hand, on the other *discourages the spread of liberal education* among them. Arts and manufactures of this country are therefore generally in the hands of illiterate people of low intellect. Any improvement and originality of invention can hardly be expected from them. (*h*) As for the training of apprentices, *though father is the most willing teacher he is not always the best of tutors nor is the son always the aptest of pupils.* Education does not produce best results when both teachers and pupils are chosen by accident of birth.

Another defect.

Though caste possesses certain good features of the *Trade Guilds of Mediæval Europe*, it *lacks* their *capability of extension and development*, as infusion of fresh blood is prohibited by it. On the otherhand, it tends to become more and more subdivided, even for the slightest reason, such as *migration*, *change of custom*, etc. Exclusion and disunion, in fact, characterise every caste.

Trade Guilds and caste system.

A trade guild is a *higher organism* than a caste: a trade guild may gradually expand and develop and it was the union of the guilds that gave birth to several cities of the Middle Ages. But as caste *grows by fission*, each step in its growth detracts from its power to advance or even to preserve the art it professes to practise. A trade guild was *never endogamous* in the sense that a caste is and there was no bar to the *admission of outsiders* who have learned the business; it was in fact ever ready *to open its ranks to smart apprentices*. In recent years, however, the process of disintegration in the caste system has set in and the influence of heredity on function is growing weaker. Under the British Government all paths of employment are open to high and low alike. Education is no longer a prerogative of the higher caste. Improved communications have enabled the people to move about freely in search of livelihood and various new occupations have been created. People are thus beginning to desert the avocations of their ancestors in favour of others which they regard more *remunerative* or more *respectable*. Now Brahmins have been found to become tanners and weavers to adorn respectable professions. Also, numerous are the instances where lower castes are seen to fill responsible offices of the State. The principal causes that tended to break down the barrier of the caste are the western education

Modern aspect of caste system.

and culture, university life and living in hostels, improvements in communication, equal treatment of the subjects by the State, rapid extension of business transactions, decreasing faith in religion due to sheer ignorance of the religious books, influence and example of the ruling race, hankering after riches, growth of large towns and the weakening of the social bonds, degradation of the superior castes, increasing rigour of the life struggle, and comparative study of the different religious tenets of the world. The effect of these causes are cumulative.

Why the caste is breaking down.

Prof. Bluntschli says "that caste has produced saintly hermits, great philosophers, distinguished poets, brave warriors, excellent fathers and sons, clever craftsmen, but it has never produced great statesmen, and nowhere tolerated free nations. The India of to-day inherits the relics of the caste-system as a burden from the past: but under the influence of the English spirit it is building upon another foundation." Really speaking, after making some allowance for certain kinds of domestic exclusiveness, *e. g. marriage* and *dining together*, the fusion of the different castes for business purposes are so complete that the Hindus as a whole may be said to form a separate caste as distinct from the Mahomedans. Though there is no caste system prevailing among the latter, the different sects are so hostile to one another that they may be said to form of themselves separate and distinct castes.

The future of the caste system.

§ The Joint-family.

The Hindus use to live together from time immemorial under the control of a common head in a family, and they also in their turn were successful in thrusting this

institution upon any foreigner who come to live in their country. But alike all institutions it is not producing an unmixed good or evil. Its chief advantages are :—(*a*) It secures for its members in a small scale some of the *advantages which a socialist or a communist longs for.* The members of an ideal joint-family co-operate with one another in the work of production, each contributing his share according to his capacity and then they distribute the product among themselves equitably each getting his share according to his need, (2) By uniting several separate establishments, *it prevents much unnecessary waste and reduces expense making the living cheaper* (3) As unity is strength *it gives greater power to its members for work as well as resistance.* (4) It affords opportunity to its members *for an advantageous division of labour* among themselves. (5) It *affords food and shelter* to the old, infirm and the helpless among its members, thus obviating the necessity for old age pensions, workhouses, etc., in this country. (6) It is an *excellent field for the cultivation of such virtues* as unselfishness, charity, etc., among its members. (7) It *counteracts to a certain extent the evil effects of constant partition of property* encouraged by the laws of inheritance.

Advantages of joint-family.

On the otherhand, there are also defects abiding by the institution- The chief defects are :—(*a*) Though a co-operative body, it is not exactly like a partnership concern in which every 'member is accountable to his co-partners for every pice he has spent.

Defects of the joint-family.

In a joint-family, whether the share of the members be equal or unequal, the equal consumption of the family property by different members is sanctioned by law and the greater or smaller necessities for legitimate expenses under which any member may lie are the

necessities of all. Thus it is apt to rouse ill-feeling in the minds of those members who earn more against those who earn less or nothing. When a man feels that he has to share the fruit of his labour with others who are more or less distantly related to him, he is not likely to put forth the best of his exertions. *Keenness of self-interest which is one of the great incentives to labour or exertion is thus blunted,*

(2) It encourages laziness, for even the laziest member of a joint-family is sure to find food and clothing as long as it is in the power of the family to afford them. Consequently *drones are to be found almost in every joint-family in India.*

(3) *A joint property is more apt to be neglected* than a property owned by an individual.

(4) *It acts as a check to accumulation of large capital* by too wide a distribution of the earnings of the individual members.

Notwithstanding these defects, the alleviation of human suffering which this institution secures, far outweighs the economic loss which is expected to be suffered through its maintenance, not to speak of the many unpleasant family quarrels which are its accompaniments. The feeling of respect towards superiors and the continued watch of the other members over one's moral character, will also suffer much by its breaking up. A policy of intelligent self-interest pursued by its members, coupled with higher education and a desire for a less ostentatious and vain self-seeking way of life, may help the prolongation of the life of these institutions.

§ Laws of Inheritance and Economy.

Hindu inheritance.

Among the Hindus the two main schools of the law of inheritance are the *Dayabhag* and the *Mitakshara* schools. The former school prevals in Bengal and the latter in the other provinces. Both of them recognise the right of each son to an equal share of the ancestral property. But while according to *Dayabhag* the father's right to the ancestral property is regarded as absolute and he may do just what he likes with it without the consent of his sons, the Mitakshara declares that the father and the son have equal vested rights in the joint ancestral property and that the son can enforce a partition of his interests against his father's wish, even in the lifetime of the latter. In the Mahomedan Law the owner for the time being, whether male or female, has absolute dominion over all property in his or her possession, whether inherited or self-acquired. A widow, for instance, taking a share in her husband's estate acquires an absolute and indefeasible interest therein. In some parts of India Mahomedan families have adopted the Hindu joint-family system but the Mahomedan law does not recognise any such system and succession is generally followed at once by partition of estates. Moreover, the Mahomedan law of inheritance recognises a large variety of heirs than the Hindu law, *e.g.*, not sons only but also parents, wife or husband of the deceased are entitled to certain shares in his or her estate along with his or her children. Consequently, when a man dies, his property as a rule is at once divided into several pieces, large and small.

Mahomedan inheritance.

Thus both the Hindu and Mahomedan laws—the latter to a much larger extent than the former—*encourage partition of ancestral property.* Thia leads to constant

sub-division of land, and reduction of the size of the cultivating unit. The *practice of joint-cultivation* is indeed carried out to an extent unknown in most parts of Europe; but as already stated, with growing number there is a growing tendency towards the *partition of the cultivating units*, thus rendering them excessively small. If the owner of even a very large estate happens to have several sons, his descendants soon find themselves reduced to comparative poverty. With a few exceptions accumulated properties of large dimensions do not long remain in single hands, but are divided and widely scattered in the course of a few generations. This state of things is, however modified to a certain extent by the common practice of the *descendants appointing a joint manager* to look after their joint property. Evil effects of the partition are further enhanced by the *ruinous litigation* that very often accompanies it. To prevent the breaking up of the higher classes of estates in this way the Government has thought it desirable to introduce the law of *primogeniture* in certain cases *e. g.*, in the cases of Oudh, Ahmedabad, and Ajmere Taluqdars. Laws of similar intent have also been enacted in Bengal and Madras. The law of primogeniture is also generally recognised and followed by a certain Mahomedan sect known as the Ismailia. But the law of primogeniture has its own defects. In speaking of America, Mr. Andrew Carnegie remarks, "In America where there is no law of primogeniture, an aristocracy of wealth can not be established. Wealth vanishes in the third generation and the heirs of millionaires return to the life of a strenuous labour, a much needed reformatory school." Mr. Carnegie believes that wealth should be allowed to pass freely from the rich to the poor unimpeded by legislation.

Primogeniture.

§ Status and Custom and their influence on Rents, Wages and Prices.

Status and Custom.

Caste and Custom are two very strong forces in India; one has determined the economic position and the social status of a man and the other has regulated his actions from time immemorial in this country. Such economic forces as competition and contracts which are so powerful in the West are somewhat weakened here by the above two forces, *e. g.*, Brahmin so long as he is true to his instincts will not compete with a *Chamar* even though the latter's business of curing leather prove to be more profitable than performing religious functions. A chamar, on the otherhand, cannot dream of serving as a cook in the Hindu households; a poor man would rather starve or run into debt in order to feed Brahmins or kinsmen, if custom requires it. The advent of western civilization, spread of education and improved means of communication are now undermining these inordinate influence of status and customs but it will be some time before they are completely replaced by pure competition.

Ranade's remark.

Mr. Ranade remarks, "with us an average individual man is to a large extent the very antipodes of the economical man. The family and the caste are more powerful than the individual in determining his position in life. Self-interest in the shape of the desire of wealth is not absent but it is not the only nor the principal motor. The pursuit of wealth is not the only ideal aimed at. There is neither the desire nor the aptitude for free and unlimited competition except within certain predetermined grooves or groups. Custom and State regulation are more powerful than competition, and status more decisive in its influence than contract. Neither capital

nor labour is mobile and enterprising and intelligent enough to shift from one place to another. Wages and profit are fixed and not elastic and responsive to change of circumstances. Population follows its own law being cut down by disease and famine while production is almost stationary, the bumper harvest of one year being needed to provide against the uncertainties of alternate bad seasons."

Sir Theodore's views.

Sir Theodore Morrison, however, hold that "inside the narrow circle of the Indian village competition is the rule as it is in the wide sphere of international commerce. But it is competition among ignorant and illiterate persons to whom competition is more often a name for the action of inimical forces against which they are powerless to contend than of their own endeavours to ameliorate their lot."

(*a*) *Influence of Custom on Rents.*

The incident of rent generally depends upon the interaction of three forces, viz, custom, competition and legislation. In the early days of British rule custom was everywhere paramount, and even now the influence of competition is comparatively effectual. Rents, for instance, do not necessarily rise with the rise of prices or in exact conformity with them. The rent legislation of India starts from a basis of custom, though accepting the legitimate influence of competition. It aims not so much at the curtailment of advantages naturally accruing to the landlords as at the maintenance of the rights already conferred on tenants by custom. Custom therefore, is still to a large extent the foundation of Indian rents.

Custom and Rent.

Sir Theodore, however, gives greater credit to *competition in determining Indian rents.* He says that in the

early days of British rule, rents were low and tenures were permanent because economic conditions were favourable for the tenants. The landlord was not in a position to drive a hard bargain with his tenant because :— (1) land was abundant and tenants were scarce : and (2) the tenants were also his retainers and their services were very important to him in those troubled days. But when with the establishment of peace and increase of agricultural population the economic advantage of the landlord became greater he was easily able to rack-rent his tenants, hardly leaving a bare subsistence for them. Custom unless strengthened by law, individual benevolence. or tribal sentiment, proved quite unequal to protect the tenant.

Mr. Morrison's views.

Competition determines rent.

(*b*) *Influence of Custom and Status on Wages.*

The village artisans, as already stated, do not receive direct payments for each sort of service but they are given at each harvest a specified measure of grains (the amount varying according to local custom) as a remuneration for the services performed throughout the year. The scale of their pay is generally looked upon as permanently fixed and is in fact very rarely altered. But this does not prove that custom is the only or even the chief factor in determining wages, for

Custom does not determine wages.

(1) In this case custom and competition have not been seriously in conflict during the last hundred years ; as the wages are paid in kind the money-value of the remuneration of the artisans has risen *pari passu* with the rise in prices.

(2) As in the recent years, the opening of employment to carpenters, blacksmiths and masons upon public works and in the neighbourhood of towns has drawn many of them away from villages, the artisans who

remained get more work though the rate of their wages has not been always increased.

(3) Though not openly avowed the customary wages must have been raised, as is shown by the improved condition of the artisans and their desire to have a higher social status than they have hitherto enjoyed. Recently, the carpenters of Jaleswar declared themselves to be Brahmins and refused to defile themselves by repairing the Municipal conservancy carts.

Paid in kind or cash.

Like village artisans field labourers and village drudges are also commonly paid in kind. Cash wages in fact are generally paid in the vicinity of towns or industrial villages, or by large employers of industrial labour.

Wages vary.

A labourers's social status does sometimes interfere with his wages in as much as a domestic servant of low and 'unclean' caste is often paid at a lower rate than one belonging to a higher and cleaner caste. The degradation of the village drudges, who generally belong to the lowest class, had in the eyes of the villagers a quasi-religious sanction. But their economic condition and social status are now greatly improved and they have become more independent, because these men being free from caste restrictions have readily availed themselves of the chances of employment open upon public works and in the towns, and have thus freed themselves from absolute dependence upon their village masters.

For caste.

According to locality.

Wages vary according to locality. A low and non-progressive scale of wages is found in all parts of India where agriculture is the chief occupation and the density of the population causes pressure on the means of subsistence. But where a demand for labour has

been created by large undertakings, such as railways, canals, mills and mining, wages have risen, thus *illustrating the economic theory that wages depend mainly on the demand and supply of labour.*

(*c*) *Influence of Status and Custom on Prices.*

No Customary Prices.

There was probably never a customary price in India. though ignorance, proverty, want of communication, etc., have always prevented the village dealers to take full advantage of any rise of prices in the foreign markets. The isolation of many districts before the opening up of the country by railways and roads deprived them of any outlet for their surplus in times of plenty and periods of scarcity made them depend wholly on their own scanty supplies. Thus an abundant harvest produced extra-ordinarily low prices while a failure of crops sent up prices much higher than can be reached now, that is to say, *the law of demand and supply was in full play within each particular locality* But in consequence of present improved communications, the prices have now attained comparative stability and are all linked together and fluctuates simultaneously. The recent rise and fall in the prices of jute due to the *Great War* in Europe has shown that Indian cultivators do not acknowledge the influence of custom on prices. The majority of them withheld from selling the article in the hope of a better price consequent upon a safe trade-route, and only sold the article when the price rose high enough to reward them amply for their labour. We are here, however, taking no cognizance of those who could not stop selling due to want and indebtedness. Further, the revelations of the *High Price Enquiry* with which we will deal later on, have fully shown that custom has no perceptible influence over Indian prices.

Restricted scope of demand and supply.

Recent developments.

§ Organisation of Agriculture, Handicraft and domestic Industries in Rural India.

Agriculture:—Though agriculture is a predominant industry in this country, it is never conducted on a well-organised basis. Each cultivator cultivates with the help of the members of his family the little plot of land owned or tenanted by him, farming on a large scale being quite exceptional. Even when the proprietary unit is of vast dimension, the land is leased to a considerable number of small tenants who constitute from agricultural point of view an equivalent number of practically independent cultivating units. *Agricultural Co-operation*, so far as is represented by the co-personalty cultivation of joint-owners and tenants, and by the primitive systems of mutual assistances at times of ploughing and harvests, is by no means uncommon, but *associations* of the European type for the purchase of seed and machinery or for the sale and purchase of cattle are only in their infancy. In the tracts held by large landowners there are associations of landlords who protect their interests as such but associations for the encouragement and improvement of agriculture are as yet rare, though the benefits of such associations are now becoming more clearly realised and further developments in this direction may be early expected. Irrigation in smaller scales had been originated and controlled by associations formed among the villagers.

Small units of cultivation.

Co-operation exists but no associations among agriculturists.

Association exists among landlords.

The modern aspect.

Handicrafts:—Handicraft industries form a great part of the total output of manufactures in India and almost the entire amount of it is consumed within the country. Most of the handicrafts date from time im-

Centres of production.

memorial and are specialised by a certain people in a definite locality, the centres of production being either places of pilgrimages or the neighbourhood of a luxurious court, or tracts from which convenient lines of communications radiate in all directions. Thus, Murshidabad, Ahmedabad Benares, Lucknow, Amritsar, Agra, Chuner, and such other places became the great seats of India's handicraft industries. But all these industries are generally carried on the system of petty farming, retailed dealing and job working by poor people, very often on borrowed capital. Co-operation on a large scale are but recent importations.

Methods of production and distribution.

The usual practice is that the handicraftsman teaches the secret of his trade to his son or his apprentices, and all of them work together to satisfy the demand of the market which is always close at hand. From these markets the articles are transported by middlemen to the different parts of the country. The production is not always carried on on economic lines but so long as there was no foreign competition these industries managed to hold their heads high due to the advantages which localised industries enjoy. But now

Their prospects.

foreign competition has driven the shawl-weavers of the Punjab to take to carpet-weaving, and cotton-weavers to weave napkins. If the native handicrafts can combine economy of production with alertness of supply and varieties in manufactures, creating new wants with cheapness to suit the purse, then these industries can manage to withstand the foreign onslaught. One great difference

Comparison with the Western systems of business.

between the Indian and the European type of industrial organisation is that in India the labourer usually works on his own account while in Europe he is usually a hired man, working for an employer. Entrepreneur

organisation is practically unknown here. In addition to supplying the labour necessary for the production of wealth the Indian labourers direct industry and undertake the risks of production, *i. e.* they discharge the functions of the entrepreneur or business manager of Europe.

Domestic Industries:—In England and the West generally, factory-industry is the rule: whereas in India the major portion of our manufactures are carried on only by *single artisans with their family*, each in his own cottage. They have next to no capital invested in their industries. The greatest of our domestic industries is the textile industry which gives employment to a very large number of families. The advantages and disadvantages of the system are:—(1) The *factory industry tends to destroy home-life* while the domestic industry is carried on in the midst of the family. (2) *Machines tend to make machines of men*, while in the domestic system the artisan has the pleasure and pride of seeing the commodities grow under his hands and he also feels that he alone is responsible for its operation. (3) In India women generally do not work outside their homes. *Home-industries can therefore avail themselves of the labour of the women* in the family, while factory would lose all this labour.

Merits and demerits of the Domestic Industries.

Now, inspite of all these advantages we can not favour domestic industries if they cannot successfully compete with foreign articles. India has long ceased to be a self-contained country. She has to pay a heavy list of Home Charges, so under the circumstances her exports must exceed the imports. Experience has shown that domestic industries would not be successful to withstand the foreign competition if no serious attempts be made to impart up-to-date scientific technical

knowledge among the artisans and arrangements are effected to supply cheap capital together with a thorough organisation of the trades.

§ Caste Guilds.

Guilds or Srenis.

Guilds, which were known as "*Srenis*" in ancient India, are very old institutions in this country. In the Hindu period they were next in authority to the village communities, They were assemblages of persons who might belong to the same caste or different castes but all of whom lived by the same identical employment or calling. These *Srenis* resemble the Collegia Opificum, *i.e.*, Corporation of Artisans of the later Roman Empire, and the Trade Guilds of Mediæval Europe in several respects, being like them associations of traders to maintain order and render mutual aid and defence. Modern caste associations, so far as they serve as Trade Unions, are the later developments of these "*Srenis*" but formed on much narrower basis restricting their operations within the same caste or sub-divisions of the caste.

Their nature.

European counterpieces.

Their functions.

§ City Industry.

According to the Census report of 1901 two-thirds of the total population of India are *supported by agriculture*. In addition to these about 2½ p.c. are *partially agriculturists* and another 6 p.c. are in the main *supported by work in the fields*, while 15 p. c. are maintained by the preparation and supply of material substances and of these more than a third find livlihood by the *provision of food and drink* and a quarter by *working and dealing in textile fabrics and dress*. The population of about 2½ p. c. only fall under the head of

Distribution of population in trades.

Occupations of city population.

commerce, transport and storage. In cities, however, we find that agriculture is the means of support of only $\frac{1}{12}$th of the inhabitants while $\frac{2}{3}$th of the population are engaged in the preparation and supply of material substances, $\frac{1}{8}$th derive livelihood from commerce and nearly as many from personal and domestic services. This *gives an idea of the usual forms of occupation in the Indian towns.*

Percentage of people in trades.

The village industries mainly minister to the every-day local want and produce plain and commonplace articles. But the higher crafts are practised in cities according as they afford extensive markets for goods and enjoy advantages of localisation and specialisation of industries. Finer and costly works of art only grow in cities because they cannot be expected to flourish well without the patronage of princes and nobles. Generally speaking, hand labour industries when practised on a large scale on account of increased demand either within the country or in the foreign market, tend to become centralized in the important towns. Some of the urban industries of India have been for a long time and are still admired, *e.g.*, Dacca *muslins*, painted *lac-ware* of Hyderabad (Sind), *ivory carving* of Murshidabad, *shell-bracelets* of Dacca, *Calicoes* of Lucknow, Ahmedabad, Muslipatam, etc., *gold-brocades* of Beneras, *silk embroideries* of Delhi and Agra, *shawls* and *carpets* of Cashmir and Amritsar, *gold-embroidered velvets* of Lucknow, Aurangabad and Hyderabed, *painted wood-work* of Bombay, *sandal-wood carving* of Mysore, *lac-coloured metal work* of Moradabad, *brass work*, *marble work* and *enamel work* of Jaipur, *silver filigree* work of Cuttuck, inlaid *marble work* of Agra, perfumery of Gazipur, Jaunpur, etc. But

City industries.

Why higher crafts flourish in cities.

Some notable city industries of India.

Why those industries are declining.

industries which chiefly depended upon the patronage of courts have a tendency to disappear with the disappearance of the courts. Other causes of the decline of city industries are :—(1) cheap foreign *imitation* and *competition ;* (2) *want of improvement* and loss of skill, due to poverty ; (3) change of *tastes* and *habits* due to western civilization ; (4) cheap *substitutes* of foreign goods, as *atar* is now almost replaced by imported essences and perfumeries ; (5) the *rise of new wants* and the consequent inability of the people to spend money on costly fancy articles ; (6) *high prices* of the articles in comparison with the available substitutes of European make ; (7) *want of ready supply and organizatiou of labour and capital coupled with bad training of the workers* and worse system of *advertising*.

Aggregation did not lead to co-operation.

Aggregations of the artizans in the cities has not, however, led to the establishment of big factories or substantial co-operation. The craftsmen generally work in their own households independently of one another, though workshops of moderate size with miniature plants in which several workmen work under one employer, are by no means rare.

§ Mahomedan Guilds and Industries.

Mahomedan guilds resemble Hindu Caste Guilds.

Like the Hindu Caste Guilds Mahomedan guilds have flourished in this country doing almost the same quantity and quality of work as the former. In places where the Mahomedan element is predominant we can still find guild organizations where certain minor industries which are not liable to meet with foreign competition still flourish. But guilds both Hindu and Mahomedan where existent are now in a state of

decay owing to the new economic forces that have appeared in the country with the advent of the British. Decaying stage of both.

§ Indigenous Organisation of Trade and Transport. Of Banking and Agricultural Credit.

Trade and Transport. With the improvement in communication the organizations of trade, both internal and external, have been revolutionized. Now, the producer in a village consults and compares the prices of his goods ruling in his local market and in the market at the nearest town and then if he finds the prices in the latter place to be higher after deducting the cost of transport, he sells in that market. At this better organized market the goods are then sold either to individual consumers or to middlemen who again carry them either to the central towns for home consumers or to ports for selling them directly to the exporters. Also, the exporters oftentimes contract with middlemen for the supply of certain goods, to procure which the latter send agents all over the country who either buy them directly from the producers or secure the seasonal delivery of those goods in exchange for the *dadans* or advances made to the producers when the goods were in the process of preparation and manufacture. Thus, the goods pass at least four hands before being exported. The converse is the process in the case of import trade. The foreign trade of this country is largely in the hands of Europeans with a little sprinkling of Indians.

Export Trade.

Synthetic process.

How carried on.

Analytic process.

Position of middlemen in India.

Import Trade

The greater part of the internal trade is still in the hands of the Indians, though the European firms are gradually extending their agencies. The village merchant

Internal Trade.

Hats.

with his *hats* or '*markets on circuit*', forms the first ring in the chain of internal distribution, The *village fairs* and the great *melas* at the holy places of pilgrimage combined with the labours of itinerant hawkers and pedlars form the second ring where permanent shops and order-supplying agencies supply the rest. With the extension of railways, the use of pack-animals and the services of caravans have been dispensed with except in the most backward and hilly districts. Of late, the growth or decay of towns has been in fact largely affected by the presence or absence of railway communications. In the tracts where agricultural produce is available for export, *Bazar* spring up at every railway station and rapidly develop them into thriving towns. Goods are also transported by means of cargo boats wherever waterways are available.

Village fairs and great Melas.

Hawkers and Pedlars.

Pack-animals and caravans.

Bazars.

Cargo boats.

Almost every province has its peculiar trade castes. The Marwaris are found everywhere. In Bombay the Parsis trade close upon the great English Houses. The Guzeratti, the Bohras, Khojas, Chettis, etc, occupy different areas of Southern India. The traders of the Punjab are largely Khettrys and Banias. The latter also take the lead in Behar and U. P. In Bengal there are also various trading castes, e. g., Shahas, Tantis, Subarnabaniks, and besides a few other higher castes.

Trading classes of India.

Indigenous Banking.

Of the various types of financing institutions in India the two main classes of indigenous banking institutions are, (1) the *native money-lenders*, (2) and the *banking concerns* which have been *established on European models*. The first named agency varies from the wealthy banker of the large towns to the village *mahajan* who advances small sums of money or small quantities of grain to the

Indigenous Banking.

(1) Money-lender.

rest of the neighbourhood. The interest charged by the wealthy banker of the town is never far above the market rate while that charged by the village *mahajan* is sometimes *ten times above the bank rate* as the security on which the latter lends money is too precarious. Although the majority of these moneylenders have only a small local business, the aggregate of their transactions amounts to an enormous sum. In former days native bankers or shroffs, such as Jagat Seth and others, conducted large transactions at the chief commercial centres, and at the courts of native rulers to whom they sometimes acted in the capacity of finance ministers. Their credit stood so high that their bills of exchange or *hundis* were readily negotiable throughout the country and often beyond the boundaries of India. The utility of these *hundis* as a medium of remittance has now been largely superseded by the growing use of Government currency notes and cheques of European banking concerns. Banks started on European models will be dealt with in a later chapter.

From wealthy banker of towns to the Mahajan.

Their lendings and rates charged.

Aggregate lendings are huge.

Their credit and hundis.

(2) Banks on European models.

§ Agricultural Credit.

The agriculture of India, generally speaking, is in the hands of small men and the capital required for cultivation is supplied "in small sums by small capitalists to men of small commercial intelligence" at a very heavy rate of interest. This system of financing agriculture in India, however, is almost an unmixed evil. The village *Mahajan* lends money in *small doses* and only to those of his constituents about whose economic affairs he has intimate knowledge. Further, the heavy rate of interest he charges deters many from contracting loans. But, on the other hand, the ready *access to moneylenders* coupled

Nature of Agricultural credit.

Good and bad side of such credit.

with the *easy credit* which a peasant possesses—due to the readily realisable money value of crops consequent upon the extension of railways and trade, and the light assessments and enforced peace of British rule—have made credit excessively wide. Thus we see, "on the one hand there is *excessively dear money* and on the other *excessively wide credit*; and the agriculture of India suffers equally from the one and from the other." The effects of these two evils are cumulative. Easy credit tempts the peasant to borrow without limit and on every conceivable occasion, such as marriage ceremonies and other festivals, while the heavy rate of interest forbids him to close his accounts with the *mahajan*, the debt continuing in most cases for generations. According to Mr. Crooke's estimate, from 56 or 78 per cent of Indian cultivators are in debt. The evil consequences that follow from this are that the land has passed largely either by sale or by usufructuary mortgage to the hands of the moneylenders, who are mere speculating investors always satisfied by quick returns of high money interest and having no interest in agricultural welfare, thus allowing the soils to get impoverished and the peasantry discontented.

Crooke's estimate.

Sir Theodore Morrison says, however that "the rapacity of the money-lender and the indebtedness of the peasantry of India are neither exceptional nor abnormal. They are characteristics of agricultural life everywhere. They are characteristics which should be the object of all public men to remove, and they are amenable to remedial treatment." The causes of these agricultural debts in all countries mainly arise from, (*a*) the purchase of land on credit: (*b*) the division of property due to the law of inheritance and the purchasing of the whole by one of the co-heirs: (*c*) great losses due to season and disease;

Causes of agricultural indebtedness in all countries.

(*d*) a lowering of prices due to foreign competition in produce; (*e*) the weight of taxes, succession duties, previous debt, etc.; (*f*) the action of money-lenders; (*g*) the facility of borrowing; (*h*) the necessity for intensive cultivation with its attendant need for a larger working capital; and (*i*) the social and individual defects of the community—e. g., in matters of education, temperance, thrift, and foresight.

Remedies adopted to combat rural indebtedness.

In India the following remedies have been adopted to combat the evils of rural indebtedness :—

1. The Government has in some parts of India decided to curtail the peasants rights to raise money on his land, leaving in his hands all the credit needed to maintain a profitable agriculture while cutting off the further credit which tempts him to extravagant borrowing for purposes unconnected with cultivation. This has actually been done in the Punjab and in Bundelkhand. By the *Punjab Land Alienation Act of* 1900, a peasant in the Province cannot sell his land to any but members of certain agricultural classes who are recognized by statute as agriculturists. In *Bundelkhand* the Government cleared the estates of debts and restored them to the owners, coupled with a new provision limiting the proprietor's right of alienation. Mr. Lovat Fraser in his work on "India under Lord Curzon and After" says that in the last mentioned case "moneylenders, shopkeepers and professional men cannot buy lands from hereditary cultivators or hold such land on mortgage for more than 20 years without the consent of the State, nor cause such lands to be sold in execution of decree. Lord Curzon truly said that Shylock can no longer *take his pound of flesh in land.* In short, the Act has justified the promoters in as much as it reduced sales and mortgages of land,

The Punjab Land Alienation Act.

The Bundelkhand Act.

Lovat Fraser and Lord Curzon's views.

The bright sides of the Acts.

remarkably increased its value, diminished the number of litigation and above all saved the peasantry of the Punjab from social extermination." But Mr. R. C. Dutta says that such curtailment of the power of alienation is an infringement on the part of the Government of a *legalized ancient customary right* which was as old as the civilization of India itself. Further, in Orissa where the cultivators are in extreme states of indebtedness, the passing of land to money-lenders within the last 60 or 70 years are rare and insignificant. He adds that the Indian peasants might be ignorant and superstitious, but, taken generally, they are conscious of their own interests, and keen in defending them. *What they wanted was a moderate assessment and clear rights which they were able to defend.* Such Acts may be advantageous to a particular part of the country but *the principle as a whole is dangerous.*

R. C. Dutt's views.

Sir Theodore's views.

(2) But the above measures do not offer a complete and final solution of the problem of agricultural indebtedness. The agriculturist must and will have credit, if he cannot have it cheap, he will have it dear. "The complete solution of the problem of agricultural indebtedness," says Sir Theodore "appears to lie in some system which will provide the peasant with facilities for borrowing at a low rate of interest, and at the same time devise safeguards against his inveterate tendency to borrow imprudently." To achieve the purpose our Government has tried to open the money-lending agencies to supply cheaper money to peasants. The measures adopted are :—

Takavi loans regulated by

(a) The government itself lends money known as *Takavi* regulated *by the Land Improvement Loans Act of 1883 and the Agriculturists Loans Act of 1884*, at 5 to

$6\frac{1}{4}$ p. c. as against the ordinary rate of 12 to 24 p. c., exacted by the village *Mahajan*. But the government advances are made only for specific purposes connected with agriculture, *e. g.*, improvement of the soil, seed, cattle, etc. They entail more formalities than the village loans and the repayment is enforced with greater rigidity, so hitherto they "have not had any very serious influence on the agricultural credit of the country."

the Acts of 1883 and 1884.

No serious influence exerted by them.

(*b*) The Government is encouraging the peasants to form *co operative credit societies* based on the Raiffeisen plan so successful in Central Europe.

Co-operative Credit Society.

Mr. Justice Ranade suggested another principle. According to him, 'all that the Government has to do is to organize district or city committees of Indian capitalists, to empower them to receive deposits at fixed rates, and lend at slightly higher rates to the borrowers on the security of lands or houses, etc., the excess rate providing for gradual amortization of the debt in a definite period, as also insurance charges and working expenses.' But this measure is open to the defects of a facile credit. Further, the present growth of co-operative credit societies has done all that this suggestion embodies.

Ranade's scheme.

The danger underlying it.

§ Banking.

Banking in India was practised from very earliest times but the present European method of joint-stock banking was wholly unknown. The *seths* or sahukars are household words in India. These individual capitalists possessed immense wealth and even coined money in their own mints. They used to finance both inland and foreign trades, and Indian manufacturers

Banking.

found in them a steady and unfailing source of monetary supply. Even great wars were financed by them, not to speak of the loans often contracted by insolvent governments and distressed landlords But with the advent of well administered British rule and the flow of cheap foreign capital, the importance of these seths and sahukars has dwindled away and joint-stock banking on European models is steadily filling the gap left open by the decadence of the former. Now-a-days many joint-stock banks have been started directly under the control, management and ownership of Indians.

How the Eastern method of Banking differs from the Western.

The indigenous system of Indian banking differs greatly from the European system. The general characteristics which distinguish the Eastern from the Western method are the following :—

Static conditions.

(1) Indian banking system flourishes under *static conditions*. The rates of interest, particularly in smaller transactions, are regulated by custom and are quite independent of the local money market.

Lending and not borrowing agencies.

(2) An Indian bank, as contrasted with an European, *is a lender and scarcely a borrower*. Deposit banking is even in its infancy in this country.

Personal character.

(3) Indian banking is of a *personal character*. The creditor always likes to know personally his debtor and the ways in which he will spend the earned money.

Other enterprises combined with it.

(4) Indian banking generally *combines with it some other enterprise*, such as, landholding, shop-keeping, contract business, etc.

Ulterior object.

(5) The *ulterior object* that often lies behind Indian banking is thus expressed by the well-known maxim of the money-lenders, "if you want to get hold of your neighbour's land lend him as much money as you wish to take."

(6) The western banker cares to see that every advance he makes he is *severally* secure while the Indian banker *acts on the principle of balancing good debts against bad* by distributing his risk among numerous clients.

Distribution of risks.

We shall presently see that the co-operative credit societies in this respect have many close affinities with Indian ideas, prejudices and practice. Their chief features, viz, the unlimited liability, the limited scope of their operation, non-payment for services rendered, repayment of loans from savings or profits effected and indivisible reserve fund, are all cognate with the ordinary village economy. The principle that there are no shares or dividend is readily comprehended by the villagers while the only novel feature of these societies, the system of deposit banking, will successfully appeal to the Indians when they will come to know that they are not going to trust one individually but all his co-villagers comprising also himself.

Co-operative societies will admirably suit Indian conditions.

§ Co-operative Credit Societies.

We have already discussed the various causes that lead to rural indebtedness in India, as well as in other countries. The chief thing that is wanted here is cheap agricultural credit but with the caution that it should not encourage improvident borrowing. However, agricultural credit is always dear, due to (*a*) the *hopeless ignorance* of the ryots, (*b*) *distance of the banks* where he can find loans, (*c*) the *unwillingness of banks* to lend money to people whose pecuniary conditions *depend on a single harvest* and who cannot *borrow but little money*, (*d*) and the incapacity of the ryots to understand *modern complicated banking* transactions. *But this evil of dear credit*

Why agricultural credit is dear.

Nature of this dear credit.

is not all. The credit which is obtained at a high cost does not also satisfy the needs. The capital that is obtained by loans is generally *insufficient for practical purposes* while it cannot be obtained for appreciable *long periods*. Again, the moneylender's object is to *defraud the ryots of their lands* by advancing money for unproductive social purposes. He is not also willing to accept payments in many small instalments. As a result of this narrow basis of credit the evils were not long to make themselves manifest.

But we should not here altogether forget the economic services of the *Mahajans* and the *Sowkars*. They have hitherto supplied the agriculturists with capital to maintain themselves and their families while the crops are maturing, and it is also their purse which has furnished them with the means to meet exceptional emergencies, such as the loss of stock or the celebration of marriage.

Fearful evidences of indebtedness.

Famine Commissions' report of 1880.

Famine Commission's Report of 1901.

In addition to Crooke's evidence already enumerated, the Famine Commissions of 1880 and 1901 revealed a fearful state of things. The former reported "that about one-third of the land-owning class are deeply and inextricably in debt and that at least an equal portion are in debt, though not beyond the power of recovering themselves," while the latter stated that "it is probable that at least one-fourth of the cultivators of the Bombay Presidency have lost possession of their lands, that less than a fifth are free from debt, and that the remainder are indebted to a greater or less extent." The *palliatives* of curtailing agricultural credit by legislation and the Takavi Loans' Acts of 1883 and 1884 proved abortive of any fruitful results. The minimum rate in *deorah hisab* (*i. e.* 50 p. c. interest

on six month loans or 100 p. c. per annum) and *duno hisab* (100 p. c. on the six months) sat heavy on the breasts of Indian peasantry and while it took generations to close an account with a creditor, other causes intervened,—such as, want of saving habit or thrift, hereditary instincts and customs of extravagance at wedding and other ceremonies, and want of a proper place of deposit,—to fill to the brim their cup of sorrow. Mr. Wolf, that eminent authority on co-operative problems, says that 'there are oppressive debts for which raiyats are charged from 25 to 75 p. c. and sometimes 100 per cent. and even more—one Registrar instances a a case of 1,340 per cent."

Heartless exactions of interest.

Gradually, the earnest attention of the Government was turned towards this direction. In 1882 Sir William Wedderburn proposed to the Bombay Goverment for establishing an Agricultural Bank at Poona, the capital of which is to be provided by borrowing at lower rates from capitalists and is to be lent to ryots at an interest far below that exacted by *Mahajans*. The Government of India encouraged the scheme by proposing to remit stamp duties, giving priority and making facility for recovery of its loans,' etc. *But the Secretary of State disapproved the scheme.* But things could not be put off further. Finally, a step was taken in the right direction and in 1892 the Madras Government directed Mr. F. A. Nicholson to enquire and report on the possibilities of Agricultural Banking in Madras. Nicholson summarized his famous "Report on Land and Agricultural Banks" in two notable words, "**Find Raiffeisen.**" Dupernex, Lord Macdonell and others followed suit. The question was taken up independently in some provinces, and in some cases practical steps had already been taken.

William Wedderburn's scheme.

India Government's support.

F. A. Nicholson's famous Report.

Other supporters.

Under the fostering influence of sympathetic officials many societies on co-operative principle were started in Madras, the United Provinces, the Punjab and Bengal.

In 1901 a Committee was appointed by the Government of India to consider the subject in the light of reports from the local governments and of the experience already gained in the different provinces. The report of this Committee was laid before Parliament. Now it was distinctly found that legislation was necessary as the provisions of the Companies' Act were inadequate for the purpose. The objects of undertaking legislation were, *first*, for taking such societies out of the operation of general law and substituting provisions specially adapted to their constitution and objects; *secondly*, for conferring upon them special privileges and facilities, so as to encourage their formation and assist their operations; and *thirdly*, for taking precautions against the improper utilization by speculators and capitalists of privileges not intended for them. A Co-operative Credit Societies Bill was accordingly introduced in Governor-General's Legislative Council in October 1903, and passed into Law as Act X of 1904.

Why the Act was passed.

The *theory of co-operation*, briefly stated, is 'that an isolated and powerless individual can, by association with others and by moral development and mutual support, obtain, in his own degree, the material advantages available to wealthy or powerful persons and thereby develop himself to the fullest extent of his natural abilities." The Act of 1904 was an attempt to derive the advantages of co-operation for the welfare of the Indian people. The main provisions of the Act were :—(1) Any association of not less than ten persons might form a Co-operative Credit Society and it should

The theory of co-operation.

Main provisions of the Act.

consist of persons residing in the same town or village or the same group of villages, or, subject to the sanction of the registrar, of members of the same tribe, class, or caste; (2) the main business of a Society was to raise funds by deposits from members and loans from non-members, Government and other Co-operative societies, and to distribute money thus obtained by way of loans to members or with the special permission of the registrar, to other Co-operative Credit Societies; (3) the organization and control of Co-operative Credit Societies in every Presidency were put under the charge of a Registrar; (4) the accounts of every Society were to be audited by the Registrar or by a member of his staff called the Auditor of Co-operative Credit Societies; (5) the liability of a member of a Society was to be unlimited in the case of a rural society; (6) no dividends were to be paid on the profits of a rural society but the profits were to be carried at the end of the year to the Reserve Fund, although when this fund had grown beyond certain limits fixed under the bye-laws, a bonus might be distributed among the members; (7) in the case of urban Societies no dividend was payable until one-fourth of the profits in a year were carried to the Reserve Fund; (8) no single member can hold more than $\frac{1}{5}$ of the shares, nor can his share exceed Rs. 1000 in value nor can he have more than one vote.

Membership.

Business.

The Registrar.

The Auditor.

Liabitity of rnra: societies.

Projets.

Projits of urban societies.

Share eapital.

The fundamental principles underlying these provisions were mainly these:—(1) *Proximity*. The society is to be absolutely local, the limits of a village being strictly maintained as the limits of membership and operation. (2) *Security*. That the loans granted should have every chance of being repaid. So the administration is to be equally local, members alone being eligible for appoint-

The seven fundamental principles of the Act.

Proximity.

ment, and their services absolutely gratuitous. (3) *Simplicity and elasticity.* 'In view of the wide diversity of conditions in India and the experimental nature of the measure, simplicity and elasticity were kept in view as cardinal points.' Thus we see the lines of development have been different in different parts of India to suit local conditions. (4) *Solidarity.* That there is to be but small share capital, all funds being borrowed on the guarantee of solidarity and eventually of the reserve. (5) *Safety.* That there are to be no dividends to pay and all profits should go to the reserve. The effect that follows the principle is that there are no fears of shirking by capitalists and money-lenders. (6) *Facility.* That loans would extend to *long periods*, from ten to twenty years, and the *interest* rate should be low. Also the *system of contracting loans* is to be easy but not ever facile. The provision that members alone can get loans, "*brings the banks at the borrower's doors.*" (7) *Thrift and resourcefulness.* The societies are allowed to receive deposits almost entirely from their members alone, so the funds are usually the results of local thrift.

Security.

Simplicity, and elasticity.

Solidarity.

Safety.

Facility.

Thrift and resourcefulness.

The people were left to work out their salvation on their own lines according to these broad principles, subject only to certain precautions and rules of local Governments, the function of Government being confined to *sympathy, assistance* and *advice.* The policy underlying the Act is to allow *utmost freedom to the organisers* within a certain limit.

Government's function.

The object of the Act was "to encourge thrift, self-help and co-operation among agriculturists, artisans, and persons of limited means." But as the nature of the credit required by the different classes was not the same, the societies were divided into two classes,

Object of the Act.

(1) Rural, and (2) Urban. Generally speaking, the principles of Raiffeisen and Schulze-Delitzsh banks were followed respectively in the above two cases. Rural and Urban banks.

Rural Societies:—In rural societies *four-fifths* of the members were to be *agriculturists* and the liability of members to be *unlimited* unless an exception was specially sanctioned by local Government. *Profits* were in the first instance to be carried to a reserve fund, or applied to the reduction of the rate of interest, and a bonus might be distributed after satisfying the former needs. The society should not borrow without sanction and the security of agricultural produce may be substituted in place of personal credit. Rural societies. Its nature and functions.

Urban Societies:—In urban societies four-fifths of its members were to be non-agriculturists and the liability might be either limited or unlimited. The societies were to carry at least a quarter of the annual profits to a reserve fund. Urban societies.

The Government extended certain *privileges* and reserved some *powers* to deal effectively with co-operative societies. The privileges granted were, (1) *exemption* of a member's shares or other interests in the capital of a society *from attachment* for private debts, (2) the grant to societies of a measure of *priority over ordinary creditors* in enforcing claims on crops, cattle, etc., (3) provisions for exemptiom at the discretion of the Government of India, from *income tax, stamp duties and registration fees*, (4) liquidation under a simple procedure, (5) the position of enjoying the *benefits of a corporate body*, (6) the *right of lien* upon certain forms of property when created or acquired by means of a loan from them, until the loan is repaid, (7) the proof of an entry in the books of a society as *prima facie evidence in a suit to recover* Government powers and privileges. Privileges of the societies.

money. The powers that were reserved by the Government were, (1) the compulsory *inspection and audit* by the registrar, (2) the compulsory *dissolution* subject to appeal to the local Government, and (3) finally, a wide *rule-making power* of the local governments.

Powers of the Government.

The working of a credit society:—The security offered by a society is either the unlimited or limited *liability* of its members. As there are no shares in rural societies there are no *dividends*: interests of all are alike, there is no antagonism between the borrower and the lender. In urban societies there are share-holders and not more than ¼ of the profits can in any case be distributed among them. It is the interest of all to serve and therefore *no services are to be paid for*. As every member watches his neighbour so that he may not be involved in loss, *the loan cannot be misused by any one*. To form a bond which will always hold the members together allowance is made for the building up of a *reserve fund* which also serves as a capital guarantee. The *rate of interest* at which the society lends money to its members is greater than the rate at which money is borrowed, and from the profits which ensue this fund is built up. The rate of interest should not be very much lower than the market rate as it may lead to extravagant borrowing. It is *local* both in its operations and administrations. Members can refuse admission to any villager whom they can not *trust*. Every member before he receives a loan must state his case to others and he is bound to use the money for the purpose indicated. When a member applies for a loan other members decide whether it will be safe to lend him money for the purpose stated and how much he really requires. Every member who borrows money has to find two of his fellows to be his *securities* for the

Liability.

Dividends.

Services gratuitious.

Security of loans.

Seserve Fund.

Rate of Interest.

Local.

Trust.

Borrowing by members.

Sureties.

repayment of the loan. The management of the society lies in the hands of a *Panchayet or Chairman* appointed annually by the members from their own number. In urban societies there is a *secretary* and an *executive* committee who stand as safeguards for the privilege of limited liability. The *committee* meet on a certain day of the month and when a member applies for loan they not only consider the necessity for it and the sureties offered, but also fix the *instalments* in which the loan is to be repaid. The power of the committee to lend is restricted to a certain amount and their power to borrow on behalf of the society is limited by the members. There are also rules for the election, cessation, suspension and expulsion of members, convening of the general meeting, supervision of books and accounts, decision of disputes and dissolution and liquidation of societies.

Management: Panchayet and the Chairman.

Secretary and executive committee.

Meeting and the business transacted.

Lending and borrowing by societies.

Some more rules.

But the Act of 1904 soon outgrew its scope and before long the provisions of the law were found to be in some respects faulty, and in others inadequate. 'The distinction in treatment between rural and urban societies, for instance, was found in practice to be unnecessary. There was, moreover, no formal recognition of joint or central societies formed of other societies, nor did the Act expressly cover any form of co-operation other than co-operative credit.' To remedy these and other minor defects the Act of 1912 was passed. The important changes that were introduced by the Act are:—(1) The Act was extended to other societies of a co-operative type having for their object not only the provision of credit but also of production and distribution; (2) the statutory distinction between rural and urban societies was dropped, the radical difference between societies with limited and unlimited

Why the Act of 1904 became inadequate.

Act of 1912 and the improvements effected thereby.

Societies other than for credit.

Societies classified according to liabilities.

Agricultural societies are unlimited in nature and profits to be divided in certain cases.

Provision was made for the creation of central banks.

liabilities being retained; (3) the principle that agricultural societies must generally be constituted on the basis of unlimited liability is retained but the distribution of profits by 'unlimited' societies is allowed in those cases where it may be sanctioned by the local government. The idea was to bring within the provisions of the Act societies that have grown up and done useful works in some parts of the country; (4) the new Act provided for the formation of societies the members of which shall be other co-operative societies. By this provision unions can now be formed, which, when financed by means of central banks operate as such essential features do in European systems.

Benefits of the Co-operative Credit movement in India.

Benefits of the movement.

The above movement has rendered immeasurable benefits to India and may be mainly grouped under, *economic* and *educational*, moral and social advantages coming under the latter head.

Economic benefits.

Economic benefits:—The agriculturists of India are now saving 20 lakhs of rupees a year in the form of interest and there is reason to believe that in a few years the figure should multiply itself several times over. Further, money that have lain idle and capital that was hitherto inaccessible, have come into the hands of the agriculturists. This influx of hoarded wealth has paid off old debts and redeemed old mortgages and 'its application to the development of the country, coupled with an improvement in the economic position of the people, must result in an increase in their purchasing power and in the expansion of external and internal trade,' Co-operation made easy the work of the Agricultural Department also. 'It has provided the

Capital has increased.

Co-operation facilitated the works of the Agricultural Department.

means whereby, as each improved variety is perfected and made ready for use, seed can be obtained from the Government farm for every village over large areas, it has enabled the purity of the seed to be maintained, and the best price to be secured for the produce; it has placed within reach of the cultivator cheap manure and implements tested and approved by experts; it has supplied to cattle breeders bulls of superior strains for the improvement of the village herds; and it has provided the means by which useful information can be disseminated. Agriculture and co-operation are fast developing a truly organic connection and there can be little doubt that before many years this will be the case throughout India.' Mr. Wolff says that 'it brought money to many a spot thirsting for it, replaced hopeless insolvency by solvency, liberated many from the usurer's yoke, and awoke many a *mahajan* or *Sawcar* to find the fact that their occupation is gone'.

Wolff's remarks.

The greatest economic advantage that these societies are destined to render is, according to Sir T. Morrison, the *stoppage of rural depopulation*, the waning of the craze for town life, and the consequent well-proportioned distribution of the country's population.

Stopped rural depopulation.

Educational value:—Co-operation educates men both *intellectually* and *morally*. Among co-operators there 'are tangible reasons for learning to keep accounts, to sign pro-notes, to read pass books and receipts,' a business training of immeasurable value to the Indians. Again, as the criterion for admission to a society is a man's own character, it has influenced each other's conduct and advanced each other's interests in ways previously undreamt of in this country. Drunkards and gamblers have been reformed or excluded from societies. Self-

Educational value.

Taught business management.

Reclaimed bad characters.

Increased many virtues.

restraint, punctuality, straightforwardness, self-respect, discipline, contentment, and thrift have been encouraged. In some areas litigation has markedly decreased. In others, the common funds have been used to start schools, to provide scholarships, to distribute quinine, to provide drinking wells, and to clean streets. The impetus of co-operative credit has established savings banks, benefit funds and provision for the poor. 'The managing bodies of the societies have frequently been entrusted with the arbitration of disputes and with other duties which belong to the traditional village panchayats, and there is some reason to think that the continuity of aim, and the solidarity of feeling inherent in the movement, may lead to a revival of the corporate village life which has been so weakened by the disintegrating influences of modern times.' Further, many kinds of social expenses *e. g.*, marriage, funeral and other more or less important social functions have been curtailed.

Stopped litigations, started schools and improved sanitation. Increased savings.

Reinstalling the ideal village.

Curtailed social extravagances.

Different types of Co-operative Societies

Agricultural co-operative credit societies naturally outnumber non-agricultural credit societies. Ninety per cent. of the total number is agricultural. These societies may be broadly divided into three classes:—(1) the *primary* societies; (2) the *central* banks; (3) and the *provincial* banks. Since 1912 *non-agricultural credit societies* are rapidly multiplying themselves The most important of them are the, Middle Class Urban Banks, the Societies for poor castes, the Employer's societies, &c. Over and above these two classes of societies, (agricultural and non-agricultural credit) there are the *agricultural and non-agricultural non-credit societies.* Of the agricultural non-credit societies the most important types are those for the sale of agricultural

produce, for cattle insurance, and for the distribution of agricultural requisites. Of the non-agricultural non-credit societies the most important are the Building or Weaver's societies.

Progress of Co-operative Credit in India.

Progress of the movement.

The doubts and fears have now in great part been dispelled. The root of the matter did exist in India and the unlimited liability did not prove to be a bugbear. The progress of the movement has been extraordinarily rapid though it has as yet touched only the fringe of the vast population concerned. The lines of development took different courses in different parts of the country. The successful solution of two questions on which the future of the movement proved to depend soon asserted themselves. They were the *provision of funds* and *supervision*. The next step to development was solved by the combination of the efforts of the co-operative and agricultural departments to improve agriculture. The most satisfactory features of the movement are, (1) that only a small proportion of the capital have been advanced by the State, (2) that the loans have almost entirely been used for productive purposes, (3) that the rate of interest charged are much below the rate charged by the money-lenders, (4) that the loans granted have punctually been paid, (5) and that the part played by the State has been confined as far as possible to the encouragement of societies in their initial stage. The success proves that the Indians do appreciate and shake off conservatism when they find any good in an innovation. The following table will give an idea of the rapidity of the movement.

Though rapid yet leaves much to be accomplished.

Lines adopted differ.

Two important problems.

Co-operation and Agricultural Department.

Satisfactory features of the movement.

The rate of progress.

No. of Societies.	1906	1912	1914
Central ...	9	120	12,324
Urban ...	37	495	
Rural ...	237	7.562	
Total membership. ...	28,576	403,318	537,536

The number of people affected.

We see, the membership in 1914 includes about 6 lakhs of people, and the benefits derived by them scarcely fail to affect less than 3 millions including their families. "It is true that there is still only one agricultural co-operative society in India for every 20,000 of the population engaged in agriculture, whereas in Italy, there are 18 and in Germany 52. But the movement in India is only at its beginning and the progress made in the first stage has been unequalled in any other country. In Germany only 30 societies represented the fruit of 30 years' effort while even now, a lapse of 30 more years, the number does not exceed 17,000. In Austria 60 year's toil produced about 12,000. In Russia there are said to be 14,000, in France 4,000, and in Japan 7,000." In the near future the societies will tremendously increase but the lesson must never be forgotten that *one good society is, in the end better than any number of unsuccessful ones.*

Comparative rate of progress in other countries.

Italy and Germany.

Austria.

France, Japan and Rrussia.

The fear of too rapid progress vindicated.

Men like Sir Robert Carlyle apprended that by a too much rapid progress we may outgrow our strength. But authorities like Sir Edward Maclegan, Mr. Freemantle, Hon. Mr. Lyon and others believe that the progress is healthy and may in a few years fully utilize the vast scope that was lying before the country.

The societies registered under the Act have hitherto

been classed as "central," "urban," and "rural," the first class including those societies that lend to other societies only.

Bengal :—*Reports for 1911-12.*

The number of central societies are 7, urban 61 and rural 875. Many urban societies showed a tendency to transform themselves into joint-stock companies for earning high dividends and a true spirit of co-operation found wanting in them. 'In rural areas there was steady progress; management was on the whole satisfactory, and the co-operative spirit was reported to be growing steadily. A third of the loans taken by members of rural societies were for productive purposes, and nearly a half for repayment of debts, the amount borrowed for social ceremonies, such as marriages, etc, being less than 5 p. c. of the total' In places societies effected a decrease in litigations, helped village schools by contributions, tried to impart instructions on sanitation, agriculture and evils of cigarette smoking, and organised co-operation other than those relating to credit, e. g., a scheme for the joint purchase of a bonemill for manufacture of manure Further progress in the direction of consolidation by the formation of more central unions, was regarded as a matter calling for special attention.' The amount of profit earned by the societies in 1911-12 was £ 71, 816 and the profit up-to-date totalled £ 1,643, 928.

Progress steady. Hopeful working.

The benefit derived.

Progress of consolidation.

Financing and supervision of Societies.

Financing and supervision.

The funds of societies are derived from various sources. They are, (*a*) the entrance fees of members, (*b*) deposits of members, (*c*) loans from outsiders in the open market, (*d*) loans from Government, (*e*) and the shares of members. In primary agricultural societies,

Sources of the funds.

Primary Societies.

Percentage of capital derived from the various sources.

A problem solved to utilize the capital in rural areas.

according to the latest return, the provision of funds was thus derived—13 per cent. from shares, 10 per cent. from loans and deposits by members, 11 per cent. from loans and deposits by non-members, 3·8 p. c. from government advances, and 58 per cent. from other societies. In rural areas the demand for loans arises in sowing seasons and the funds become totally deplete, while after harvests the loans are repaid and the supply of funds become excessive causing a large capital to lie idle. To remedy this defect it has been successfully proposed to utilise the credit available from *central societies* in the first instance and in the latter case to manipulate and accommodate deposits in such a way as to derive the maximum advantage.

Formation of *central* societies.

The formation of central societies was not contemplated in the Act of 1904 but circumstances led to their growth very early. Their status has been fully recognised and provided for in the Act of 1912. As *primary* societies increased in number it has been found advisable to group them together into *central societies* for purposes both of control and of finance. Sometimes the combination is for no other purpose than the inspection and extension of the societies, and in such cases it is properly called a *union*. The central societies may be classified according to their constitution under three heads :—(1) banks of which the membership is confined to individuals. (2) banks of which the membership is confined to primary societies, and (3) banks which include both individuals and societies among their members. 'Their administration are more on the lines of joint-stock business and usually open connections with *outside joint-stock institutions* by means of deposits and cash accounts. They are themselves largely

'*Union*' defined.

Constitution of central societies or banks.

dependent for funds on shares and debentures, and are thus in a position to provide the individual societies with a fair proportion of funds for long term loans as well as to allow current credits for current wants.' Thus they *bring the borrower in touch with the general money market.* But the *central banks* or societies cannot completely fulfil this function. Their range is necessarily limited. It has, therefore, in several provinces been found necessary to establish *Apex* or *Provincial* banks dealing with an area larger than that covered by the ordinary central banks. In Burma, Bombay and the Central Provinces, special Provincial Banks have been started and the establishment of similar institutions in other provinces is probably only a matter of time. In 1911 the Bombay Bank was started under a Government guarantee with a share capital of 7 lakhs and debentures of a value of 20 lakhs. The bank lends to co-operative societies only and loans are made to societies direct, more especially in connection with the development of sugar cultivation on the Nira Canal. In 1912 a provincial bank under similar conditions was started in the Central Provinces with a capital of 6 lakhs.

Their administration and provision of funds.

Their services.

Provincial banks.

Bombay Bank.

The agricultural societies in India now possess a reserve of 10 lâkhs or $3\frac{1}{2}$ per cent. of the working capital, but the manner of its employment has led to some difference of opinion. Some hold that to obtain outside confidence these should be separately invested in a central bank or other outside institutions, while others contend that so long as the rate of interest is higher it should be utilized in the ordinary work of the society. However, there can be little doubt that the latter course is only justifiable in the initial stage of societies and the former course should always be adopted unflinchingly when the working capital has increased.

Reserves of agricultural societies.

The question of the utilization of reserves.

Gokhale's suggestion for provision of funds.

The Hon. Mr. Gokhale pointed out that the financing of societies would be easier if the Government opens savings banks in the smallest and remotest villages, because that will encourage thrift and the thrift of individuals would ultimately come to the societies when the latter will borrow from such banks.

Government help.

The proportion of Government loans to the total capital of societies now scarcely exceed 3 per cent. But these loans did yeomen's service in the early stages. "The evils of excessive liberality were fortunately foreseen and the restriction of State aid was due not to niggardliness but to the fact that in other countries experience had shown that unrestricted assistance was a dangerous and might be a fatal gift."

Why it is meagre in amount.

Mahajan's contribution.

The mahajan's capital also is being drawn gradually as he finds better security and no risk by lending to co-operative societies.

Forms of co-operation other than credit.

Societies other than for credit.

The Act of 1912 fostered the growth of these societies and according to the latest figure there are now in India some 602 non-credit societies. Of these

Half of them are agricultural in character.

about half are agricultural in character and derive the same advantages as owners of capital secure from production on a large scale. The application to agriculture of this form of co-operation is at present almost entirely confined to Burma, where societies have been started for

Their scope.

the production and sale of rice and other crops, or for the insurance of cattle. Other enterprizes have, however, been started thoughout the country in connection with the improvement of sugar production and of milk, the supply of stores, cattle-breeding, manure supply, production and supply of seeds, grain societies and

so forth, and the institution of Building Societies has been a special feature of the co-operative movement in Mysore. At present there are 52 sale-societies of agricultural produce in Burma, two cattle Insurance societies, one in Coorg and another in Burma, several seed producing societies in the cotton tracts of Berar, dairy societies in Nagpur, Benares, and Dacca, manure supply societies in Bombay, the United Provinces and the Central Provinces, co-operative grain banks or *Dharmagolas* started in Bengal, and lately a co-operative sugar factory has been started at Goalunda. There is still a vast scope for other kinds of societies to develop. Prof. S. C. Roy has suggested a most important and interesting scheme for the developmeut of co-operative *fishery*. (see, *Production*).

Indigenous system of co-operation.

Indigenous systems of co-operation.

The indigenous "*kuttuchittu*" system of Madras was an association of members for mutual credit. The object of it was to supply members with a lump sum of money at a time in order that they might use it to the best advantage. All contribute together a certain amount of money for a successive number of times and each member get the whole contribution in regular succession.

Kuttuchittu system.

About the year 1850 certain officials originated the *nidhis* in Madras to avoid borrowing from cut-throat usurers, just when Raiffeisen and Schulze-Delitzsh were busy in Germany. The movement gained a very considerable degree of success inspite of numerous failures due to fraud, ignorance, unsuitability of the law and the absence of supervision. There were in 1901 over 200 *nidhis* with 36,000 members and a subscribed capital of £1,700,000. They found their clients however,

Nidhis of Madras.

Their successes and failures.

among a more highly educated and advanced class than the mass of the agricultural population to whose needs their constitutions were not well adopted.

Remarks.

Remarks :—From the whole survey of the movement we find "certain maxims which may be said to represent the teachings of our experience, and some of these are :—

Some suggestions from experience.

(*a*) the mortgages as a security for debt, though ordinarily discouraged, are not without their uses in certain cases ; (*b*) that the early clearance of a member from previous debts after his admission to a society is desirable ; (*c*) that it is unnecessary to confine the grant of loans only to those required for productive purposes ; (*d*) that it would be unwise to grant e xceptional concessions as this would remove from the societies the incentive to self-help ; (*e*) that it is essential that the bulk of the funds should be in a form easily realizable ; (*f*) that the greatest importance should be attached to the punctual repayments of loans ; (*g*) and that the reserve should after the initial stage is passed be set apart for separate investment'. (*Resolution No 12-287-1. dated Simla, the 17th June. 1914*).

§ Economic Transition in India.

Economic transition in India.

Sir Morrison roughly classifies civilized nations, for industrial purposes, into two categories : those which *have not* and those *which have* passed through their industrial revolution. He takes India and England to represent these two categories respectively ; the former is on the point of emerging from old economic order while the latter has already completed her economic revolution.

Nations divided according to their industrial development.

Features of an archaic

The old economic order differs from the modern organisation mainly in the following ways :—(1) the *pre-*

dominance of agriculture. While in India about three-fourths of the 'population are directly or indirectly engaged in agriculture, in England the population is much more evenly distributed over a number of callings; agriculture there is but one of eight groups, each of which contains over a million workers, and there are no less than four industries, or classes of industry, which provide work for more persons than does agriculture.' (2) The old village is *self-supporting* and does not depend for its existence upon *exchanges with the outside world.* Thus labour and capital are immobile. (3) The absence and difficulty of *transport.* (4) Imperfect *division of labour* as a consequence of isolation. (5) The *capital* employed in each unit of industry is small. (6) The rareness of the *use of money* either to effect exchanges or to remunerate services. In India the practice of granting lands for services rendered dates from very early times. The holy Mahomedans used to get *Seri* or *Pirot-war*, the Brahmins *Sasan or Brahmotwar*, and soldiers, landlords and nobles, *Jaigirs.* Also the system of paying wages in kind are even now in practise in many parts of the country (Morrison pp. 48-54). (7) The *direction of industry* is in the hands of small craftsmen, each of whom work independently on his own account. So, production is always on a small scale. (8) *Custom* influences wages, rents, and prices. (9) There is want of *cheap credit* and practice of inveterate *usury.*

economic order.

(1) Dominance of agriculture.

India and England compared.

(2) Isolation and self-sufficiency.

(3) Transport difficulty.

(4) Absence of division of labour.

(5) Want of capital.

(6) Absence of the use of money.

(7) No entrepreneur.

(8) Custom supreme.

(9) Credit dear.

In our survey of Indian village system we have seen that all these characteristic features of old economic order are present in India though they are in a state of rapid transition. Of late, the caste system is breaking down, joint-family system is on its last legs, status and custom are barely of any importance, caste-guilds almost

Archaic order fading away.

dying out, indigenous systems of industries, domestic and handicraft, are losing grounds, and old systems of transport and credit are giving place to new. Recently the economic laws are putting their cosmopolitan stamp on Indian conditions and only leave the people of the country to overcome the 'economic friction', a problem which confronts every country save a few. By degrees, India is now assuming the following characteristics inherent in modern industrial organisation :—

Economic friction.

Features of modern business organization.

(1) *The interdependence of all parts of the industrial world upon each other.* Now Bombay cotton industry greatly depends for her supply of cotton on America and dyes upon Germany, while to find consumer it goes as far as China. Similarly, the jute growers of Bengal are starving for the Great War in Europe and the prices of European goods here have become prohibitive.

Economic interdependence.

Concentration of graded labour.

(2) The *concentration of labour in factories and manufacturing centres* where it is minutely divided and graded. The pleasure and pride of seeing one's own goods develop under one's own hands has now got little attraction but for a few. In the gigantic factories of India commodities pass through a number of operations under different hands before being fit for marketing. Women and young children can find work suitable to their capacities, and division of work is utilized to the full.

Aggregation of capital.

(3) The *aggregation of capital in large amounts* so as to secure the advantages of production on a large scale. The floating of the Tata Iron Works throws into relief the great fact that the shyness of Indian capital is broken and in the near future we can hope that stimulated by this bold example establishment of concerns of like character would be more and more possible to reap

the advantages of economy of big capital in large scale productions.

(4) The *direction of industry by expert managers.* In the Bombay presidency and in the Punjab we can find a good number of entrepreneurs of industry but in India as a whole the percentage is far too short to meet the increasing demand. Entrepreneurs.

Further, recent statistics show, that (*a*) the predominance of agriculture is losing its importance. Industries are growing in a breck-neck pace though the dimension yet achieved needs much to be increased. Morrison says that, India's capacity to spin and weave has quadrupled in 30 years (1880-1909), while in jute her progress is almost fivefold in less than a quarter of a century. In wool and paper her progress is also remarkable. But the most astounding growth occurs in mining. Within a generation the output of *coal* has increased twelvefold, gold, manganese and petroleum almost hundredfold, and mica and iron a high multiple. Again, the export and import statistics show that India has been greatly industrialized of late. In 1907 the manufactured exports had increased 139 p. c. while raw exports only 5 p. c. and manufactured imports had only increased 93 p. c. while raw imports had increased 127 p. c.. But these figures are somewhat misleading though sufficient enough to serve our purpose. Mr. Keynes in a review of Morrison's book says that export and import statistics are not reliable. The figures for imports of manufacture in the official statistics are misleading and do not mean what they might be expected to mean. This heading excludes among other items all machinery and manufactures of metals. Similarly, the calculations about the growth of the imports of raw materials are

Facts prove India's economic transition.

Morrison's industrial survey.

In manufactures.

In mining.

In export and import trade.

Keynes' criticism.

misleading. Mr. Keynes' argument that the spread of industrial revolution in India is not so great as many people think is corroborated by the census figures which show a slow growth of manufacturing population (only a little over 1 p. c.). (*b*) *Rural independence has also broken down* and *large markets* both at home and abroad is *opened to all*. An abundance or failure of harvests does not cheapen or compel to starve the villagers now. They can now move from place to place in quest of work. (*c*) Railways and canals have facilitated and cheapened India's transport. There are now 33,484 miles of railways open for all kinds of traffic in India. (*d&e*) We have already seen that the questions of *division of labour* and *supply of capital* have been solved. (*f*) *Money* being plentiful and universally acceptable has now been *substituted for barter* and payment in kind. (*g*) Trained *entrepreneurs* are displacing day by day small producers and inefficient managers. (*h*) *Status* and *custom* had little influence on economic problems and what little there was is now being replaced by economic competition. (*i*) European *banks*, banks started on European models, *co-operative credit societies* and Takavi loans are now supplying cheap but *reasonable* credit to the people munificently.

Rural dependence.

Railways and Canals.

Division of labour and supply of capital.

Money economy.

Entrepreneurs.

Status and custom.

Banking and credit.

The conclusion to which we arrive by a survey of the economic changes going on in India is that India's industrial transformation is at hand; the obstacles which have hitherto prevented the adoption of modern methods of manufacture have been removed, means of transport have been spread over the face of the whole country, capital for the purchase of machinery and erection of factories may now be borrowed on easy terms, mechanics,

Conclusion drawn from the survey.

engineers and business managers may be hired from Europe to train the future captains of Industry in India, the English language affords a medium for transacting business with all the provinces of India and with a great part of the civilised world; and security from foreign invasion and internal commotion justifies inception of large enterprizes. All the conditions are favourable for a great re-organisation of industry which when successfully accomplished will bring about an increase, hitherto undreamt of, in India's output of wealth. Let us hope that India may be warned by the example of Europe and that her industrial revolution may not be accompanied by evils which have blackened the industrial revolution in the West by the hopeless condition of human life and existence.

Present conditions that help transition.

But though the economic transition in India is nothing but the natural operation of economic law on definite conditions, specialists differ as to the utility and desirability of this change. They may be divided into three classes: those who unconditionally deprecate it, those who find both good and evil things in it, and those who absolutely idolize it. In the first class belong those who dare to fight with stubborn economic facts. They are idealists and hope to build unrealisable Utopias out of old primitive industrial order, fictions of their over-patriotic brains. They are *orientalists*. The evils of transition make them shudder but the benefits of future never balance their judgments. It is almost impossible now for handicrafts to compete with industries produced under the tremendous economies of large-scale production. Neither the evils attending modern industries should deter us because they are merely the

Three schools of thought on Economic Transition.

(1) *Orientalists.*

accompaniments of a necessity, necessity for which there is no law and against which we are helpless.

(2) Industrialists.

On the opposite side are those who simply idolize it. They believe that the salvation of India lies in her industrialisation, and her proverty problem can not be solved in any other way. They hold that, (1) agriculture, which is the staple industry in India, is uncertain and failure of harvests precipitate famine, (2) that the standard of comfort is low in agriculture, as population increases the same property is only numerously divided, no addition to them being possible by human effort, (3) that municipal liberty and political education is only possible in towns, the fruit of industrialization as borne by the records of history, (4) that the law of diminishing returns has almost began to operate in Indian agriculture making her cumulatively poor, (5) that economies of large-scale production is only possible in manufacture, (6) and that India will gain much by freight if she exports manufactures instead of raw materials. They are reckless in advocating it and may some day plunge the country in panic and distress, suffering and shame.

(3) The Economists.

Next come those who steer a middle course and avoid both extremes. They look on both sides of the picture and try to augment the benefits as well as to remedy the evils. They believe that 'as a well-drilled, well-equipped, and well-officered army must prevail over a mob of peasants the inherent superiority of the modern organisation must prevail. Whatever may be its defects on the moral side, whatever the dangers of physical deterioration which may be inseparable from it, the modern industrial organisation is at present unrivalled in its capacity to provide the necessities and comforts of life, and in countries where it is fully developed the wealth

per head of the population is incomparatively greater than where the more archaic organisation prevails.' (Morrison). Further, the evils of transition have scarcely affected the agriculturists, i.e. three-fourths of the people are immune from the evils. But as economic transition means the survival, of the fittest it can not be that no one will suffer. The greatest sufferers in India are the weavers while the highest gainers are distributors of products or traders. Protection will do no good to the weavers as competition of Bombay mills are sufficient enough to oust them from their trade. They must be content with the weaving of particular and special kinds of goods and other cheap articles, *e.g* napkins, etc. But other 'village artisans, such as the carpenters and blacksmiths, are popularly believed to have improved their conditions. It is to Bombay and Cawnpur and to the banks of the Hugli that we must go to find labourers concentrated together and working under expert supervision ; it is in such cities that capital has been freely spent on the erection of mills and costly machinery, that the economies of production on a large scale have been secured and that Indian captains of Industry have risen." *Morrison*. These men acknowledge that transition is accompanied by unemployment, physical deterioration and moral uncleanliness of labour and loss of artisitic appreciation and freedom of industrial choice. But they think that these evils are not insuperable. By establishing Labour Exchanges and provision of useful work by the State, by an improved system of town planning aa has been done in Sakchi by the Tata Company, and by giving prizes and rewards to workmen for successfully competing in exhibitions opened for the purpose, the above evils may be remedied to a great extent. The

There are both merits and demerits.

Where we find the demerits.

Where we find the merits.

What evils are produced

What remedies can be applied.

experiences of Europe after all should be availed of by India.

This latter view, we think, is the most educated one and exhibits the proper state of things. Indian economists should stick to it and work out her salvation by following it persistently.

Industrial Revolution of India and England compared.

The economic superiority of England is the outcome of her great Industrial revolution which according to Toynbee began about 1760. It was the *triumph of rationalism* in the economic sphere. The *causes* that brought it about were, the decay of state regulation of industry, expansion of British market due to conquests, security, peace and spread of education, growth of banking facilities, and joint-stock enterprizes. The *achievements* were equally stupendous. Manufactures increased hundredfold, exchange, transport and banking expanded, population grew enormously and supply of raw materials from foreign countries became large. But the *evils* at the early stage almost outweighed the gain. The irregularity in the course of businesses coupled with the faulty regulation of banking due to over-confidence and speculation, caused enormous economic losses. Distrust of state interference in economic matters removed any help from being rendered to the helpess labourers while rapid growth of towns brought with it astounding miseries to a large proportion of the total population. The most unprecedented problems that the industrial revolution gave birth to in England were the *employment* in mines and factories and the *substitution* of machinery. The worst side of capitalism also played a great part.

Industrial Revolution in England.

Special causes of the economic revolution in India.

In the case of India the causes were the same, though we may be permitted to add *two more causes*, the dawning of *foreign competition* and the onrush of *foreign capital* and enterprize to exploit India's natural resources. The achievements also are similar. But the evils are less in amount, because :—

Why the evils are less in amount.

(1) Chronologically the Indian Industrial Revolution is later. Though the industrial transition has begun about the year 1860 with the establishment of jute mills in Calcutta and cotton mills in Bombay, the industrial Revolution only began in right earnest a generation ago. India has *profited by the experiences of other countries*. She knows how to control the forces of competition by measures like factory laws, etc., and so the misery it may cause can in no case be as great as it was in England.

Village depopulation is postponed.

(2) Industrial Revolution in all countries introduced an *exodus of population from the villages to the towns*. But in India the stability of agricultural factor has helped to a great extent to stem this flow. Further, co-operative credit movement may some day make village life so very charming and highly economic that *village depopulation* would be posptoned indefinitely.

Agriculture and manufacture go hand in hand.

(3) Further, India suffers less misery as her population has not to depend solely upon manufacture for their living. The agricultural strength far outnumbers the other occupations than in England. Here the labour alternate from one to the other, now adopting agriculture when there is fear of unemployment in manufacture, and then reverting to the latter when there is some expectation of higher wages. But this process has done some mischief to Indian labour. "He is in consequence *compara-*

tively unskilled, and on the other hand, his services being difficult to obtain, he is within wide limits allowed by his employers to work as he likes."

Social revolution is less extreme.

(4) In all countries Industrial Revolution has in its turn revolutionised social conditions. In India, however social conservatism and inertia of the people have minimised the change to a great extent. But we can not ignore the change altogether. Caste and joint-family are gradually breaking down and many social and religious injunctions, like the prohibition of crossing the Kalapani, etc., are proving futile day by day.

Evils of capitalism need not be apprehended.

(5) The evils of capitalism in factory system have never assumed any importance in India as she is an agricultural country. India has little capital and what little there is cannot be invested except in small doses. Further, the recent co-operative movement is expected to minimise the danger which may arise in future.

The great evil underlying the transition.

But there is growing a great evil which was unknown in England. The latter country went from the manorial system, through the discipline of the domestic system, to the factory system, while India has just leaped from the first to the last step. The effect is that India while tackling with great industrial questions, remains untaught and undisciplined. The result of all this is the great economic loss which she undergoes daily through the failures of her many gigantic concerns.*

§ Some economic terms explained.

Indian Wheat and Grain Elevators:—India occupies the third place amongst the wheat producing coun-

* For the merits and demerits of large-scale production, see my "Study of Economics."

tries of the world, Russia sometimes taking the lead closely followed by the United States. But like other countries she has no safe storing arrangements like the "*elevators*.' The chief ways in which Indian grains are damaged and the rayats lose are, (*a*) monsoon storms, (*b*) *forced sale* to the exporter at a low price to avoid it being damaged by insects, rats, and *weevil*, the latter alone it is estimated damage 2½ per cent. of the whole crop valued at about 2 *crores of rupees*, (*c*) inability of railways to cope properly with the seasonal traffic, (*d*) desire to realise the price at once as the existing conditions in India cannot provide against the deterioration or loss by fall of price, (*e*) while the price of wheat attains its maximum in England in October and December, India's export goes to that country in July and August when the price goes very low. Mr. Noel Paton says, 'The present system disregards at once the limit of railway equipment and the limit of the foreign demand at any one season in its relation to the prospective large increase in the areas under wheat. Under the circumstances, the elevator system seems to claim consideration as having been successful elsewhere." Now, what hitherto has been said refers to export trade but India's export of wheat is only 11 per cent of her total production and so the question of protection of wheat for home consumption is far more important. The total elevator capacity in Canada, which exports as much as 69 p. c. of India's exports, is equal to more than half of her production and to more than twice her exports.

How grains are damaged.

Noel Paton's suggestion.

A comparison.

*Limited Liability and unlimited Liability** :—

* See under "*Companies and Partnership*" in my "Study of Economics."

PRODUCTION.

CHAPTER I.

The Political Factor.

Pax Britannica and its economic effects. Chief British Indian systems of land tenure with their economic consequences. Foreign captial and organization of labour, machinery, transport and credit, and the economic development of the country. Political relations of India to England, and their effect on the balance of trade.

§ Pax Britannica and its economic effects.

Britain's gif *abiding peac*

Probably the greatest advantage which British rule has conferred on India is abiding *peace*. Bloody wars among the rival chiefs, insurrections of provincial governors, and plundering raids and invasions from without, have become things of the past. Our *person and property are safe* from the attacks of robbers and dacoits that infested the land for ages, and travellers and merchants can now go from place to place. Energy, labour and money that were spent formerly in *devising means of defence* are now directed to the production of wealth. The following survey gives us an idea of what British peace has done in India.

Person and *property* saf

Cost of production lessened.

In Production. In Produe-tion.

In Production : —*Land* has been more extensively and scientifically cultivated. Increase of population and demand for grains from abroad led to the cultivation of more and more lands, increasing both rent and its price. Better systems of land tenure also conferred a magic of property on land. *Labour* has become more modernized and clever. Peace made it also mobile and competitive. The descendants of Thugs, Pindaris

Land.

Labour.

Capital.

and Burgees instead of being enemies to production like their forefathers have joined the ranks of honest producers of wealth. *Capital* has increased as people are no longer afraid of saving lest they should be robbed. Wealth that lay hidden in insecure days is coming out. Further, unprecedented peace and security has drawn into the country a very large amount of *foreign capital* and they are now being applied in utilising and developing India's hitherto unknown and unused resources. (*For the evils of foreign capital, see later on*). Thus the *three factors of production* have improved causing an increase in production. But our factors of production are not strong enough to withstand foreign competition. Gradually, our *manufactures have decayed* and the still existing ones are decaying, throwing a large number of population into squalor and distress. The *population*, we have seen, has also greatly increased. But as it has increased in a more rapid pace than the means of subsistence warranted, poverty, disease and famines have been the outcome. Now, the economic regeneration of India solely and wholly depends on the persistent energy, organization and industrial enterprize of her *sons*.

Decay of home industries.

Population.

In Consumption:—Absolutely speaking, the wealth of the country has increased, as, for a long time there was no economic loss due to invasions and civil wars. Also, familiarity with the modes of living in the richer countries of Europe has stirred novel ideas in the minds of the people. Now, a millionaire does not live as a beggar for fear of being robbed, nor has he to spend a greater part of his income in keeping retainers to protect himself from dacoits. Thus new ideas of comfort are spreading and the standard of

In Consumption.

Standard of comfort.

Standard of living.

living is going up in consequence. The effect is particularly manifest in Bengal and Burma.

In Distribution.

In Distribution:—The idea of *national dividend* was ever vague in divided India. It is British rule that has of late, created such an idea. We have already seen how British peace has increased *rent*, evolved *economic labour*, and lowered the *interest* rate. India's international trade, guarded by British marine, has also raised home *prices*.

Idea of *national dividend.*

Rent, wages, interest and prices.

In Exchange.

In Exchange:—In 1840 the total value of the *imports and exports* of British India was about £19,000,000; in 1909-10 it exceeded £232,000,000. *Communication* has also been greatly revolutionized "The country has been covered with roads and railways; her almost impassable rivers have been bridged; the most magnificent canals and works of irrigation existing in the world have been constructed." (*Strachey*). These are the effects of peace, and as well fosterers of peace. Enduring peace, has also established one *currency* and made the *finance* stable. *Banking* and *credit* now flourishes due to peace and safety. Prof. H. S. Jevons, University Professor of Economics, Allahabad, thus speaks of the effect of British peace in India,—"In India, the foundations of prosperity and progress have been laid already. *Peace* has been maintained throughout the land for half a century *at the minimum of cost*; protection from external enemies has been enjoyed almost for nothing, whilst the nations of Europe and Northern Asia have been groaning under armaments and war. I cannot think of any other country in the world of 200 millions of inhabitants or more that has *enjoyed unbroken peace for fifty years*. And to public

Exports and Imports.

Communication.

Currency, finance and banking credit.

Prof. Jevon's testimony.

security, which is always the first essential of trade and of the people's happiness, has been added the development of great railway systems, and the establishment of a stable currency upon an international basis."

§ Chief British Indian systems of Land tenure with their economic consequences.

Land revenue in India.

In a mainly agricultural country like India, the first thought which presents itself to a financier is the *land revenue*. The Indian land revenue problem affords a notable feature to the historian as well as to the statesman. We find in the "*Laws of Manu*" that the king's share of the land revenue was one-sixth of the gross produce, i.e., of the grain-heap made up at the threshing floor. But the growing requirements of the State gradually raised the share thus levied. The Moguls fixed *one-third* as a fair rate. Before Akbar's time the revenue used to be paid in kind. Akbar fixed a monetary standard with the option to pay the land revenue either in kind or in coins. 'The rates were fixed by calculating the price of grain on an average of the previous nineteen years of the reign, and applying it to a share which was one-third of the average gross produce.'

Early history.

Manu's regulations.

Akbar's assessment.

Theories respecting land tenure why important.

Definition of Land Revenue.

The advent of the English, however, raised many peculiar questions about land tenure. Sir Theodore Morrison says, that the "theories respecting land tenure have always been to the Indian Government questions of great practical importance, because from time immemorial the revenue derived from land has been the mainstay of State finance. The land revenue is that proportion of the private landlord's income which is claimed by

the State, and in determining the principles upon which this land revenue should be assessed the government has been compelled to consider the theories governing the ownership of land."

Three doctrines about ownership of land.

The three different schools of opinions which have principally influenced the discussion about the ownership of land are, (1) the *Economic* doctrine, (2) the *English* doctrine, and (3) the *Indian* doctrine.

The economic doctrine does not believe in private property and advocates wholesale nationalization of land. To avoid injustice, in old countries only it concedes to 'maintain the existing privileges of the landlord while allows the State to legitimately appropriate to itself all future increments in the value of land.' This was the view of those who held that land revenue *was a rent and not a tax*. The doctrinaires held that the rulers of India have never divested themselves of supreme proprietary right in the land, and neither the landlord of to-day improves the land or confers security upon the agriculturists, nor is he usually the original landlord so that he might legitimately claim the proprietary right. So perpetual appropriation of landed interest by the landlord is unjustifiable.

The Economic doctrine.

Proprietary right rests only with the government.

"But the British Government," says *Baden-Powell*, "has *everywhere* conferred or recognized a private right in land." So the economic doctrine can never apply to ownership of land in India and the owner can never in justice be dispossessed without compensation. Sir Theodore says that, "whatever arguments may be found in abstract reason against private property in land, they do not release the State from the *pledge* which it has given by recognising the legality of this form of property."

Government recognised private right.

Morrison's faith in the State's *pledge* of recognising private right.

English doctrine.

Some English officials, on the otherhand, were anxious to create in India a body analogous to the landlord class in England by *fixing the land tax in perpetuity*. They believed that the English system would confer a magic on property and immense improvements may be expected of lands. Their policy culminated in the Permanent Settlement of Bengal.

Creation of landlords by fixing land tax in perpetuity.

Sub-proprietary rights were found and recognized.

But some English officials soon found that there were in India sub-proprietors of land with an undeniable right to property, and they were overlooked in the Permanent Settlement. The duty of the government was found to be the proper recognition of these sub-proprietary rights by a series of legislative enactments.

The Indian doctrine.

The Indian doctrine of land ownership *is a compromise between the English doctrine* of regarding land as the absolute property of the landlord *and the economic doctrine* of looking upon all land as the property of the State. In India the right to private property in land is recognised but it is subject to two limitations, the first of which consists in sharing with the government all increments in the income derived from land and the second consists in the recognition of the semi-proprietary right of the tenant to fixity of tenure. Action was taken according to this view in the later assessed temporary settled tracts.

It is a compromise between the above two doctrines.

The doctrines refer to periods *of settlement*.

At present we shall discuss land tenures in reference to settlements according to time, i. e., whether they should be permanent or temporary. As a matter of fact there have been three main kinds of settlement, following the fact that we have always to deal with either landlord estates, with village estates (or mahals), or with raiyatwari holdings, i. e. settlement with parties. Baden-Powell gives the following comprehensive classification of the varieties of land tenures :—

Three main kinds of settlements.

Classification *according to parties*:

I Settlement for single estates under one landlord.

Varieties :—

(1) Settlement with Zemindars, i. e., Permanent Settlement of Bengal and North Madras. With landlords.

(2) Settlement (Temporary) in Bengal of estates and districts not subject to the Permanent Settlement.

(3) With Taluqdars in Oudh.

II Settlement for estates of proprietary bodies, usually village communities. (These are sometimes called *mauzawar*, or more correctly Mahalwar settlements). With villages.

Varieties :—

(1) Settlement of the United Provinces of Agra and Oudh (including Oudh for villages that are not under Taluqdars).

(2) Settlement of the Central Provinces (called the Malguzari Settlement).

(3) Settlement of the Punjab.

III Settlement for individual occupancies or **holdings**. With individual holdings.

Varieties :—

(1) The Raiyatwari system of Madras.

(2) The Raiyatwari system of Bombay and Berar.

(3) Special systems (in principle raiyatwari, but not officially so called) of Burma, Assam, and Coorg.

A brief survey of the Land Revenue systems of the different provinces of India.

No other question has been the constant subject of correspondence between the Home and the India Government for three centuries like the land tenure Land tenures of the different provinces.

system. And it may be said that the subject to-day is as unsettled as it was at the time of Lord Cornwallis.

1. Bengal Land Revenue System.

Bengal System.

After the Akbarian settlement, a few more settlements were made in Bengal but the principle was the same until 1772. In that year the East India Company tried to settle directly with the raiyats but they found the Zeminders powerful enough to frustrate their scheme. So the latter were at last recognized as Zeminders, and to avoid the uncertainty of government revenue, Lord Cornwallis recommended the Permanent Settlement which was finally declared to be a statute in 1793. The Fifth Report of the Committee of the House of Commons wrote in 1782, "A *medium* of the actual produce in former years was the basis on which the assessment on each estate whether large or small was ultimately fixed." The Directors hoped that by making the revenue demand permanent they would induce the landlord to make improvements and in many direct ways benefit the country. *One-fifth of British India is permanently settled.* The land revenue of India provides more than 23 p. c. of the whole income of the State and nearly 39 p. c. of the revenue proper, and *16 p. c. of the land revenue comes from permanently settled country* and 80 p. c. from the temporarily settled. While settling with Zemindars the Directors empowered the Government of India to protect the cultivators adequately. The Zemindars on their part did not issue any *Patta* or document specifying the area and conditions of holding to their tenants as were enjoined, and often increased rents and ejected tenants. The tenants, on the otherhand, either did not understand the *pattas* or would not consent to them deeming them to be unfair.

Permanent Settlement.

One-fifth of British India is permanently settled.

Percentage of revenue derived.

The result was a prolonged struggle between the parties. The Zemindars oppressed the ryots, while the latter refused to pay rent. As its consequence many old Zemindaries were sold for default of payment of revenue. The East India Company which was now much in need of money for prosecuting the Carnatic Wars passed the Regulation 7 of 1799, better known as *Haftam*. By it the Zemindars were empowered to seize without any legal procedure, the crops, the grain, cattle and all other personal property of the ryot, other stringent provisions were also provided for against the latter's right of relief. But this Regulation was not meant to curtail any right of the tenant. It was only enacted to enable proprietors and farmers of land to realize their rents with greater punctuality. The abuses of the Regulation soon manifested themselves. So the Regulation 5 of 1822 was passed. It was a partial remedy, as it disabled the Zemindars to attach property without a written specified demand of dues, but it made no provision for defining rights by record. The relief was short-lived. The Regulation 11 of the same year placed the ryots in the same position as by the Regulation of 1793. Thus we see the position of the ryots was anything but satisfactory. "Under the *Haftam* process the person of the ryot could be seized in default; under the *Panjam* process his property could be distrained; and in either case the proceedings commenced with what has been described as a strong presumption equivalent to a knock-down blow against the ryot" So, Lord Canning passed the Bengal Rent Act, the charter of the Bengal cultivators, in 1859. For those who had held land at the same rents since 1793 or for twenty years, it declared that the rental should remain

Haftam.

Why the Act of 1859 was passed.

Rent Act of 1859.

unaltered for all time to come. To those cultivators who had held the land for twelve years, the right of occupancy was conceded and their rent could not be raised except on some specific and reasonable grounds, such as an increase in the rate in the neighbourhood, etc. Lastly, an attempt was made to compel the Zemindars to grant receipts for rent and to prevent the exaction of excessive rents.

Bengal Tenancy Act of 1885.

But the Rent Act was found to be less useful to the Behar cultivators, and also fresh features had arisen in Bengal proper. It gave the tenant the right of occupancy which he could not prove in the face of his landlord, and the landlord the right to enhance the rent which he could not enforce by adducing evidence at the law courts. So in 1885 the Bengal Tenancy Act was passed which gave the needed protection to the cultivators without infringing in any way the just rights of the landlords.

Provisions of the Act.

Two kinds of tenancies, *occupancy* and *non-occupancy.*

The Act recognizes *two kinds of tenancies*, occupancy and non-occupancy and *secures the status and previleges* of all kinds of tenants. The Act provides that every raiyat who has held any land in a village for twelve years acquires thereby *a right of occupancy*. This provision conferred upon .80 to 90 p. c. of the raiyats the right of occupancy. The occupancy as well as non-occupancy tenants can be *ejected* for arrears but the ejectment must be by notice or suit and the procedure must follow a lawful defined course and arrears are always to be received through the court. Their *rents also cannot be raised* at shorter intervals than five years. All tenants are empowered by the Act to appeal for decision to law courts *for every enhancement of rents.* Further, money rents could be enhanced only in two ways, viz,—(1) They could be

Ejectment.

Fixity of rent.

Enhancement of rent.

enhanced by a registered contract and even then only to the extent of two annas in the rupee. (*z*) they could also be enhanced after a suit in court on the ground of an increase in average prices or of increase in the productive power of the land. The broad principles on which the Act was based were, (*a*) to give the raiyats full security in his holding, (*b*) to allow the Zemindars to enjoy the fruits of their improvements, and (*c*) to devise ways by which the disputes between the landlord and the tenant can be easily settled. Prof. Roy says, "The Acts of 1885, though not professing to be an exhaustive code of the law of the landlord and tenant, is nevertheless a complete and self-contained enactment so far as the most agrarian relations are concerned." The first important amendment was made by the Act 3 of 1898, by which provisions were made, *first*, for the preparation of a record-of-rights with a view to a settlement of fair and equitable rents for all classes of tents,' and *secondly*, 'for the preparation of a record-of-rights in areas where the land revenue is not settled and empowering settlement officers to settle fair and equitable rents." Two more Rent Acts were passed, one in 1868 and another in 1881 to safeguard the raiyats' interests. The population of Bengal is at the present time more resourceful and prosperous than elsewhere in India—(1) owing to the limitation placed on the State demand from the landlords in 1793, and (2) owing to the limitations placed on the landlords' demands from the tenants. The Act was further amended by the Bengal Act No. 1 of 1907 with the object of giving greater facilities to landlords for the collection of rents and at the same time guarding against certain increase of rent. It *gave greater authority to a properly authenticated record-of-rights*, conferred greater discretionary power in the hands

Conditions of enhancement.

Principles of the Act.

Amendment of 1907.

Provisions of the amendment.

The doings of the Permanent Settlement.

of the government to discriminate between *reasonable and unreasonable increase of rents* by Zemindars, and enacted to *smother the Zemindar's practice of entering into the collusive agreements* with the tenants to evade the Act of 1885. The Permanent Settlement has created three forces in the province :—(1) There is an *educated* and *influential class of landlords* who have identified themselves with the British Government and have always given loyal help in the cause of good administration; (2) there is a *strong, intelligent middle class* holding tenures of various degrees under the landlords and forming the strongest element in the progressive society; (3) There is a *resourceful peasantry* able to resist the first effects of drought and failure of crops.

Landlords.

Middle class.

Peasantry.

II. The United Provinces of Agra and Oudh.

United Provinces.

Benares and some adjoining districts were annexed in 1775 by Warren Hastings, and Allahabad and some adjoining districts were ceded by the Nawab of Oudh in 1801. Delhi and Agra and the valleys of the Ganges were conquered from the Maharattas in 1803. These were formed into a province and a pledge of permanent settlement was given to the landlord, by the Regulation of 1795 at the instance of Mr. Jonathan Duncan, but it was never redeemed. It was only in Benares that the settlement of land revenue was made permanent. In 1821 the Court of Directors finally declared themselves against it in Northern India and in 1822 fixed the State demand at 83 p. c. of the gross rental of the estates. But the method proved unworkable as the 'system of determining the assets on the estimates of the produce of each field' every year was tedious and impossible. So in 1833 Lord Bentinck's administration made the

Pledge of permanent settlement.

The pledge violated and subsequent arrangements.

first regular settlement on broad principles of action. The settlement was made with *village proprietors* wherever possible and with *Zemindars* on the principle of joint responsibility. Hereditary tenants and tenants with 12 years' occupation were given the right of *occupancy*, and the rate of assessment was made moderate. The settlement made the taluqdari system rare in Agra. The assessment was reduced to 66 p. c. of the rental and the settlement for a term of 30 years was introduced. In 1861 Colonel Baird Smith in his report desired that the settlement should be considered permanent in the districts where most of the arable lands were under cultivation and that this policy should be followed in other districts as waste lands came more fully under the plough. Unfortunately, the suggestion was disregarded but it has the undoubted effect of moderating the excessive and oppressive assessments which prevailed during the first 30 years of British rule. The 66 p c. rule was found to be too harsh and the *Shaharanpur rule* of 1855 reduced the land tax to 50 p c. of the net average produce. A *second* and a *third regular settlement* were subsequently made, to find out reliable basis of assessments. "The changes that were introduced lay in the fact that whilst the circle rent rate, ascertained by inquiry and selection, had formerly been the basis of assessment the actual rent-roll now became that basis and the circle rent rate was used as a check. At the same time all consideration of prospective increase in value was definitely excluded from the assets, and concessions were made to private individuals for improvements made by them. The method of survey and revision of records was also materially cheapened." In 1871 local cesses of 10 p.c. of the land revenue were

Three features of the settlement.

Baird Smith's suggestion disregarded.

Shaharanpur Rule.

Changes introduced in assessment.

Additional cesses.

imposed on estates in addition to the land revenue and the object of the half rental rule was nullified.

Taluqdars of Oudh.

Oudh was annexed in 1856. The settlement officers tried to set aside the *Taluqdars* and to settle with the village proprietors but the Mutiny upset the whole plan.

Oudh Rent Act of 1868.

Lord Canning at last recognized their rights. By the Oudh Rent Act of 1861 Sir John Lawrence gave the tenants of Oudh something of the same protection which Lord Canning gave to the Bengal cultivators.

Privileges offered to tenants.

It *gave fixity of tenure* to ex-proprietary tenants and it *prohibited the enhancement of rents* in respect of their holdings except by order of a court of law and equity.

Details of the actual existing settlement.

Excepting the Talukdari estates the settlements in the U. P. are made with the village communities The settlement is known as *Zemindary*, and the *unit* of revenue management is the Mahal or the estate, composed of a village or villages. The proprietary tenures may be *single Zemindari* (with one proprietor), *Joint Zemindari* (with more than one proprietor),

Different systems of tenures.

Pattidari (with more than one independent *fractional* share-holder), *Bhaiyachara* (with more than one independent holder occupying separate *areas*), or *Imperfect pattidari or bhaiyachara* (with more than one proprietor holding land both in common or separately). In the cases of joint ownership the revenue was originally paid through *Lombardars*. But with the division of property the joint-ownership system degenerated into the ryotwari system. Nevertheless, the tendency at present is on the right direction with the buying of portions by wealthier co-sharers. The assessment is made on the

Assessment.

estimate of produce of each field and on the general knowledge of the cultivated area and its special advantages, and an allowance is then made for the im-

provements effected by the raiyats themselves. *The settlement is made for 30 years.*

III. The Bombay System.

Bombay system.

The present land system, based on the reports of Mr. Goldsmid, Captain Wingate and Lieutenant Nash ignored the village communities of the Deccan and extinguished the rights of the peasant proprietors to hold their hereditary lands at a fixed rate. Their reports were the basis of *Bombay Raiyatwari settlement.* The three underlying principles of the settlement were, *first*, it was based on the assessment of each field separately, *secondly*, it granted long leases for 30 years, and *thirdly* it abandoned the basis of produce estimates and substituted the estimated value of land as the basis of assessment. The system proved immensely successful in the Indapur district and gradually it was extended to other parts of the province. In 1864 *Sir Charles Wood* laid down that the State should demand not more than 50 p.c. of the economic rent. But the suggestion was ignored and today *there are no specific and definite rules to limit the enhancement* at revision of settlements and the assessments are not made according to the half rental rule but they often absorb the whole rental.

Bombay raiyatwari settlement.

Three underlying principles.

No definite rules of assessment exist.

Details of the actual existing system of settlement.

The Bombay system is an improved form of the raiyatwari system. The area of a village is measured, then parcelled into plots, and then classified according to their respective qualities, capabilities, similarities, and facilities for marketing and water supply. Thus classified they are then graded. Ultimately statistics of similar fields are compared as to their prospective and retrospective yields and a rate is fixed for each grade. The rates are then applied to the field by multiplying the rate per

Three classes of tenures.

bigha with the quality or grade of land. The tenures of the Presidency may be divided into *three* classes:—(1) The *Survey Tenure*,—which again may be divided into (a) Old or Unrestricted Tenure, (b) and New or Restricted Tenure (restriction being imposed on the freedom of sale, &c., but enjoying all the other privilegs as the former)—'is that upon which the ordinary government land is held.' (2) *Inam Tenure* is 'that in respect of which there has been an alienation of part or all of its rights by government on behalf of one or more individuals.' These alienated tenures are classed as (a) Political, (b) service, (c) Religious, and (d) Personal. They originated early from *Jaigirs* and *Saranjams*, village and district services, religious and charitable endowments, and grants to individuals, respectively. (3) *Miscellaneous Tenures*. The chief among these are, the *Talukdari*, *Vanta*, *Mehwasi*, *Maleki*, and the *Narvadari* and *Bhagdari* tenures of Guzerat, the *Khoti* and the *Shilotri* tenures of the Konkon, and the *Sharakali* tenure to be found all over the Presidency. (For details see, *Some Terms explained.*)

Survey Tenure.

Inam Tenure.

Miscellaneous tenures.

IV. The Madras System.

Madras system.

A raiyatwari settlement was first made in the district of Rajmahal by Captain Read and Sir Thomas Munro in 1792 and the system was gradually extended to other parts of Madras Presidency where permanent settlement had not already been entered into with the Zemindars.

Present arrangement.

"A Madras raiyat cannot be ejected by the government so long as he pays the fixed assessment and has the option annually of increasing or decreasing his holding or of entirely abandoning it. He is able to retain his land in perpetuity without any increase of assessment as long as he continues to fulfil his engagements.

The assessment is based on the quality and productive capacity of the soil or upon the increase of the value of the land due to his own or extraneous improvements. Every acre of the land is assessed at a certian proportion of the gross produce and commuted into money on the basis of the average prices of staple crops for a series of years preceding the settlement. The settlement is made usually for a period of 30 years.

Assessment.

More than half a century ago Sir Charles Wood laid down that *one-half of the net produce* should be taken as the land revenue and in 1861 the Madras Government announced that the Madras System was a permanent settlement. But the principle was never carried into practice and the enhancement of revenue at each settlement led *Sir Louis Mallet*, the Under-Secretary of State for India, thus to indict the system in a minute of Feb. 3, 1875, "it is a mere paper instruction, the rates levied have often absorbed the whole rental and not unfrequently encroached on profits also." In the viceroyalty of *Lord Curzon* the *Compulsory Canal Rate Act* was passed leaving no option of using and paying for canal water. The Madras raiyat deals directly with the government without any middleman and is solely responsible for his own revenue.

Past history

Sir Mallet's remark.

Water tax of Lord Curzon.

V. The Punjab system.

When Dalhousie appointed the Lawrence brothers on the Board for the Administration of the Punjab, the two brothers disagreed on the question of revenue system. Sir *Henry* Lawrence wanted to recognise the Sardars and settle with them but *John* wanted to settle with the cultivators direct. The latter in his letter to Nicholson, directing the assessment, wrote "assess low, leave fair

The Punjab System.

Lawrences.

and liberal margin to the occupier of the soil, and they will increase their cultivation and put the revenue almost beyond the reach of bad seasons. Eschew middlemen, they are the curse of the country everywhere." John Stuart Mill described the system as follows:—'The peasant proprietors compound with the State for a fixed period. The proprietors do not engage individually with the government but by villages. The village through its headman undertakes to pay so much for so many years and then having done this, they divide the amount among themselves assigning to each man his quota. Primarily each man cultivates and pays for himself, but ultimately he is responsible for his co-villagers and they for him; they are bound together by a joint liability. If one of them is compelled to sell his rights to meet demands upon him, the others have a *right of pre-emption*, or preferential right, to purchase the property at the market price. Subsequently, this right was strengthened by the Punjab Alienation of Land Act of 1905. In the Punjab, the *Zemindari Tenures* imply the proprietary right of a village community, of which the individual proprietors are oftentimes tenants cultivating the land as such. As a Zeminder, he gets the profits according to his share, as tenant, he pays his rent to the joint-proprietors. Practically at present, the whole village is divided and separately owned by the different proprietors, the only portions generally held in common are roads, ponds, pastures, &c. This division of the village or Mahal into separate holdings, again, in many parts of the province, measures the sole interest of the occupant, and there the tenure is known as *bhaiyachara*. Where the proprietary right of an individual is determined by the amount of his

Mill's statement of the Punjab Mahalwari System.

Right of pre-emption.

Zemindari tenures.

Bhaiyachara.

specified share, the tenure is called *pattidari*. It also happens that in some cases a village community is an inferior proprietor (*adna malik*), the superior proprietor (*ala malik*) claiming *quit-rents* from it. The general policy in those cases is to settle with the inferior proprietors actually in possession of land. There also exists another class of proprietors known as Limited Proprietors or *malik kabza*, 'who are not members of the communities, are not entitled to share in the common profit, nor liable for anything more than the revenue of their own lands. Their rights perhaps originated for having planted gardens, or for other improvements, or because they had other claims to consideration on the part of the village community. They own an appreciable percentage of the cultivated land.' (Cf. Prof. S. C. Roy's *Land Revenue Administration in India*.) *Pattidari.*

From this survey we find that the *Punjab System is not Raiyatwari or actual Zemindari but the village or Mahalwari System.* In 1895 Lord George Hamilton reduced the term of settlement to 20 years.

VI. The Central Provinces System.

The proprietary rights of the *Malguzar* or revenue farmers were acknowledged at the first settlement and the land revenue was fixed at one-half of the rental. But the principle was not strictly carried into practice. Though the first settlement was for 30 years, Col. Keating introduced twenty years' settlement system and the raiyatwari system was inaugurated. A tenancy act was passed in 1883 which *recognised absolute transferable power* of occupancy tenants, *fixity of their rents* for a certain period, and empowered ordinary tenants to *transfer lands subject to the landlord's consent.* Lord Central Provinces system. Tenancy Act.

Assessment rate.

Hamilton cut down the settlement period to 20 years and Sir Alexander Mackenzie increased the assessment rate from 50 to 68 per cent.

§ Land Revenue System of India.

From the above survey we may conclude that Indian land revenue settlement may broadly be classed under two heads ;—

Two principal kinds of settlement.

(1) *Permanent settlement.*

(2) *Temporary settlement*, which again may be divided into Raiyatwari and Mahalwari.

I. Permanent Settlement.

Rights of the raiyats and Zemindars before Permanent settlement.

Prof. S. C. Roy says that before the Permanent settlement of 1793, the main features of Bengal raiyat's rights "were permanency of tenure and fixity of rent from the sovereign authority itself, while the Zemindars had no property in the soil and whatever rights they possessed were derived either from *sanads* granted by the sovereign or from custom." These rights gradually crystallized themselves into hereditary rights and carried with them *great responsibility* and *considerable influence* and *power*.

The rights of both after the settlement.

The permanent settlement only confirmed these hereditary rights by declaring the Zemindar the actual proprietor of the soil and not one holding it only during the pleasure of the crown. But to the raiyats it gave no substantial privileges except in a provision in the Regulations of 1793 declaring the power of the Governor General in Council to deal with matters affecting the cultivating class. We have already seen how the Rent Act of 1885 safeguarded the interests of the raiyats of Bengal.

System prevalent before 1793.

Before 1793 the East India Company raised its revenue by the system of *farming zemindaries* to the highest bidder. The bad financial condition of the Company due to long wars led them to adopt this device. But the effect was otherwise. The *farmers* failed to meet the Government demand inspite of every description of oppression and illegal pressure upon their raiyats and gradually the aristocracy of Bengal began to disappear by the mercy of the sunset law. The zemindars levied all kinds of cesses or *abwabs* upon their tenants (e.g. from the Zemindar's *nazar* to the Paik's *Puja parbani*) and what *pattas* they gave to the raiyats were often vague and useless. The effect of all these were dissatisfaction and proverty on all sides. To crown all a terrible famine visited Bengal in 1770 dislocating all sources of revenue. The Court of Directors could not wait for 'experience and experiments' and sent Lord Cornwallis and John Shore (afterwards Sir, and then Lord Teignmouth) to re-adjust the finances. They found that a stable, easy, and simple system could only save the situation. So they made the present zemindari settlement for ten years, and then Cornwallis in the face of strong opposition of his colleagues declared it to be *permanent* in 1793.

Zemindars were fastly disappearing.

Their methods of exploitations.

Famine of 1770.

Lord Cornwallis' conclusion.

Proportions of provinces permanently settled.

At the present time, the lands under permanent settlement comprise about $\frac{5}{6}$th of Bengal-Bihar-Orissa and Chotanagpur; $\frac{1}{8}$th of Assam, $\frac{1}{10}$th of the United Provinces and $\frac{1}{4}$th of Madras, representing in all about *one-third of the area of* British India. The revenue from this area is now a perpetual assessment. The settlement has been made with Zemindars, and large number of people of the middle class hold the land from these Zemindars in various degrees of inter-

Intermediate tenancy.

mediate tenancy. Whatever arrangements the Zemindars make with regard to the letting of the lands, he is ultimately responsible for the payment of the Government revenue, punctual payments being enforced by a peremptory law of sale on non-payment.

The Zemindar's rights and obligations.

Two different views on permanent settlement.

The permanent settlement has been looked at from the two different points of view,—one side has advocated its extension to the rest of India or at least to apply the principle to the existing systems prevalent in the other parts of the country, while the other has urged that the Government should repudiate its pledge to Bengal and revert to the policy of temporary settlement. The advocates of the permanent settlement contend that :—

One side proposes its extension to the whole of India.

Advantages of the Permanent Settlement.

(1) In Bengal it has (backed by the acts of 1859 and 1885) produced highly beneficial results :—

(*a*) It has produced in Bengal an educated and influential class of *landlords*, a strong and intelligent *middle class* and a resourceful *peasantry* with great sustaining power against drought and failure of crops.

(*b*) The rents are light and the cultivators are not under the thraldom of money lenders.

(*c*) Personal relations are apt to grow easily between Zamindars and their tenants, while there is no such tendency in those cases where the Government which is merely a machine stands in the position of a landlord. Such beneficial results have been produced in Bengal.

The benefits which will accrue if P.S. be extended to temporary settled tracts.

(2) If permanent settlement were extended to the temporarily settled tracts,

(*a*) The *expense and harassment* of the present assessment operations could be avoided.

(*b*) There would be *no temptation to abandon cultivation* on the approach of a revision of settlement in order to reduce the ostensible assets.

(*c*) The *accumulation and investment of capital* would be directly encouraged.

(*d*) The people would live a *fuller and more contented life.*

(*e*) The landed property would be greatly *increased in value owing to the* certainty and definiteness of the State demand.

(*f*) The perpetual settlement of the land tax in England benefits the landed aristocracy only and has the effect of making the rich richer, but here *a permanent settlement would benefit the poor cultivators* who are primarily the owners of the soil and form the bulk of the nation, and would give protection to agriculture which is virtually the only source of national income.

(3) Moreover, the present temporary settlements are defective in several ways :— Defects of temporary settlements.

(*a*) The '*development*' principle which justifies the differentiations in the duration of settlements in different provinces is not always strictly adhered to in practice, e.g., the period of settlement has been cut down from 30 to 20 years in C. P. though C. P. was less developed formerly than now. The Punjab is surely now more developed than what Bombay and other provinces were about 75 years ago. But when they were granted 30 years settlement, in the Punjab the settlement is made for 20 years. Development principle not strictly adhered to

(*b*) As there is no definite principle for enhancing the revenue the security of the peasants is unreliable while arbitrary decisions of the settlement officers may not be always equitable. The State being the only one landlord in the temporarily settled tracts, rents in those tracts are in fact *monopoly rents* and so can easily exceed the No definite principle in enhancement.

economic rent limit, e.g. the Bengal tenant pays 11 p c. of his produce to his landlord but the Guzerat raiyat pays 20 p.c. to the State.

Motives which led to the P. S.

(4) Further, it may be proved that the motives which guided Lord Cornwallis to conclude the Permanent Settlement have been greatly realised. Because :—

(*a*) Lord Cornwallis expected that P. S. would bring *prosperity and plenty* to the people. His hopes have been fully realised. The limitation of the State demand has fostered agricultural enterprise, extended cultivation, and led to the accumulation of some capital in the hands of private proprietors. Further, P. S. has *saved Bengal, from the worst results of famines.* Mr. R. C. Dutta says in answer to the Land Revenue Resolution of 1902 that "Since 1793 famines have been rare in Bengal and not after the Act of 1859 as alleged, and *there has been no famine within the permanently settled tracts causing any loss of life.*" He says that "Colebrooke, who had served in India for forty years, who had known Bengal before the permanent settlement and after, declared in 1808 that the reviving prosperity of the country, its increased wealth and rapid improvements are unquestionably due to the P. S. Bishop Heber also declared before 1859 that in "Bengal where independent of its exuberent fertility *there is a* P. S., *famine is unknown.*' Lord Bentinck and Sir Thomas Munro also advocated P. S. in other provinces on the same ground. One Governor-General, the Marquis of Wellesly, was so convinced of the benefits of the P. S. that he pledged the word of the British Government in 1803 and 1805, by Legislative Acts and Proclamations, to extend it to Northern India. His successor Lord Minto recorded his opinion in 1813 that 'to ameliorate generally the conditions of the natives, *it is our firm conviction that no*

Economic motive.

R. C. Dutt's opinion.

He corroborates his opinion by quoting Colebrooke.

Lord Bentinck and Sir Thomas Munro.

Marquis of Wellesly.

Bishop Heber.

arrangement or measure will tend so speedily and effectually to the accomplishment of those important objects *as the establishment of a permanent settlement.* His successor, the Marquis of Hastings also urged in 1820 that it is *our unanimous opinion that the system of P. S. ought to be extended* to the ceded and conquered Provinces. Lord Canning urged once more for the extension of a permanent settlement to all provinces of India for the prevention of such famines as he had witnessed in Northern India in 1860. Sir Charles Wood, the then Secretary of State for India, accepted the proposal and described it as a '*measure dictated by sound policy*, and calculated to accelerate the development of the resources of India, and to ensure in the highest degree, the welfare and contentment of all classes of Her Majesty's subjects in that country.' Sir John Lawrence wrote in the same year, "I recommend a perpetual settlement, because I am persuaded that however much the country has of late years improved, *its resources will be still more rapidly developed* by the limitation of the Government demand." And Sir Stofford Northcote, the Secretary of State for India, approved of the proposal in 1867 'in consideration of the great importance of connecting the interest of the proprietors of the land with the stability of the British Government.' (*First Reply to Lord Curzon's Land Resolution*). In our survey of Famine history we will show later on that Mr. Dutt's views fully tally with actual facts of history. Further, Mr. Dutta says that 'the modest capital accumulated by the landlords is not retained in the hands of a few exclusive houses in Bengal; it it fairly distributed among intelligent, enterprising, and industrial men in all districts and of all classes; it passes from

Lord Minto.

Marquis of Hastings.

Lord Canning.

Sir Charles Wood.

Sir John Lawrence.

Sir Stofford Northcote.

those who are unworthy to those who prove themselves to be worthy; it encourges professions, education and culture, and it promotes generally the well-being of all classes and thereby indirectly helps the revenues of the country.'

The social motive.

(2) The annual farming system was ruining the aristocracy of the province, so Cornwallis tried to introduce a measure that will save the people from social extermination. In India the head of the community is always the village landlord, and Cornwallis did hit at the proper place. The Zemindars of Bengal, only to acknowledge a deep sense of gratitude, must be said to have expended a great amount of capital in 'fostering trades and industries, in supporting schools, dispensaries, and charitable institutions, in excavating tanks and wells, and lastly in supporting the poorer classes in seasons of distress and famine.' We may accuse them to be 'pampered vampires of the empire' but it was their efforts mainly which pushed Bengal to the front rank of the provinces of India. Most of the educational institutions in Bengal have been started with their money and so long as they were not absentees malaria was unknown in Bengal. This race of Bengal must be allowed to exist, and if necessary the law of primogeniture should be adopted in some well-known families. An untaught kin of them has exploited Bengal, an ill-taught generation has robbed many, while a half-taught race has made Bengal the first province of India, and who knows what amount of good a well-taught group will confer upon their fellow-brethren. A Durbhanga spent a hundred thousand pounds during the famine of 1897 and raised four hundred thousands to establish a seat of learning, and to speak of the

What the Bengal landlords have done.

many-sided charities of a Kassimbazar, or a Burdwan, or a Nattore, and other public-spirited Zemindars whose names are legion, it will require volumes to record the broad facts only, not to speak of the details.

The Political motive.

(3) The policy of Lord Cornwallis was to *confirm the loyalty* of the 'most substantial classes of the people, and through them of the entire people, towards the ruling power.' Mr. *Seton Karr* says that in the dark days of the mutiny of 1857 "the sepoys took to the villages and the jungles, and then they literally melted away before the impassive demeanour, the want of sympathy, and the silent loyalty of the Zemindars." The recent disturbances and the general attitude towards the present war also fully justify the logic of the belief entertained by Cornwallis.

The Financial motive.

(4) The existing system was precarious, so to *ensure a definite amount of revenue*, Lord Cornwallis created the P. S. Even now, it may be said, the Bengal Land Revenue is more stable than the revenues of any other province, as here the remissions are rare and the difficulties of collection are few.

Arguments against Permanent Settlement.

But the side opposed to the P. S. contend that the measure did not produce the benefits that were expected to accrue, by Lord Cornwallis. Their arguments are :— (1) It is hoped that the Zemindars would introduce *large-scale production in agriculture*, which would, however, entail the appropriation of the rights of the 80 per cent. of the raiyats known as occupancy or settled raiyats. But this reasoning is based on false economy. Agriculture on a large scale never acquired any economic importance in any part of the world, and Zemindars of Bengal possess so much *khas* land that large-scale pro-

A false economic reasoning large scale production in agriculture

never yielded substantial economy.

duction of a particular crop, specially garden crop, e.g., sugarcane, tea, cotton, mulberry, potato, pulses, etc, can be successfully taken up by them if it ever prove economical. Rice and jute, which may require extensive areas, can seldom yield any economy of large-scale production.

Industrial backwardness of Bengal is wholly attributed to P. S.

(2) It is argued that P. S. has deterred many enterprising youths from going to trade and professions and *the industrial backwardness of Bengal* is mainly due to it. But this argument is only conditionally and partially true. *The industrial backwardness is due mainly* to the fertility and climatic conditions of the country, the plentitude of lucrative services, both under Government and big merchants, at the near metropolis and premier city of India, the former appropriation of the first grade and highly promising industrial possibilities by the different nations of Europe, want of natural protection to industries in the form of transportation costs which the other provinces get for their distance from the port, and the absence of any powerful native government in Bengal for ages whose patronage might have established some lasting industries, and other causes that are also applicable to the rest of India. Permanent settlement on the contrary has helped capital to accumulate, and with which the Bengalees may some day, less anxious for securing a bare and precarious livelihood, enter the arena of business life.

But that is not mainly the case.

An unsought benefit given much prominence.

(3) "The Government does more in relieving raiyat's distress than the Zemindars do for their tenants." We have already said something in answer to this argument. We may further add that famines and scarcity are so rare in permanently settled tracts that the propriety of the argument has never been properly put to the test.

Moreover, the Takavi Loans and Co-operative Credit societies leave nothing for the Government to do in Bengal in normal seasons and years.

Government loses revenue.

(4) "If a temporary settlement be substituted for the P. S. the government would now be entitled to double the existing revenue from permanently settled tracts. The rest of India has to be more heavily taxed in order that Bengal landlords may continue to enjoy a purely unearned increment." In answer to the above objections we may say that it should never be the aim of a government to *exact the maximum revenue*. Samuel Lang, the finance member of Lord Canning said, "we don't exist as a Government to get the largest revenue we can out of the country." And the allegation of having thrown a greater burden upon other provinces has lost some propriety as the *financial decentralization* has made land revenue a divided head. Moreover, *general prosperity* of the raiyats of Bengal has obviated the loss of rent by remissions, done away with much human sufferings and saved a great amount of relief expenditure. Further, it may be said that in other provinces much money has been sunk in irrigation, protective railways, and in many less useful relief works construction, which would otherwise have been spent to meet many other pressing needs of India. Again, comparative heavy-taxation theory is a myth as a limit has already been fixed, while Bengal cesses are increasing the total revenue.

Proposal for a Permanent Settlement of India.

Then we come to the **proposal for a permanent settlement of India**. A severe famine broke out in 1860 and Lord Canning appointed Col. Baird Smith to enquire into the causes and suggest the remedy. He laid stress on two points, *first*, he showed that the famine was due *not to the want of food in the country;*

Baird Smith's report.

secondly, he pointed out that the resisting power of the people *depended on the land system* under which they lived. In the report of Aug. 15, 1861, Col. Baird Smith recommended the permanent settlement of land revenue. Lord Canning sent the report to all local Governments for consideration. The Punjab Government alone hesitated to recommend the immediate introduction of a permanent settlement because there were still immense tracts uncultivated and undeveloped. Mr. William Muir, member of the Sudder Borad of Revenue, North Western Provinces, summed up the benefits of the permanent settlement under six heads; viz:—(*a*) Saving of the expenditure now occasioned by the necessity of periodical assessment; (*b*) deliverance of the people from the vexations prevalent at every re-settlement; (*c*) freedom from the tendency to depreciation of property towards the close of each temporary settlement; (*d*) prosperity arising from increased incentive to improvement and expenditure of capital; (*e*) greatly increased value of landed property; and (*f*) contentment and satisfaction among the people.

The report was sent to the provincial governments.

Their favourable opinion.

Muir's summing up of the benefits of P. S.

Agreeing with this view, the Lieutenant Governor of the United Provinces recommended the introduction of permanent settlement, with a limitation, that a revision of the existing settlement should be made before it was declared permanent. Lord Canning obtained almost unanimous support of the local governments and the proposal came before the Secretary of State. Sir John Lawrence, then a member of the India Council supported the proposal on three grounds:—(1) Resources of the country will be rapidly developed by the limitation of the Government demand; (2) it will encourage the investment of money in land and this will give greater

The proposal before Secretary of State.

Sir John Lawrence supported the proposal.

security of the land revenue and secure the contentment of the agricultural population; (3) it will facilitate the growth of a middle class connected with the land without dispossessing the present yeomen and peasant-proprietors.

Secretary of State's opinion.

Sir Charles Wood (afterwards Lord Halifax), the then Secretary of State, agreed to the proposal, but took no effective measures. Sir Stafford Northcote in his minute of March 1867 imposed two limitations, (1) no estate shall be permanently settled in which the actual cultivation amounts to less than 80 p. c. of the cultivable area, (2) no permanent settlement shall be concluded for any estate where irrigation in the opinion of the Governor-General in Council is likely to be extended within the next 20 years and the existing assets of which would thereby be increased in the proportion of 20 p. c. "As a corollary to the above it was decided that the permanent settlement should be deferred as long as the land continued to improve in value." The Earl of Kimberligh in his despetch of March 28, 1883, rejected the proposal of any permanent settlement. The only strong ground was that the country was still undeveloped.

Northcote's limitations.

The consideration of the proposal was deferred.

The proposal was rejected.

Lord Canning.

Lord Ripon abandoned any idea of a permanent settlement on the lines suggested by Lord Canning and Lawrence, who wanted to surrender the right of the State to any share of the increased produce from the soil. But he also differed from the proposal of putting off P. S. indefinitely. He held that the State would be entitled to an increase in the land revenue if there was any increase in the prices of crops, and he secured the interest of the cultivators by securing them from all uncertainty and harassing enquiries.

Lord Ripon.

R. C. Dutt's Open Letters.

In the year 1900 Mr. R. C. Dutta addressed five "Open Letters to Lord Curzon" concerning the land revenue system of the different provinces and containing certain recommendations as to future policies and action.

The memorial of 1900.

In the same year a memorial signed by certain retired officials, mostly revenue officers, of the Indian Civil Service, formulating a somewhat similar list of suggestions, and suggesting a close connection between the land revenue policy in India and the frequent outbreaks of famine, was forwarded to Lord George Francis Hamilton, the then Secretary of State for India.

The suggestions of the memorial.

The suggestions of the memorial were :—(1) "That the land revenue policy may be everywhere placed on such a sound and equitable basis as to secure to the cultivators of the soil a sufficient margin of profit to enable them to withstand the pressure of future famines." (2) "The protection of large tracts of country depends upon the extension of irrigation but the bulk of the country is dependent on direct rainfall. The only hope for the cultivators throughout the greater part of India is therefore that they should be put in such a position as to enable them to tide over an occasional bad season." (3) That the share taken as the government demand on the land should be strictly limited in every province. (4) That in those parts of the country in which the Land Tax is not permanently settled, the following principles should be uniformly adhered to :—(i) where the land revenue is paid directly by the cultivators, the Government demand should be limited to 50 per cent. of the value of the net produce ; (ii) where the land revenne is paid by landlords, the principle adopted in the Saharanpur Rules of 1855 (one-half of the actual rent) should be universally applied ; (iii) that the settlement period be

fixed for 30 years in all the provinces ; (iv) there should be no increase in the assessment except in cases where the land has increased in value, (*a*) in consequence of improvements in irrigation works carried out at the expense of the Government, or (*b*) on account of a rise in the value of produce, based on the average prices of the thirty years next preceding such revision. (5) Lastly, that a limit be fixed in each Province beyond which it may not be permissible to surcharge the Land Tax with local cesses. The Bengal rate of $9\frac{1}{4}$ per cent, is a fair one, and that in no case should the rate exceed 10 per cent.

The Secretary of State forwarded the memorial to the Government of Lord Curzon. The Viceroy realized the interests involved and gave it his keen personal consideration. Instead of open enquiry he relied on the opinions of provincial governments and in the Resolution of the Governor-General in Council dated Jan. 16, 1902, found no plausible grounds in the memorial and it was rejected.

The Land Revenue Resolution of 1902.

The Resolution of 1902 thus criticised the memorial :—

(1) Mr. Dutta said, "India would have been spared those dreadful and desolating famines which we have witnessed in recent years, if such a policy had been carried into effect 40 years ago." But there were famines in Bengal, e. g. the Behar famine of 1873-74 and the famine of 1897. Further P. S. has not improved the condition of the peasantry and the Zemindars of Bengal has rack-retented, impoverished and oppressed the raiyats. To save them the Act of 1859 and 1885 were passed and to confound them with P. S. would be to misread history. Moreover, the exceptional flow of

P. S. has never done away with Famines.

The condition of the peasantry did not improve.

The exuberance of public spirit among Zemindars is a myth.

public spirit among Bengal Zemindars, as alleged, are not exceptional, while the evils of absenteeism and management of estates by unsympathetic agents coupled with unhappy relations between landlords and tenants, are uniformly common.

Reforms suggested in temporary settlements.

(2) There are suggestions as to reforms in the *two classes of temporary settlements*, Zemindari and raiyatwari settlements. In the *former case* (Zemindari) it is urged that a limit should be placed by government to the amount of rent which the landlord may take from his tenant. Now, it should be remembered that the past, present and future policy of the government is in cordial agreement with it, whereas the government would be much obliged if the people co-operate with the former on that behalf, which has hitherto been on the opposite side. Again, about the suggestion that the State demands on landlords be limited to 50 p.c. of the net assets as adopted by the Shaharanpur rules of 1855, the Government proceeds to remark that the hasty acceptance of too precise a mathematical formula would produce rigidity instead of elasticity in the land revenue administration, and the policy of the Government is, however, to approximate the 50 p. c. rule and instances are not rare where the percentage has gone down below that limit while the total average emerges at about 45 p. c. In the *case of raiyatwari tracts* it has been urged that while the maximum of $\frac{1}{3}$ of the produce should not be exceeded in the case of any single holding the average land revenue for a whole district should be limited to $\frac{1}{10}$th. In answer to this suggestion the Government is constrained to reply that arithmetical standards are dangerous, the gross produce can not be safely and adequately determined, and the Government exaction is generally below the

The Government cordially agrees with the proposal and invites public sympathy.

Government demand is generally below the suggestion.

limit which the memorialists advocate (in C. P. $\frac{1}{6}$ to $\frac{1}{14}$th, in Madras $\frac{1}{10}$th, etc.).

(3) The memorialists urge that the minimum period for a settlement should be 30 years. The Government replies that for the last half of a century the 30 years rule prevails in Madras, Bombay and the United Provinces, while in the Punjab and Central Provinces the period extends to 20 years. In backward tracts, such as, Burma, Assam, etc, short period rule is adopted because, (a) if tracts which are steadily developing are unsettled for a long period the strain of a sharp enhancement of rent would be too much when a resettlement is made and moreover the tax-payer would legitimately grudge for being deprived of the additional revenue; (b) again, the re-settlements are less disturbing now than they used to be formerly and awakens less discontent than they used to do in short period settlements.

The thirty years rule always adhered to.

Why the short period rule adopted

(4) In answer to the suggestion of the memorialists that no cesses should be imposed on the rental value of land except for purposes directly benefiting the land, and that a limit should be fixed beyond which it may not be permissible to surcharge the land-tax with local taxation, the Government has to say that :—(a) The cesses are levied for the construction and repair of roads, the upkeep of schools and dispensaries, and other similar duties. (b) For the support of the village staff,—such as the watchman, the headman and the accountant, a charge levied from time immemorial in India. (c) It is true that the distribution is unfair, the landlords shifting the burden which they should bear, but the present backward condition of the people stands in the way of redressing such an injustice. (*d*) Lastly, the Government

Why the cesses are levied.

thinks that there are many illegal and unauthorized cesses which are exacted from the tenants by their landlords.

The Resolution of 1902 may be summarized as below :—

Summary of the Resolution of 1902.

"The Government of India claim to have established the following propositions :—

(1) That a P. S., whether in Bengal or elsewhere, is no protection against the incidence and consequences of famine.

(2) That in areas where the State receives its land revenue from landlords, progressive moderation is the key-note of the policy of Government, and that the standard of 50 p. c. of the assets is one which is almost uniformly observed in practice, and is more often departed from on the side of deficiency than of excess.

(3) That in the same areas the State has not objected, and does not hesitate, to interfere by legislation to protect the interests of the tenants against oppression at the hands of the landlords.

(4) That in areas where the State takes the land revenue from the cultivators, the proposal to fix the assessment at one-fifth of the gross produce would result in the imposition of a greatly increased burden upon the people.

(5) That the policy of long-term settlement is gradually being extended, the exceptions being justified by conditions of local development.

(6) That a simplification and cheapening of the proceedings connected with new settlements, and an aviodance of the harassing invasion of an army of subordinate officials, are a part of the deliberate policy of Government.

(7) That the principle of exempting or allowing for improvements is one of general acceptance, but may be capable of further extension.

(8) That assessments have ceased to be made upon prospective assets.

(9) That local taxation as a whole, though susceptible of some redistribution, is neither immoderate nor burdensome.

(10) That over-assessment is not, as alleged, a general or widespread source of poverty and indebtedness in India, and that it can not fairly be regarded as a contributory cause of famine.

The Government's benevolent intention vouchsafed.

The Government of India have further laid down liberal principles for future guidance and will be prepared, where the necessity is established, to make further advance in respect of—

(11) The progressive and graduated imposition of large enhancement ;

(12) Greater elasticity in the revenue collection, facilitating its adjustment to the variations of the seasons, and the circumstances of the people ;

(13) A more general resort to reduction of assessments in case of local deterioration, where such reduction cannot be claimed under the term of settlement.

In thus defining their policy, the Government of India would not desire to claim of the land revenue system of British India an exactitude or a freedom from blemish to which it cannot pretend because it is subject to such manifold conditions and to so heterogeneous a population, and subject in the various stages of its development to considerations of practical expediency rather than of abstract symmetry or scentific perfection.

Conclusion.

From the above survey we find that the policy advocated by the memorialists and the principle adopted by the government coincides substantially and where they differ they differ in minor details and sometimes because 'the difficulties which Government have to encounter in giving wholesale effect to *general principles are* insuperable'.*

It should be remembered, however, that the memorialists did not propose a permanent settlement but only

* Read the four replies of R. C. Dutta to Lord Curzon's Land Resolution of 1902.

intended to extend the principles of it to the temporary settled tracts.

Two questions.

Thus we see the prospect of Permanent Settlement has been abandoned for ever. Now the questions that remain to be answered are, whether the working of the *Permanent Settlement has justified* its authors, and whether the *cesses* levied in Bengal subvert the pledge given by the Proclamation of 1793, "that no demand will ever be made upon Zemindars or their heirs or successors by the present or any future Government, for an *augmentation of the public assessment in consequence of the improvement* of their respective estates."

Mistakes of the Permanent Settlement and their justifications.

Many are of opinion that the authors of the permanent settlement made many mistakes, the greatest mistake being that "it was concluded without undertaking a complete and accurate survey of the lands in the province, of their value and produce, of the state and extent of cultivation, of the nature of the prevalent tenures, and of the rights and interests of the Government and the people." But this mistake was inevitable and if Permanent Settlement be justified the procedures attending it are more than justified by the then existing circumstances. Similarly, the allegation that the Permanent Settlement has not produced any beneficial results, is not speaking the whole truth. We have already seen what Bengal landlords have done for Bengal. The contention that the present Zemindars are not the original ones, so they "do not show the same sympathy for, and attachment to, their tenants as did the original zemindars," is not convincing. The great zemindar families of Bengal are still holding their own, and while lesser ones are changing hands, the changes are not many and whatever evils the changes carry in them, a generation or two are long enough to wipe them out com-

An inevitable mistake.

What Zemindars have done.

Are the old Zemindars replaced?

pletely. Again, it is contended that "it is extremely doubtful if the financial position of the raiyats has improved in consequence of the limitation of the Government demand." In answer to this objection we may say that where the principles of the Permanent Settlement have been strictly followed, *i. e.* where the tenant was given regular *pattas*, the whole of the unearned increment has been enjoyed by them. Also the sub-proprietors *i. e.*, tenure-holders superior to the actual cultivators, should never be considered as parasites because almost in every case it was they who cleared the jungles first and tilled the virgin soil, and it was their capital alone which extended cultivation to its present dimensions. The most curious sort of argument advanced by the opponents of the Permanent Settlement is this, that by Permanent Settlement the Government lose more than 1200 lakhs, "a sum which is shared between the raiyats, tenure holders, zemindars, etc," but at the same time they argue that Permanent Settlement has little increased the resisting power of the people of Bengal against famines and increased very little the wealth of the community, while another section of that party declare the gain of the middlemen as an unfortunate and misplaced wealth and a blot on the Permanent Settlement, taking cognizance only of two classes of people, the zemindars and the raiyats, in a country where more than 80 p. c. of the people solely depend for their existence on agriculture.

Are the raiyats financially stronger?

The sub-proprietors are not parasites.

A contradictory argument.

Agriculture supports large percentage of people than it is supposed.

The zemindars are given a right, a right not unknown in any country, but they are expected to produce benefits which are always ideal. The English landlord's right to property is more perfect than that of a Bengal zemindar. He can evict tenants at pleasure and his rent is composed of interest on the capital which he expends on improve-

English and Bengal landlords compared.

ments. So he knows more of them, their properties and the rents payable by them. But the Bengal zemindar knows them imperfectly because at the time of the Permanent Settlement no survey was made and no enquiries into the details of the individual holding was made. Consequently, what may be expected of one cannot be expected of the other.

Imposition of cesses not unjustifiable.

In answering the question whether the imposition of cesses in Bengal was legally justifiable, Prof. S. C. Roy has rightly said that it was not illegal because (*a*) it was levied on lands as a whole, and exemption of permanently settled lands would have been inequitable, (*b*) it was a *local* tax as opposed to a *public assessment for ever* and (*c*) prompt care has been taken to *avoid taxing improvements*. Thus far we discuss the matter legally, but the ground on which the landlords complain is wholly ideal honour, the question is whether the State should break its 'pledged' honour. Now, we have seen that from a legal point of view the Government is justified in levying cesses. The question that remains is whether the imposition would violate a 'pledge.' The justification lies in the purpose and method of such impositions. The cesses levied in Bengal are for expenditure on roads, schools, famine assurances, canals, etc., and if the demand be *definite, few, and levied in the proper place*, the justification would be overwhelming as it would be nothing but directing an expenditure which is conducive to the welfare of the whole community. What seems to be the incumbent duty of the Government in this case is, that it should make the incidence of the imposition clear and definite. Cases are known where the landlord and the tenant failed to understand the incidence of the imposition even through protracted and persistent litigation

Why it is so.

Government's duty.

until a new assessment threatened both the parties. Moreover, a *limit* should always be fixed.

II. Temporary Settlement.

Temporary settlement may be subdivided on the basis of the land being held by different classes of persons The sub-divisions are :—(1) *Zemindary* ; (2) *Ryotwari* ; and (3) the village system or *Mahalwari* settlement.

Temporary Settlements.

Kinds of Temporary Settlements.

In the *first*, the land is held by individuals in large estates. In the *second* the individual cultivator enters into agreements with the Government direct. The holder of land is recognized as its proprietor ; he is at liberty to sublet or mortgage or transfer it by gift or sale. He cannot be ejected so long as he pays a fixed assessment. In the Mahalwari, on each Mahal or estate, a sum is assessed for 20 or 30 years. The payment of this sum is made by the proprietors who are severally and jointly responsible for the payment of a whole sum. The Government determines according to what rate these proprietors shall share the profits or make good the losses on the estate. If the proprietors are numerous, agreements are entered into only with a few who are called *lambardars*. Temporary Zemindari in fact are of two kinds :—(1) In which the individual landholders have entered into agreements with the Government, and (2) in which a body of persons enter into agreement with the Government.

Their nature explained.

Whether Land Revenue is a tax or a rent, see under **Distribution.**

Some terms explained.

Saharanpur rules of 1855 :—

About the middle of the 19th century the question of the relative shares of the State and of the landlord in

Saharanpur Rules of 1855.

the *net produce* of the soil came under careful review in Northern India and the result of this consideration was embodied in what are known as *Saharanpur rules*. (So-called because they were issued in connection with the resettlement of the land revenue of the Saharanpur district in N. W. P.). The settlement rules previously in force authorized the demand of $\frac{2}{3}$ of the net produce of an estate as the government share in respect of land revenue. The Saharanpur rules issued in 1855 laid down, "not that the revenue of each estate is to be fixed at $\frac{1}{2}$ of the net average asset, but that in taking these assets with other data into consideration, the collector will bear in mind that about $\frac{1}{2}$ and not $\frac{2}{3}$ as heretofore, of the well-ascertained net assets should be the government demand."

The Government's share reduced from $\frac{2}{3}$ to $\frac{1}{2}$.

Cadastral Survey and Record of Rights:—

Cadastral Survey.

An essential preliminary to the assessment of land is the preparation of a cadastral map, i. e., a public register of the lands of the country for revenue purposes. The Permanent Settlement of Bengal rests on the information obtained without the aid of a survey. In 1891 a cadastral survey of Behar was undertaken to regulate the relation of landlord and the tenant. In other provinces the existing assessments were made almost without exception by a field to field survey. At present in Bengal a thorough survey of the different districts is being undertaken. All Cadastral Survey work is now done by the provincial Land Records and Settlement Departments. A cadastral map consists of a map with a record of holdings. The record of holdings is "primarily a fiscal record the object of which is to show from whom the assessment of each holding is to be realized. Cadastral records are revised annually or at short intervals and in this manner is being

Record of Rights.

built up a very extensive and complete system of registration of title by public entry. In most of the provinces where such a record of holdings is prepared, it is given by law a presumptive force, being held to be correct until the contrary is proved."

Legislative remedies to protect the Tenant:—

Legislative Remedies to protect the tenant.

(*a*) 1859 The Bengal Rent Act.
(*b*) 1881. The Agra Province Rent Act.
(*c*) 1883. The Central Provinces Tenancy Act.
(*d*) 1885. The Bengal Tenancy Act.
(*e*) 1886. The Oudh Rent Act.
(*f*) 1898. The Central Provinces Tenancy Act.
(*g*) 1901. The Agra Tenancy Act.
(*h*) 1907. The Bengal Tenancy Act (Amendment),
(*i*) 1908 The Madras Estates Land Act.

These are some of the most important legislative measures adopted by the Government to safeguard the tenant's rights. These with occasional necessary amendments, and supplemented by the cadastral survey and records of rights, have secured for the tenant substantial and lasting rights. The Tenancy Acts aim at giving fixity of tenure, a fair rent, and full compensation for improvements to all classes of tenants who by strength of occupation, social position or local usage seem entitled to substantial protection. Their effect is to give a *quasi-proprietary* right in his holding. The Madras Estates Land Act of 1908 is a thorough-going application of the doctrine of dual proprietorship. A cultivator in Madras when once admitted to a holding may claim to have his rent fixed by a rent-court and to remain in secure possession so long as he pays the amount which the rent.court, not the proprietor, considers equitable. He is virtually a *peasant-proprietor* paying a judicial rent for the enjoyment of his land.

Tenancy Acts.

The Madras Estates Land Act of 1908.

Khudkasht ryots and *Paikasht* ryots.

Khudkasht ryots and Paikasht Ryots:—*Khudkasht* ryots are permanent ryots cultivating the land of their *own* village, or the village in which they resided. (*Khud*=own, and *kasht*=cultivation). They acquired hereditary rights of occupancy and cannot be evicted so long as they paid their rent *Paikasht* (pah=pass, near, "non-resident," and *kasht*=cultivation) ryots are temporary tenants cultivating land *near* their own village.

Farming.

Farming or 'mastajiri':—It is an arrangement under which the farmer agreed for a certain sum, all that he could extract from the cultivators above this sum being his own profit upon the transaction.

Istimrari and *Mukarrari Tenures.*

Istimrari and Mukarrari Tenures:—Istimrari tenures are tenures granted in perpetuity. Mukarrari tenures are those granted at a fixed rent not liable to enhancement. The two conditions, however, are now found combined. Now, all tenures in which the rent has not been changed since the Permanent Settlement are known as *Istimrari or Mukarrari* tenures.

Jamabandi.

Jamabandi:—"As under the ryotwari system, each cultivator is free to hold or relinquish whatever fields of his holding he likes, or take up other available fields, and, as, deductions are sometimes made from his total assessment, there must be an annual setting up to show what lands each ryot has actually held, and what amount, on all accounts, he has actually to pay for the year; his *patta* may be revised or he may, if necessary, be given a fresh *patta* every year. This process is called the annual settlement or *Jamabandi*.

Peshkash.

Peshkash, Cowles, Topes, and Mirasi Rights:—*Peshkash*, technically so called is the land revenue charge on the land. 'A *cowle* is a grant of land free of

assessment for a certain period, or subject to favourable assessment gradually rising to full assessment. Until the full assessment is imposed, the holder is subject to the terms of the contract contained in the *cowle*. The *cowle* tenure is usually granted to induce ryots to bring under cultivation unpromising waste lands, or to plant trees or shrubs for green manure. Lands held under the *tope* rules are of the same nature, their object being to encourage the planting. The terms of a *cowle* reserve to Government the power of re-entry on breach of its conditions." *Mirasi-rights*—are hereditary rights of certain old communal oligarchies in Chingleput district of Madras to fees upon waste land which may hereafter be brought under cultivation, and upon lands now occupied which may hereafter be relinquished and again re-occupied. The *mirasidars* collect these fees at the rate of two annas in each rupee of the Government assessment.

Cowles.

Tope.

Mirasi-rights

The Vanta, Mehwasi, Maleki, Narvadari and Bhagdari, Khoti, Shilotri, and the Sharakhali tenures:— *Vanta* means 'divided' and it is supposed that the tenures originated with the confiscation of all land by the Mussalman invaders of Guzerat from the original proprietors except one-fourth, which was called the 'Vanta.' Most of these lands pay a quit-rent to Government. The *Mehwasi* tenure originated from the grants of lands to Mehwasi Kote or Rajput chiefs to avoid their depredations. Now quit-rent is payable by the holder of these villages to the Government. The *Maleki* tenures originated from the grants of lands by the Sultan of Ahmedabad to Mussalman families known as 'malikjadas' for conspicuous bravery on the field. The Maleks now share the revenues with the Government, the share of the former is

Vanta.

Mehwasi.

Maleki.

Narvadari and Bhagdari tenures. from 7 to 9 annas. The *Narvadari and Bhagdari* tenures belong to the same class and exist mainly in Kaira and Broach. Under the tenure the joint proprietors of a village or villages divide the land into shares, called "*mukha* (major) Bhags" or "*peta*" (minor) Bhags."

Khoti. The *Khoti* tenures are villages held by Khots who are limited proprietors. These are held subject to the payment of the Government assessment.

Shilotri. The *Shilotri* tenures are lands reclaimed from the sea.

Sharakali. In the *Sharakali* tenures 'the village revenues are shared between Government and the holder in a fixed proportion ranging from 10 to 6 annas as the share of the latter. (*See Administration Reports of Madras and Bengal, 1911—12*, Prof. S. C. Roy's *Land Revenue Administration in India*, and Field's *Bengal Regulations*).

§ **For the economic consequences of the land tenures of India,** *compare the advantages and disadvantages of the different systems.*

Land Revenue Assessment.

The important features in the Land Revenue administration may be summed up under three heads, (1) *the preparation of the cadastral record*, (2) *the assessment of the revenue, and* (3) *the collection of the assessed revenue.* The first two heads may be compounded under the title 'settlement.' We will deal here with the first head enumerated above. Lord Minto's Administration in a Despatch (1910) to Lord Morley, the then Secretary of State for India, on the recommendations

of the Decentralisation Commission* thus enunciated the principle of assessment:—

"The principle on which the settlement of the land revenue in British India is based is that by the ancient custom of the country the State *is entitled to a certain but undefined share of the gross produce* of all cultivated lands. That share is usually commuted into a *cash payment* and, *theoretically*, the money-value of the share could be revised annually. But by *executive orders* the State has imposed various limitations on its own rights. For *practical purposes* the gross produce has been discarded as a standard throughout the greater part of the country. Assessments based on a share of the gross produce place an undue tax on energy and industry and are repugnant to modern ideas. It has, therefore, been necessary to find some other standard by which to guide our settlement officers. In most provinces it has accordingly been laid down by rule *that not more than half the money value of the net produce or not more than half the net assets is to be taken in the form of assessment.* In all provinces moreover, it has been decided that *general revisions* of the land revenue assessment should be made only at *considerable intervals*, which are fixed with reference to the *stage of development* of different tracts and are now usually *twenty or thirty years*. Such rules must necessarily vary at different places and at different times and they are subject to various exceptions and reservations."

The Government policy defined: a share of the *net* and not of the *gross* produce.

* 'That the general principles of assessment, such, for instance, as the proportion of the net profits on the land which the Government shall be entitled to take and the period of settlements, *should be embodied in provincial legislation* instead of being left to executive order as is now the case outside Bombay.' The India Government objected to it on the ground that such legal enactments would not be compatible with the elastic nature of the present assessment system, and a judicial check on settlements would increase litigations and hamper work.

Under the *Zemindari system*, the demand is assessed on the village or estate, the proprietor or proprietors being responsible for the payment of the revenue. The demand is a definite fixed sum payable either in perpetuity, as in the permanently settled tracts in Bengal, or for a term of years, as in the temporarily settled tracts in U.P. Under the *Ryotwari system*, 'the assessment is on each field as demarcated by the cadastral survey.'

'Under native rule the assessments were usually represented either directly or indirectly as a certain fraction of the *gross produce*. Under the British rule the revenue throughout India is assessed so as to represent a share, not of the *gross*, but of the *'net produce.'* If we estimate the incidence of assessment during the present time in reference to gross produce, the percentage falls very low. The Famine Commission of 1900-1 stated that the incidence of the present land revenue in the Central Provinces is less than 4 p.c, of the average value of the produce, in Behar about 7 p c., in Ajmer 10 p.c., in the Punjab 7 p.c. in the Deccan a little over 7 p.c. in Guzerat 20 p.c, and in Madras about 10 per cent.

The assessment if estimated in *gross produce*, it is very low.

The term *'net produce'* is commonly used in ryotwari areas, while in the Zemindari areas the term *'net assets'* is generally used. The meaning of the terms, however, varies in the different provinces. In Northern India and in the Central Provinces it represents the rent, when rent is paid, or that portion of the gross produce which would, if the land were rented, be taken by the landlord. In Madras and Lower Burma, where Government deals as a rule direct with the cultivator, the net produce is the difference between the assumed

Net produce and *the net assets.*

Northern India and the C. P.

Madras and Lower Burma.

value of the gross produce and a very liberal estimate of the cost incurred in raising and disposing of the crop. Thus it represents a higher share than in the former case. 'There is no hard and fast rule as to the proportion of the net assets to be taken as land revenue, but approximate standards, which differ somewhat from province to province, are laid down in the instructions to assessing officers. For India as a whole it may be said that the standard share of the calculated net assets or produce to be taken by Government is approximately one-half. Apart, however, from the fact that the net produce is usually calculated on very moderate lines, the share actually taken is more frequently below than above one-half. In the application of standard rates to individual cases, considerable play is given to the working of local considerations and to the judgment and discretion of the assessing officer.'

Meanings differ.

The actual policy.

The distinguishing and essential feature of the assessments of Bombay is the principle of adhering to what are known as '*general considerations*' rather than to statistical calculations of the net produce.

Bombay.

The revenue assessable is in most parts of India subject to certain *deductions*, the more important of them being ;—(1) *Deductions to avoid sudden enhancement.* It may so happen that a settlement after a long period, though equitable it is, causes a considerable increase in the Government demand and a corresponding sudden decrease in the share of the revenue-payer. The hardship thus occasioned has been usually recognized, and arrangements have in most provinces been made to mitigate it, either by limiting the degree of enhancement, or by making the enhancements progressive over a series of years, or by both means. (2)

Deductions in the assessment.

To avoid sudden enhancement.

Deductions to favour improvements. The principle that land improvements should be exempted either permanently or temporarily, from taxation has now been accepted by the Indian Government. (3) *Deductions by way of assignment of revenue.* The Government has maintained 'as a fair charge on the State' the revenue grants that were formerly made for services rendered to Government or to the community. As however, we speak of deductions, there are also some additions in the form of cesses. (For *cesses* and terms of assessment in the different provinces, see *ante*).

To favour improvements.

Assignment of revenue.

The solid advantages of a fixed assessment have made the Indian Government somewhat chary of allowing departures from the principle of a fixed revenue. In some tracts, however, as in Lower Burma, the assessment was imposed mainly by means of a fluctuating cash rate on the area cropped; and in certain special tracts elsewhere, specially those affected by river innundation or by irrigation from tanks or canals, assessments of a wholly or partially fluctuating nature was introduced. It is only of late, 'the principle of a fluctuating assessment, by which the demand fluctuates year by year under rule, has been accepted and applied to some extent by most local governments. The system of fluctuating assessment, which usually takes the form of acreage rates on the areas sown or matured in each harvest, the rates so imposed being, like the lump assessments unchangeable for a period of years.

Fluctuating assessment.

We have already briefly noted the principles of assessments in the different provinces. We will here enumerate the details:—

I. **Madras.** It is always remembered that the

assessment is to be *moderate*. Formerly the rate varied from 50 to 30 p. c. of the gross produce, which was subsequently reduced to the average of 25 p. c. Ultimately, however, the *gross produce* estimate was abandoned for a *net produce* percentage. Net produce is ascertained by deducting from the gross produce the *cost of cultivation*, which includes the cost of (1) *labour* for ploughing, sowing, reaping, weeding, hoeing, &c, and (2) the payments for *capital* invested in, (*a*) ploughing cattle, (*b*) agricultural implements, (*c*) seed, (*d*) manure, &c. The Government demand is fixed at *half the net produce*, and recent calculations show that it is less than 10 p. c. of the gross produce.

Madras system.

II **Bombay.** 'At the original settlements a lump sum was fixed for the whole settlement area usually a 'taluka' which was then distributed over the individual fields comprised therein (the method is known in the Punjab as 'aggregate to detail'). The settlement officer determines the 'aggregate' by general considerations such as the past revenue history of the tract, the area under occupation, the incidence of the assessment and the ease with which it was paid, and the general condition of the population.' He then apportions the demand according to the quality of the soil, and raises, lowers, or keeps it stationary being guided by the same calculations that entered into consideration at the time of the original settlement. To avoid hardship the enhancement is not pushed forward at more than 100 per cent. for a holding, 66 p. c. for a village, and 33 p. c. for a taluk, at a time. No extra-assessment whatever is levied for any improvement made by the cultivator on his land at his own expense, e. g., for the conversion of an uncultivable land, or for turning open fields into garden lands for intensive farming.

Bombay system.

III. Punjab. 'The assessment of an estate will be fixed according to circumstances, but must not exceed half the value of the *net assets*, *i. e.* the average surplus which the estate may yield after deduction of the expenses of cultivation, including profits of stock and wages of labour.' 'The actual assessment here never exceeds one-fifth of the gross produce. It is more often equal to $\frac{1}{7}$ to $\frac{1}{8}$ th, or even a smaller fraction.' Lands irrigated from wells are very leniently and carefully assessed. Though the assessment is fixed for a term of years, fluctuating *assessment* forms a distinguishing feature in the Punjab. While the revenue from fixed assessment has of late dropped a good deal, the revenue from lands with fluctuating assessment has more than doubled.

The Punjab system.

IV. The United Provinces. The standard of the revenue is half the net assets, but the full half is now seldom taken To ascertain the assets of which the prescribed percentage is to be taken, the settlement officer examines the rental as recorded in the village papers and tests it. 'To carry out this test he divides the tract under assessment into circles containing villages of similar character and marks off on the map of each village the different classes of soil. For each class of soil in each circle he ascertains the fair rate of rent usually paid by the tenants, and by the rates so found he tests the rent roll of each village. If the rental as recorded is found to be too high, he rejects a suitable portion of it for the purposes of assessment and take the remainder only into account in calculating the assets. On the other hand, if the rental is found to be too low he substitutes an enhanced rental. Such unrented lands, as the proprietor's home farm (*Sir or Khudkasht*),

The United Provinces system.

lands given to village servants or to dependents in lieu of wages or maintenance, are valued usually at the soil rates of the circle, and the valuation is added to the rental of the tenants, and the *gross assets* of the village are thus found. From this total, certain allowances are made for improvements, etc,, and the net assets are found on which the assessment of the revenue is based. The assessment is generally for 30 years but when there is any variation of over 10 p. c. in the area of established cultivation, a revision in made.

V. Bengal. In Bengal the permanently settled tracts include the Presidency, the Burdwan, Rajshahi Dacca, Chittagong, Patna and Bhagalpore divisions (now in the province of Behar and Orissa), some parts of Hazaribagh and Manbhum districts, a few estates in Singbhum and Ranchi, as well as Goalpara and Sylhet. In these tracts the revenue demand is settled in perpetuity. But the cesses imposed upon them are large enough to be 10 to 20 p. c. of the rental. The main temporarily settled tracts in Bengal are the district of Darzeeling and the Western Duars in Jalpaiguri, the Noabad area in the Chittagong district, and the Sundarbans. In addition to these, there are large tracts of land, which have come under the Government by purchase at revenue sales or by alluvial accretions and have been settled for definite periods. Most of the temporarily settled tracts in Bengal being reclamations from forests and waste lands. The term of settlement is long, ranging from 40 to 90 years. The recent settlements are generally for short periods.

Settlement and Cadastral surveys.

"Settlement' means 'the process of assessing the land revenue demands. It is either *summary*, or *regular*.

Different stages in the settlement procedure.

The short period assessment in newly acquired or specially backward tracts is known as summary settlement. But the most important kind is the regular settlement. It may be divided into several stages: —

First stage.

(1) At first every separate holding or estate is demarcated by permanent marks on the ground. It is then surveyed and mapped, all boundary marks, wells, and buildings being shown on the field or cadastral maps. A record is at the same time drawn up of all rents paid, and of all rights, whether landlord rights or tenant rights, or rights of user, over all the ground, buildings, wells, and trees shown in the map.'

Second stage.

(2) After the revenue is assessed and the assessment is sanctioned, copies of the field map, of the schedule of fields, and of the record-of-rights are made, one copy is given to the proprietor, one copy is lodged in the district court house, and usually a third copy is placed in the sub divisional or tahsil house. Through the agency of the local officials of each village or circle the field maps and record-of-rights are corrected or written up year by year, and they serve, after adequate testings and corrections as the basis for re-assessment, making the latter process cheaper and easier.

Third stage.

(3) The next step in the process is 'the *classification* of the villages under settlement into groups, or assessment circles according to similarity in their general conditions, such as distinctions of soil, altitude, rainfall, and so on, and sometimes with reference to communications, water supply, or proximity to markets. The natural qualities of the soil are often distinguished from artificial, and irrigated lands are distinguished from the rest.'

(4) Then the whole of the information relative to the assessed village is compiled and analysed by the settlement officer. The past fiscal history of the tract, relating to matters on which the revenue or rent-rate is based, is reviewed. The three general grounds on which enhancement is permissible are, (1) increase of the area of cultivation, (2) rise in prices of the agricultural produce, and (3) increase in produce due to improvements by the State. The tenants' improvement has been always exempted in most parts of India. *Final stage.*

In the *Zemindari* tenures (excluding the permanently settled tracts in Bengal), the State revenue is an aliquot part, usually one-half, of the ascertained rental. The assessment is to be paid during the whole period of a settlement, which extends from 20 to 30 years. The revenue is not to be increased however much waste or fallow lands are brought under cultivation. Enhancement can only be made at a re-settlement and the proprietor is wholly responsible for the entire revenue.

In the *ryotwari* tenures, the cultivator is separately assessed at an acreage rate on each of his petty holding, and land revenue becomes payable at once on all extensions of cultivation. The cultivator is at liberty, unlike the Zeminder, to throw up his holding or any portion of it, at the beginning of any year, after reasonable notice.

Revenue Surveys and Settlements and Land Records.

We will now deal in detail the *Revenue Surveys and Settlements and Land Records* in the different provinces.

Bengal, Bihar and Orissa, and Assam. We have already seen that the greater part of the Land

Revenue of Bengal (including Bihar and Orissa) was permanently settled at the end of the eighteenth century. The rest, including the tracts, then omitted and the lands that subsequently came under Government proprietorship, are temporarily settled. At the present time the Land Revenue in Bengal represents less than a quarter of the total rental. The power to order a survey and record-of-rights of permanently settled areas was given by the Bengal Tenancy Act of 1885, the object being to frame an authoritative record of the status and rents of the tenants, with a view to protect them against arbitrary eviction and illegal enhancement, and to compose or avert agrarian disputes. The importance of the measure, it is reported, are now generally acknowledged, both by landlords and tenants. By 1911 the record-of-rights had been completed for 64,805 sq. miles out of the reduced total area of 116, 175 sq miles. The areas dealt with by the Settlement Department in Bengal thus fell mainly under four heads during the decade: (1) temporarily settled estates, where a settlement of land revenue and rents is necessary in addition to the record-of-rights; (2) permanently settled estates in the Sonthal Parganas, where, besides the preparation of a record-of-rights, the rent of every tenant had to be settled; (3) other permanently settled tracts, where the work consists of the preparation of a record-of-rights and the decision of agrarian disputes, the settlement of fair rents being made only on the application of landlords or tenants; and (4) the temporarily settled portion of Orissa. The survey and preparation of the records-of-rights in the Sonthal Parganas was completed in 1910, with the result of an increase of Rs. 90,000 a year in the Government revenue.

In Eastern Bengal, both in the temporary and permanently settled tracts, it is the settled policy of the Government to prepare and keep up to date a record-of-rights.

In Assam only a comparatively small part of the country (a large proportion of the area in Goalpara and Sylhet districts) is permanently settled, the rest being Government property. Two conditions—the large areas of unsettled waste land, and the system under which in certain tracts land is cultivated for two or three years and then resigned—necessitated a simple system, the ryots holding lands under an annual or decennial lease from Government. In the hill districts the ordinary form of taxation is a house-tax. In the Assam Valley districts re-settlement was made in 1902 on a new system, known as the 'soil-unit' system, by which the assessment of the land revenue is, as far as possible, fixed by the people themselves, with reference to the popular estimate of the relative values of the different classes of soils and of the relative natural advantages of different areas.

Punjab. In the Punjab the system of land tenures is known as *Zemindari*. The collective responsibility of the proprietors has become almost obsolete, and the present tendency is towards individualism. In practice the owner, or owners, of each holding is, or are, assessed separately. The term of a settlement in the case of fully developed districts is usually 30 years, and 20 years in the less developed. In recent years the system of 'fluctuating' assessment has been much extended to river-side areas and to rainless tracts in the Western Punjab. The assessment is calculated on the 'net assets,' but competition rents are rarely paid in cash.

So the standard is looked upon not as determining the average assessment, but as fixing an outside maximum. The assessments in the Punjab have generally been noted for their moderation. From 1855 onwards, the rate of land revenue per cultivated acre, measured in rupees, had not varied much, and its incidence measured in gold had therefore greatly decreased. In a number of districts, re-settlement resulted in moderate additions to the revenue demand. The remarkable prosperity of the Canal Colonies led to the increases of assessment amounting to 208 and 109 per cent. respectively in the Lower Jhelum Colony and part of Lyallpur. The records-of-rights are reported to have been kept in good condition.

Bombay. Since 1884 it has been laid down as a general rule that at revision settlements the increase of revenue shall not exceed 100 per cent. on an individual holding, 66 p. c. on a village, or 33 p. c. on a group of villages. Besides the *ryotwari* tenure, there are a number of other forms of tenure. In Sind, practically in the whole of it, the settlement is known as *irrigational* settlement, which includes the charge for irrigation water under land revenue. The special feature of the Sind Settlement is the allowance for fallows. Occupants are liable to the full assessment on each survey number when cultivated, but fallow lands are free provided that assessment is paid thereon once in five years. The term of settlement in Bombay is 30 years and 10 years in Sind. Good progress was made in respect of the record-of-rights, which was introduced in 1903 into the Presidency. The preparation of the initial record has been completed and is being maintained and kept up-to-date by mutation registers. In most districts the

record has produced a marked diminution in litigation, and in petty crimes arising out of land disputes.

Madras. Nearly a third of the Madras Presidency is permanently settled on the Zemindari system, in the rest ryotwari tenure prevails. In the latter system, the term of settlement is 30 years. An annual settlement of accounts is held to ascertain and record any changes in the holdings, and any remissions under the "*season remission rules*" that exist in Madras. The important initial settlements in Malabar and South Canara, were completed in 1905. Re-settlement operations have also been going on in a number of districts. By the settlement of the eight districts in 1911-12, the total demand was higher by 22 per cent. than it was before the introduction of the new settlement. Madras.

Tenant Right and Land Legislation.

By the ancient custom of India the occupiers of the soil had the rights to retain their holdings, so long as they paid the rent or revenue demandable from them. This custom has everywhere in India been respected by the British. Up to 1859 tenant right had not been adequately safeguarded by law, and for the great Province of Bengal the Court of Directors reported in 1858 that "the rights of the Bengal ryots had passed away *sub-silentio*, and they had become, to all intents and purposes, tenants-at-will. Since 1858 laws have been passed which make the petty occupiers of Madras, Bombay, Burma and Assam proprietors of their holdings, subject to the payment of a moderate land revenue; and the petty proprietors are protected against future enhancements of land revenue on account of improvements effected by themselves. The tenants cannot be evicted now save by con- Legislation dates since 1858.

The tenant right.

sent or by degree of court on good cause shown, and they can now bequeath or sell their tenant-right.

The extent and character of the tenant-right vary in the different provinces; tenant-right is strongest in the Central Provinces; it is less important in the Punjab, where the rent-paying tenants are comparatively small in comparison with the proprietary brotherhoods: it is weak in Oudh, where the talukdars or superior proprietors are exceptionally strong. *In every province the position of the tenants is better and more secure than it was 50 years ago.* In permanently settled Bengal, the Tenancy Act of 1885 has greatly strengthened and improved the position of the ryot; and the cadastral survey shows that the great bulk of the ryots enjoy tenant-right under the law.

The extent and character of the tenant right in the different provinces.

We will now discuss separately the position of *tenant-right and the land legislations* in the different provinces:—

Bengal Tenancy Act of 1885.

Bengal, Bihar and Orissa, and Assam The Bengal Tenancy Act of 1885, which regulates the relations of landlords and tenants in Bengal, secured the status and privileges of all classes of tenants. (For *provisions of the Act*, see pp. 192-3). The Act was amended by Bengal Act I of 1907. (For provisions of the Act, see p. 193). There are indications, however, that there still exists some abuses. The levy of *abwabs* or illegal cesses in addition to rent continues to prevail more or less throughout the Presidency. It is reported, that the tenants pay these without demur to escape harassment in other ways.

Present position of the ryot.

Chota Nagpur.

In *Chota Nagpur Division*, the Chota Nagpur Tenancy Act of 1908 secured the ryots in the enjoyment of their existing rights, and ensured in cases of necessity their protection against oppressive landlords, while at the

same time safeguarded the interests of the landlords in many important matters.

The inapplicability to local conditions of the Bengal Tenancy Act, the usurption of tenant-rights by the landlords, and the opposition of them to the accrual of occupancy right and the reclamation of waste lands, the Orissa Tenancy Bill was passed in 1912. It was intended by the Act to remedy the above and other defects, and to provide a new self-contained agrarian code for the districts in question. Orissa Tenancy Act.

The Bengal Tenancy Act is in force in all the Eastern Bengal districts, except the Chittagong Hill Tracts. It was amended in 1908 on the same lines as the Bengal Act of 1907. In Assam the only special law as to landlord and tenant is the Landlord and Tenant Procedure Act of 1869 which is in force in Goalpara and Sylhet. Assam.

United Provinces. Questions of tenancy-right and rent-rates are of great importance in the United Provinces, as in Bengal. The bulk of the land is held by cash paying tenants, and except in the permanently settled tracts the revenue is assessed on the basis of the rents in force at the time of settlement. In the permanently settled districts a special class of tenants is found who have heritable and transferable rights at a fixed rent, and are liable to eviction only for default in paying rent. Other tenants are divided into two classes according as they have or have not a right of occupancy; but the term "occupancy tenant" bears different meanings in Agra and Oudh. United Provinces. Occupancy tenants in Agra and Oudh.

In Agra the occupancy tenant has a heritable right to hold certain land, and is not liable to eviction except for default in paying rent, while the rent payable cannot be enhanced except by mutual agreement or by order of

Agra Tenancy Act.

a revenue court, generally on the ground that it is below the prevailing standard of rent for similar land. Since 1859 twelve years' possession has acquired occupancy right and an Act of 1901 (The Agra Tenancy Act) provides that the change of a holding or dispossession for less than a year shall not operate as a break in the period of twelve years, while a lease does not prevent the accrual of occupancy rights unless it is for at lest seven years. The Act also made the ejectment of ordinary tenants more difficult. In 1911 the occupancy rights amounted to 68 p.c. of the total area cultivated by ordinary tenants.

Its provisions.

A landholder who parts with his proprietary rights obtains occupancy rights in his home farm at a privileged rate of rent, 25 p.c. below the rate generally payable by non-occupancy tenants. This is called "ex-proprietary right."

Occupancy tenants in Oudh.

In Oudh the so-called "occupancy tenant" corresponds to the "ex-proprietary tenant" in Agra, and no tenant acquires occupancy rights by prescription; the rent of the occupancy tenant cannot be enhanced beyond a rate 12½ p.c. lower than that ordinarily paid by cultivators with no such right.

Restrictions on the transfer of land.

Laws passed in recent years have placed important restrictions on the transfer of land. The Oudh Settled Estates Act of 1900 provided a system of entail, which can, however, be applied only in the case of *Talukdars* and grantees whose estates are subject to the rule of primogeniture. In Bundelkhand, the first Act, The Bundelkhand Incumbered Estates Act, 1903, provided for enquiry into debts by a special judge, and for liquidation of the amounts found to be justly due with

Oudh Settled Estates Act.

Bundelkhand Incumbered Estates Act.

the aid of loans from Government. At the same time, and as a necessary complement, restrictions were placed upon the right of transfer by a second measure (the Bundelkhand Alienation of Land Act, 1903) modelled on the Alienation of Land Act, Punjab, 1901. (See *ante*).

Bundelkhand Alienation of Land Act.

Punjab. In the Punjab, the tenant class is neither so large nor so distinctly marked as in the rest of Northern India. Nearly one-fifth of the tenant class have been marked of by the legislature on certain historical grounds as entitled to rights of occupancy, and the rents of this class cannot be enhanced beyond a standard fixed in each case with reference to the land revenue. In the case of the remaining tenants who hold at will, no limit is fixed to the discretion of the landlord in the matter of enhancement. But in both the above cases the procedure in ejectment are provided for by law.

Punjab.

Only one-fifth of the tenants specially protected.

In view of the serious extent to which land was passing from the hands of the old agricultural tribes to those of the moneyed classes, the Punjab Alienation of Land Act was passed in 1901. It is true that the Act has contracted credit to some extent and brought about a welcome reduction in extravagant expenditure, but it has not hampered the Zemindar in getting ready money when he requires it. Some amendments in matters of detail were made by an Act passed in 1907. One of the corollaries to the passing of the Alienation of the Land Act was the recasting of the law of pre-emption. (For details, see *ante*).

The Punjab Alienation of Land Act.

Madras. In the *ryotwari* areas in Madras the registered occupant of each field is entitled to hold the land for ever so long as he pays his land revenue, and the rights of transfer, mortgage, sale, inheritance and lease, are without restriction. The conditions that render

Tenant rights in ryotwari areas.

necessary any legislation or measures directed against the acquisition of land by non-agriculturists, are absent in Madras.

Madras Estate Land Act.

The status and rights of the cultivators in *Zemindari* Estates are now defined and regulated by the Madras Estates Land Act of 1908. The Act provides that every cultivator admitted by the landholder to the cultivation of the estate lands has the status of an occupancy ryot protected against eviction so long as he pays the established or prescribed rates of rent. The occupancy tenure is heritable and transferable, enhancement of rent is permitted only within certain limits and on certain clearly defined grounds, and then only by suit before the Collector. A non-occupancy ryot may acquire occupancy rights by the payment of a sum equal to 2½ years' rent. The Act further makes provision for the maintenance by the landholder of irrigation works, the survey of estates, the preparation of a record of rights, and the settlement of rents, and for the ousting of the original jurisdiction of civil courts in disputes between landholders and ryots.

Occupancy tenure.

Non-occupancy ryots.

Further provisions.

Bombay. In Bombay a ryot is secured of the same rights and privileges as in Madras. In Sind few tenant-rights are in existence. The smaller Zemindars cultivate for themselves, and the larger through yearly tenants, who almost always pay rent in kind. Two important enactments have a special bearing on the land revenue policy of the Bombay Government. The Dekkhan Agriculturists Relief Act of 1879 provided for the appointment of a special judge and numerous conciliators, who were empowered to investigate mortgages and similar alienations of land, to revise the terms of the contract, and to arrange for an equitable settle-

Dekkhan Agriculturists Relief Act.

ment of claims, with a view to restoring the original rights of the occupant. By 1905 the greater part of the Act was extended to the remainder of the Presidency. The Act protected the revenue-paying classes from the encroachment of non-agriculturists; and that, although it has restricted credit, it has not done so to the extent of hampering agricultural operations. The Bombay Land Revenue Code Amendment Act of 1901 created a special tenure known as the restricted or non-transferable tenure. By the Act the occupant cannot alienate his land without the previous permission of the Collector, and the latter is authorised to grant the occupancy of lands for limited periods or on such conditions as he may think necessary. The conditions were designed to meet the circumstances of the wild tribes, the depressed castes, and the backward and improvident classes of cultivators. (*Moral and Material Progress, 1913 and 1900*).

The Bombay Land Revenue Code Amendment Act.

§ Foreign capital, *and organization of labour, machinery, transport and the economic development of the country.*

The natural resources of India are enormous and there is an abundance of cheap labour. The great want of the country is *cheap capital* ready for investment in big enterprises. The savings of the Indian people, however, are but *scanty* and what little accumulations of capital there are, a large proportion is used *for ornamentation*, a still larger proportion is *hoarded or buried* underground in one form or another, and there is but a *fraction left for industrial investments*. Respecting that amount also allowance should be made for the craze for investments in Government Stocks and Savings Banks, and the *trade capital* will thus shrink to a negligible minimum. Under

The amount of indigenous trade capital available.

Estimate of British capital invested in India.

the circumstances the *importation of cheap foreign captial is a necessity in India.* England is the creditor country of the world and Mr. Paish estimates that out of her £ 3, 500 millions sterlings of investments, India borrows more than one-tenth of the total.* The present econmic development in India, we may safely declare, is almost entirely due to foreign capital and enterprize, attracted to the country by the peace and order established by the English.

Their value.

With the advent of the European capitalists and men of business, the western method of production and the western system of the *organization of labour* have been introduced in India. Big joint-stock firms, large mills, factories and plantations, and extensive mining operations have been started. These have attracted and congregated in several centres thousands of labourers from various parts of the country and encouraged migrations of surplus agricultural hands to new fields of industry. The capitalistic organization is thus going to replace the old industrial system, and the Mines Acts, Factory Acts, Emigration Acts, etc, show conclusively that *modern organization of labour under the factory system* is firmly setting its roots in India. Steam power and electric power manufactories have also been started by European enterprizers. The following may be mentioned as some of the industries opened to Indian workmen by the aid of foreign *captial and enterprize* and *machinery*. They are, Gold and Coal mining; Tea, Coffee and Chincona plantations; Cotton, Jute, woollen, Silk, Bone-crushing, Oil, Rice and Flour mills and Sugar refineries;

Organization of Labour.

Organization of machinery.

* Mr. F. Howard estimates the amount to be £450 millions sterling.

Tanneries, Potteries and Tile manufactures; Chemical factories and works, Cement Works, Breweries, Tobacco-curing factories, Lac and Indigo factories, Iron and Brass founderies, Saw mills, Paper mills, Soap factories, printing presses, Ice and aerated water factories, etc. etc.

The total number of factories in 1911 was 2,248. Many of these factories are now owned and controlled by Indians.

We have seen already, the nature of Indian roads. In 1839 Calcutta and Delhi was connected with a good metalled road and since then much progress has been made. In 1902 there was about 37,000 miles of metalled and 136,000 miles of unmetalled roads. We have also seen how British capital helped the construction of navigable canals and railways formerly. The introduction of cheap and safe steam vessels in India is entirely the work of English capital.

Organization of Transport.

Banks established on a European model are financing trade and commerce. At the head of the banking institutions are the Presidency banks, and then come the Exchange banks which are largely concerned with trade remittance between India and other countries, and finally the other joint-stock banks. The Government keeps a portion of its balances in the Presidency Banks but as a matter of fact the *great banker* of the country is the Government itself since it holds the greater part of its own cash balances, has the sole control over the paper currency and controls exchange by its transactions with the Secretary of State.

Organization of Credit.

The general result of the introduction of the British capital, enterprize and skill into India has been an outburst in mining, manufacturing and commercial activity never known before in the history of the country.

Conclusion.

The precious metals and minerals that lay buried for hundreds of years beneath the soil of India are now been dug up and utilized, sandy wastes and hilly jungle tracts are being made to yield valuable crops, while mills and factories are springing up on every side affording new and varied employments to the many lakhs of people all the year round. This industrial activity marks the first step in the progress of India from the purely agricultural into a partly manufacturing country. A remarkable illustration of the increase in the material wealth of the country is afforded by the enormous development of the foreign trade of India during the last half of the century. In 1840 the total sea borne trade was about £20 millions. In 1900—1901 it was nearly £152 millions and in 1906—7 it was about £230 millions.

A climax anticipating an anti-climax.

Here is a climax But climax and pathos in Indian Economics are full of pitfalls and lead to inaccurate and treacherous conclusions. We have seen one side of the picture of foreign capital, but we also should remember that there is also another distinct side of the same picture.

§ Political Relations of India and England.

and their effects on the Balance of Trade.

India's debt to England.

India is a dependency of England and as an inevitable consequence of her subjection, she has to import a large number of highly-paid officials and troops to look after her civil administration and military defence. The savings of these men as well as of the British merchants and traders, and others engaged in business,

either on their own account or under Indian capitalists, and also those engaged in professional pursuits in India, are as a matter of course remitted to England and are thus lost to this country. In addition to all these India has to pay for *English status*. Barristers, Civilians, Royal Engineers, Indian Medical Servants, etc., cannot be recruited in India. They must go to England and annually draw a heavy amount of money for expenses, which constitutes a large amount of *India's invisible import*. Besides these remittances she has also to pay a large sum of money every year to England on account of what are called *Home Charges*. (*For particulars, see Exchange*).

India's invisible imports.

However, India has to meet these liabilities only through the *excess of her exports over imports* and has therefore to maintian persistently a sufficient favourable balance of trade. This was clearly pointed out by the Government of India in their Despatch, dated 22nd October 1903, to the then Secretary of State for India.

Excess of exports over imports necessary.

"India is a debtor country. Her net obligations are approximately 6 millions sterling per annum. The major part of this great charge is payable in a currency different from that in which her revenues are collected. The only means consistent with national solvency of discharging this obligation lies in the preservation of an equivalent excess of exports over imports; in other words, in maintaining a sufficiently favourable balance of trade. It is therefore a vital object with us to stimulate our exports by every means in our power, to seek new markets and develop old ones, and to remove all obstacles which stand in the way of growing external demand."

In the six years ending with March 31, 1911, the average increased annual value of exports, both in commodities and treasure, over imports was about £24 millions. This excess of export is much greater if we

Statistics of the excess of exports over import.

estimate them in commodities only and so, do not credit the import of treasure under the head of export, as is usually done in constructing the equation of international indebtedness (a large amount of India's import is in the form of treasure, which stands on an annual average at about £36 millions for the same period). But we must here make allowance for the export of treasure which on an average is about £7 millions for the same period. Thus we see in the six years ending in 1911 our annual average exports in commodities exceeded imports by £53 millions (£24 millions for actual excess of exports in commodities, *plus* £36 millions worth of commodities for which nothing but treasure is received, *minus* £7 millions worth of treasure which is exported), and of this excess £29 millions (36-7) are to be accounted for by the excessive importation of treasure, a feature of Indian trade from the earliest times and is chiefly due to the people's habit of hoarding up their savings in the shape of gold and silver (in ornaments and coin). The remaining £24 millions are more or less absorbed by the annual charges that we have to remit to England, an amount which is lost to the country every year.

Treasure absorbed by India.

But the most important thing we should note is that our exports chiefly consist of raw materials and some of them are staple foods of the country and it is but poor economy to exchange one's nourishment for foreign luxuries. Moreover, trade in raw materials has also many attending disadvantages, (*See* pages 209—12) while the absence of Indian shipping trade handicaps India's trade to a great extent. However, some of these conditions will necessarily disappear as we begin to invest our savings in a more useful way and learn more and more

Nature of India's exports; raw materials and food grains.

India's obligations.

to work up our raw materials into manufactured articles. It should be our ambition not only to treat all our raw produce in this way but also to take in as much raw produce as we can from abroad, work it up here and "send in place of our present exports of raw materials the same quantities in less bulky but more valuable forms after they have undergone the operation of art manipulation and afforded occupation to our industrial classes."

CHAPTER II.

The economics of a mainly agricultural country as opposed to those of a mainly manufacturing country. Special conditions of land, labour and capital as affecting Indian production. Comparative efficiency of labour and cost of production in the chief industries in India and other countries. National wealth of India. Average production per head. Average income, gross and net. The development of manufacturing industries in India. Foreign capital and skill. Technical Education and its relation to castes and gulids.

§ Agriculture vs. Manufacture.

The economic disadvantages of a mainly agricultural country in comparison with a mainly manufacturing country are :—

(1) If in an agricultural country the population increases the Law of Diminishing Returns will operate. Further, if that country has to export agricultural produce to adjust her balance of trade then the operation of the law will come early. Further more, if she has to export in excess of her imports to meet her other debts then the operation of the law will come still earlier. Such would happen to be the case of India. In 1840 her export trade was little above 8 crores and in 1911 it has risen greatly above 217 crores. In India the operation of the law of Diminishing Returns has been postponed due to the opening of much virgin and hitherto uncultivated lands to tillage, for improvements in the arts of production, for the introduction of new forms of more valuable produce (*e.g.* green plant vegetables supplanted by potatoes, cabbages, etc), and for improvements in the means of cheap transportation (*e.g.* some lands in the

Law of Diminishing Returns.

How it is postponed in India.

uninhabited *Tarai* region, where the land is very cheap, are cultivated and their produce is transported by railways to distant places fetching good prices). But through the processes enumerated before, *the evil day is only deferred: but it is deferred.* In some conjested parts of the country the law has already begun to operate. While on the other hand, the more demand there is for the goods of a manufacturing country, the more will the economies of production, both *internal and external*, increase proportionately in that country.

(2) The factors of production, *land*, *labour*, and *capital*, are *precarious in an agricultural country*. The surface of land required is vast, the *labour* is immobile, uneducated, unintelligent, of low standard of living, less specialized, superstitious and much wasteful, while *capital* is dear, scanty and shy to undertake an enterprizing investment. The opposite is the case with a manufacturing country.

Factors of production precarious.

(3) *Prosperity* of an agricultural country is *fitful*. Nature is supreme here and two successive bad harvests will bring famine and death to the people, while manufacturing affords a greater diversity of occupations and thus limits the area of distress in bad seasons.

Prosperity fitful.

(4) An agricultural country loses much in exchange. She has to pay high freights for her bulky and heavy exports and the effect is cumulative in so much that it gives its opponents opportunities to take advantage of her disabilities. India sends, say, 100 ships to foreign countries carrying her exports but the imports being manufactures, the foreigners want only half the number of ships to send their cargoes. The double effect that is produced happens to be that India has to pay double freights to her carriers while foreigners get

It loses much in exchange.

their cargoes transported at a nominal cost, thus minimising the disadvantages of the cost of transport from which a distant foreign competitor naturally suffers.

Co-operation finds little scope.

(5) As *localization* is impossible in agriculture, *co-operation* becomes more and more difficult.

Less profitable and employ less labour.

(6) In manufacture more men can find employment and it is more profitable than raising and selling raw produce.

Agarstaat vs. Industriestaat.

But too much industrialization also is not a hopeful thing. In the celebrated controversy between the *Agarstaat vs. Industriestaat* in Germany, *Prof. Wagner* said that the maintenance of an Industrial State requires three things, (1) that other countries are willing and able to supply agricultural products, both as food and raw materials, cheaply; (2) that these supplies can be safely conveyed to the industrial State; (3) and that the manufactured goods of that State can be assured of an adequate market in the countries which supply the food and raw material. But he said that to all three of these necessary conditions there are considerable dangers now threatening, because, (1) several countries hitherto content to remain in the agricultural stage of development are turning their attention to industry; (2) even if the supply continues it will always be liable to be cut in times of war; (3) and even though the supplies of food and raw material continue quite unchecked, the growth of industrial competition on the one hand, and the attempt of various nations to supply their industrial wants on the other must make it ever more difficult for a manufacturing nation to dispose of its manufactured goods abroad except by continually cutting down its prices.

Wagner's opinion.

The three dangers involved.

Thus we see neither the wholesale industrialization nor the complete agricultural occupation is beneficial to a country. India possesses the special advantage that she does not stand in either extreme. As an agricultural country she has not to depend on others for the *food supply of her people*, and as a consequence she is immune from the *sufferings which a rise in the price* of food grains in the world's market brings upon the people of a manufacturing country. So also in *times of war* the fear of stoppage of trade will not concern her so much so as it will affect a manufacturing country. But India's greatest economic possibilities lie in her gradual and steady industrialization. She can not remain for ever 'the hewers of wood and drawers of water' but she must cautiously, laboriously, honestly and in a most business-like manner proceed to falsify the statement that 'India for her own good must remain for ever an agricultural country.'

India's peculiarly favourable position.

Advantages of India as an agricultural country

In manufacture India has also some special advantages. She may set up manufacturing industries of her own without much difficulty and may, when *skill and enterprise* are sufficiently developed, even obtain a greater success in industries than a purely manufacturing country, as the *raw materials* she requires are produced on the spot and have not to be imported from a distant country with the incidental cost of time, freight, and trouble.

Advantages of India as a manufacturing country.

In fact the greatest economic advantage is enjoyed neither by a purely manufacturing country nor by a purely agricultural country but by the country where agricultural and manufacturing industries grow up side by side and foster each others development by active co-operation. Such should be the aim of India, an aim which

The aim of India.

it will be easier for her to attain than can be expected of any other country. Mill has laid down that 'no agriculture can be really productive which is divorced from a neighbouring non-agricultural market represented by thriving towns and cities.' So India should take care that her urban population bears a much greater ratio to her rural population than now, if she desires economical progress. This would entail, however, no displacement of the factors of production as there is still lying vast tracts of land unused, vast amount of labour unemployed and sufficient amount of capital uneconomised. India is great as an agricultural country but her capability of manufacturing is also great, as is evidenced by the fact that her manufactured products once found a ready market in Europe and excited so much fear as to lead to the enactment of prohibitive Sumptuary Laws in England. But now machine-made articles has destroyed many of her industries and she in now looked upon simply as a *plantation*, *i. e.* as a source of supply of raw materials for the Western manufacturers. This position is hardly comforting. The remedy lies in her learning and adopting the modern methods of manufacture and industrial organization, without sacrificing her industrial strength. If she can do this, her economic position will be immensely stronger than the manufacturing countries of the West which usually have to import raw materials. "Natural aptitude" says Ranade, "undeveloped and unlimited resources, peace and order, the whole world open to us, our marvellous situation as the emporium of all Asia,—these priceless advantages will secure success, if we endeavour to deserve it by striving for it."

Mill's opinion.

No displacement of the factors of production necessary to attain the aim.

The past and present compared.

Ranade's idea of India's industrial future.

§ Special conditions of land, labour and capital *as affecting Indian production.*

Land:—India is most favourably circumstanced as regards land. She has extensive cultivated *fields* producing immense variety of agricultural crops, rich *mines* of almost every important kind of minerals, large *forests* abounding with useful trees, and vast *fisheries* teeming with brilliant prospects. But we have also seen the drawbacks under which she is labouring. *Water* and *manures* are her chief wants, and the proper seasonal distribution and adequate supply of *rainfall* determine her food supply. We have already seen how co-operative credit societies are combating the evils of agricultural indebtedness and lack of agricultural capital.

The advantage of India in the possession of land.

Her drawbacks.

But the belief that the Indian Raiyat is "a thoughtless primitive creature, ignorant of his own interests, antiquated in his methods of agriculture, and altogether a poor relic of the pre-historic past whom it is necessary to instruct and modernise", is untrue. Seventy years before, Dr. Wallick, superintendent of the East India Company's Botanical Gardens, testified that introduction of European iron plough in place of Bengal ploughs has deteriorated the soil by admixturing the undersoil which is less fertile with the surface soil which naturally possesses an extreme superficial fertile crust. As regards rice cultivations he remarked that 'if we were to live another thousand years, we should hardly see any improvement in that branch of cultivation." We have also seen Dr. Voelcker's opinion of Indian raiyats (p. 28).

A mistaken idea about an Indian raiyat.

Dr. Wallick's statement that the mode of agricultural operations is unimpeachable.

But the most important question that is asked to-day is whether the soil of India is becoming exhausted. It is

Does India's soil getting exhausted.

argued that if an agricultural country which has to make an excess of exports in order to keep her balance of trade favourable, exports both *crops* and *manure*, it must then decline in fertility, e g. we export oilseeds and not oil only. Again, we do not fully avail ourselves of the valuable manure in the shape of night-soil, straw and the droppings of cattle. In answer to this argument others hold that the amount removed from the soil is small because in India only 10 bushels of wheat are raised per acre, while in England as many as 28 bushels are obtained. Further, the heavy rains and strong sunshine are also factors which decompose the constituents of the lower strata of the soil. Two more problems must engage our attention when we discuss the problem of land; the first is that land in India is *very largely a government monopoly*, and that the peasant's *holdings are markedly small* prohibiting any agricultural operation on a moderately large scale.

Answer to the allegation.

Two more problems.

§ Labour.

An Indian labourer is honest, laborious, sober and easygoing, but he is generally unskilled, uninformed, unenterprising and heavily indebted. But the quality of the labourers differ in the different provinces. They are cheap, plentiful and more reliable in less fertile but better climates.

Nature of Indian labour.

It is often said that the supply of labour is *scarce* in India. But the phrase '*scarcity of labour*' is ambiguous. The supply does not depend solely upon number. There are two factors which affect the supply of labour, viz., *change in efficiency* and *change in numbers* of workmen. 'As the increase in efficiency per unit of labour increases the supply of labour just as effectively as

Scarcity of labour.

the increase in the numbers of workpeople, similarly the shortage of labour may mean not the lack of numbers, but the want of efficient labour.' In this latter sense mainly is there a real deficiency in the labour-supply in India. Of the little over two million persons employed in factories, 3 *per cent.* are engaged in *direction, supervision and clerical work*, 27 per cent. are skilled and 70 per cent. are unskilled workmen. Thus we see the supply of skilled industrial labour is meagre though the number of unskilled labour is plentiful.

Two factors which affect the supply of labour.

Scarcity of Indian labour due to inefficiency.

Percentage of skilled labour.

The causes of this *inefficiency of labour* are not defects of character or climate, but it is perhaps more largely due to long hours of work, insanitary conditions that prevail in the Indian mills, ignorance, the shifting character of the Indian labour, the irresponsible conduct of Indian industrialists towards their employees, and the want of esteem with which labour in general is looked upon in India. The Factory Commission of 1908 reported that 'the operative in a cotton mill is usually called upon to *work for excessive hours*', while the Factories Act of 1912 limited the work of a male adult in textile factories to 12 hours. Then there are no arrangements for *suitable housing* of operatives in Indian factories, no *welfare arrangements*, such as provision for primary education, libraries, clubs, sports, etc. Ignorance makes the new urban population indifferent to sanitary conditions, less adaptable to changes of occupation, and makes combination more difficult. The percentage of general literacy was 5·3 in 1901 and 5·9 in 1911. The shifting or migratory character of Indian labour may be attributed to the fact that 'the heart of the factory hand is in the

Why Indian labour is inefficient.

The causes and conditions explained.

Excessive labour.

Insanitary conditions.

Ignorance.

The migratory nature of labour.

village, not in the towns'; his attachment to his native soil and the fact that his family often resides in the village have made the labouring population of towns, 'a flitting, dilettante population,' a workman by caprice. Economic motives are imperfectly operative, and it may well happen that a rise of wages may actually diminish the supply of labour by increasing the inducement of the workmen to go to their homes when sufficient money has accumulated in their hands. The irresponsibility of the employers is also very prominent. There are no arrangements for suitable housing, old-age pensions, and insurance against accidents or illness. Moreover, the employers do very little to combat plague, cholera and other epidemics among their employees in order to keep the rural exodus of supply intact.

Irresponsible conduct of the employers.

We have so long dealt with scarcity of labour so far as they are inefficient, but of late a new problem is assuming greater importance. From every quarter comes the cry of the *scarcity and dearness of common labour*. It is alleged to have affected both agricultural and factory labour. *Death and depopulation* due to epidemics and the *extension of industrial enterprize* have brought about this scarcity, with the consequent effect that the rate of *wages charged is now high* though the *efficiency remains the same*. The first effect of this scarcity of common labour is 'the *shortage in agricultural labourers*' in manufacturing districts, as they are now able to command relatively high wages in factories. But this depression in agriculture is not all, the high wages *are handicapping the manufactures also*, but if high wages had increased the efficiency there would have been no cause for anxiety. *But there are no indications of greater efficiency* to be seen anywhere. "The demand being in excess of

Scarcity of labour is due to insufficient number.

Why the number is insufficient.

The consequent effect is high wages.

The result of high wages.

the supply, the labourer finds himself in a position to dictate his own terms.' It is said that the production of a mill in India is only 65 to 66 per cent. of that of an English mill, though many more operatives are engaged. and it 'is further calculated that in India it takes *five or six men* to do the work done by one Lancashire operative.' So though an Indian labourer gets much smaller wages than a European operative, *the former's wages are not cheap but much more dear.* Thus we see the prospects of Indian industries are very gloomy unless the efficiency and increased supply of labour be insured.

Indian wages though low the labour is not cheap.

But the above problem of scarcity of common labour is not a *general* problem. We are told that the *potential supply of labour is ample*, nay inexhaustible, that the *agricultural* industry as a whole has been conjested and that an outlet for that *superfluous labour* must be found by employment in manufacturing industries, and the *alleged dearth of agricultural labour is only true in too much industrialized districts.* "From inquiries instituted regarding the supply of industrial labour in the United Provinces and in Bengal, it seems that though there is a shortage in the supply of skilled artisans, there is no real deficiency in the amount of labour potentially available, and that no difficulty in that direction need be anticipated, if the conditions of work in the mills be made more congenial to the labourer, and if the manufacturers adopt more systematic method of recruitment." (Moral and Material Progress and Conditions of India, 1907). Moreover, the supply of labour may be increased by the opening of cheap communications, elevating the depressed classes, and not allowing 'the large classes of sturdy beggars to lead an idle life and thrive upon the misplaced charity of a naturally generous

How the quantity of labour can be increased.

From superfluous labour in agriculture.

By the utilization of *potential* supply of labour.

By opening cheap communications.

Elevating the depressed classes.

By enlisting professional beggars.

By introducing labour-saving machinery.

By proper recruitment.

people.' Moreover, the introduction of labour-saving machinery and proper organization for recruiting all unutilized labour will solve the solution of scarcity of total common labour.

How inefficiency of labour can be remedied.

What 'efficiency' means.

The second problem, the inefficiency of labour is a serious factor in the situation. 'Higher rates of wages will not matter much if they are accompanied by a higher degree of efficiency. *How to make Indian labour more efficient* is a problem for serious consideration. Efficiency implies physical capacity aud stamina, regularity and punctuality in attendance, a sense of responsibility and honesty, skill and activity, carefulness and concentration, and such other qualities. *Ignorance is responsible for many of the habits*, which mar the economic usefulness of the labourer. Spread of primary education among the people of the country will help to remove at least some of the causes of complaint. Education has gone a long way in making the working classes of Western countries what they are. *Organisation* and *Co-operation* for self-improvement among Indian operatives can not be thought of until education creates in them a consciousness of their situation and their needs." (Prof. V. G. Kale, Indian Industrial and Economic Problems). The *whole problem of labour is well summarised* by a well-known business-man and competent economist as follows :—

What part ignorance playing.

The whole problem of labour reviewed.

"The operatives require to be handled as soldiers in a barrack with a stern regimental colonel—no prefunctory work when work is going on and ample recreation afterwards. So that apart from external factors there are some internal ones, the remedy of which lies in the hands of the mill-owners themselves if they are fully alive to their own best interests. Lastly, the physiology of industry which postulates better

health and better conditions of living and comfort, together with the crying want of the amenities which an up-to-date cotton industry of an exacting character in a tropical climate necessitate must be seriously taken into consideration, so also the expediency of a reasonable provision for old age and premature physical infirmities. All these are potential factors of the larger problem on the right appreciation of which in proper time must greatly depend the abundance of labour and the prosperity of the industry itself, specially with keener international competition."

Capital.

We have already seen (p. 247) that the amount of *'trade capital'* in India is very small. Deducting from the whole of India's stock of capital, the precious metals for use as *ornaments*, heavy *investments in government stocks and securities*, and the stock of wealth lost to any earthly purpose by being *hoarded and buried*,— we are left a small capital to be used for trade purposes. From this again may be deducted a huge amount which average capitalists keep to themselves for being lent in usury. Moreover, what little capital there is, is not fully invested because the possessor of it is very *shy* and *unenterprising*. The reasons for all these are the *want of business morality* among the undertakers of business and the *ignorance* of the *investors* as to the nature of the business in which they are sinking their capital. The net result is that Indian capital always fails to meet the increasing demand for it.

The amount of Indian capital estimated.

Why the capitalists are shy and unenterprising.

In India the growth of capital was very slow because *habits of saving* were dull due to social, religious, and customary sanctions, and the *motives for saving* was absent as wealth was generally looked down upon and the low standard of living required little sacrifice of

Why accumulation of capital is slow in India.

* For the 'mobility of Indian labour' see pp. 16-25.

present enjoyment for greater future benefits. Again, the public *security* was inadequate, while the *invention of credit* was in its rudimentary stage and *institutions facilitating saving*, *e.g.*, Savings Banks, Co-operative Societies, etc., were practically unknown.

The present condition and prospects.

Now-a-days, the above conditions are steadily vanishing away and the circumstances which lead to the growth of capital are steadily manifesting themselves. Many concerns have been started with pure Indian capital and supervision, and most of them proved themselves equal to the occasion. The cotton mills of Bombay, the Tata Iron and Steel Company, the tea plantations of Assam, etc., are the examples. But there are occasional failures and they are mainly due to *inadequate supply of capital* to finance the concerns in nick of time.

Mobility of Indian Capital.

Further, it may be said that the *immobility of Indian capital* is disappearing day by day. Much of the up-country capital has now been invested in Calcutta and its suburbs, while enterprizing businessmen of Bombay and the Punjab have gone to distant Burma and to the chief ports to exploit the hitherto unused resources. But to be plain, only a few industries of India are financed by local capital, and the only perfectly mobile and chief source of finance is *foreign capital*.

§ Organisation of labour.*

The end of organisation is to increase the efficiency of labour, and it may be fostered in the following ways :— (*a*) by the division of labour; (*b*) by the localisation of industries; (*c*) and by Trade Unions, Labour Exchanges, Co-operation, etc.

* See my "An introduction to the Study of Economics."

In India division of occupations according to castes was introduced in very early times, and the economies of the *division of labour* was never seriously taken advantage of except in recent times in the factories established after European models.

Indian localisation of industries.

Localisation of industries means the concentration of a specialised industry in a particular locality. The causes that lead to such concentration are character of the climate and the soil, the patronage of the court, political or social influences, legal protection, and the advantages that may be got from near neighbourhood. The presence of these causes had led of old to the localisation of many Indian industries, and the Dacca Muslins, Cashmere Shawls, Agra marble work are the examples (see p. 139). The advantages, again, were many, both industrial and social. But with the decay of these industries owing to foreign competition the disadvantages of localisation have assumed a fearful shape. Both capital and labour have become *specialised* and these two factors of production can not be utilized in other businesses without a thorough training and practical demonstration of hopeful futures.

Labour union in India.

Trade Unions are voluntary associations of labour for mutual assistance, protection and benefit. They grow with the growth of the conflict between labour and capital, the tendency of capital to accumulate in a few hands, the transformation of large masses of people into human machines, the growth of unemployment, and the great rising of prices. But fortunately as India has not to face such problems at the present time trade unions and strikes are rare in India. Prof. Kale writes, "we are strangers to capitalism. The people are illiterate and immobile. Labour is inefficient, unenterprising

and unambitious. Capital is scarce and shy and so *organisation is unknown to both.* Under these circumstances, for us the industrial strife on Western lines, is a thing of the future, if it can not be avoided.' But *strikes* have made some headway into economic labour. The number of successful strikes are comparatively very few as there is no organisation of labour, and common labour can be had cheaply and plentifully. But the strikes planned by caste guilds, e. g. of coblers, sweepers, washermen, barbers, etc, are always successful. The *mandal* or headman's injunctions are more binding than the decree of a European Trade Union and carries heavier punishment than the incendiary character of the strikers can inflict in the former countries.

Co-operation.

In the field of *co-operation* India is making steady progress. But much is left to be finished in the fields both of *productive, consumptive* and *distributive* co-operation. We have already seen what co-operative credit societies are doing for the labouring population of India.

Labour exchanges are created to combat unemployment. It means 'any office or place used for the purpose of collecting and furnishing information, either by the keeping of registers, or otherwise, respecting employers who desire to engage workpeople, and workpeople who seek employment.' But this device is not in need at present as the demand for labour is greater than the supply.

§ Control of Business.

The actual production of wealth of a nation may fall far short of its productive capability, the most important reason usually being the misdirection of labour and capital by the *entrepreneur*, i. e., the person at the head

of the undertaking, or the *'captain of industry'* as he is usually called.* He is now both *employer* and *organiser* of production. As an organiser he should have a thorough knowledge of things in his own trade, such as forecasting of future demand, finding of new markets, introduction of improvements in manufacture, etc. As an employer he must be a natural leader of men ; he must have a power of first choosing his assistants rightly and then trusting them fully and of interesting them in the business so as to bring out whatever enterprise and power of origination there is in them.

Entrepreneur's duty.

But this type of business-man is very rare in India and chiefly for the following reasons :—(*a*) the want of *enterprise* and training ; (*b*) the peculiar method of *business evolution ;* (*c*) the fear of *unemployment* and want of sufficient scope ; (*d*) shilly-shally *laws relating to insolvency* ; (*e*) and want of cheap *capital.*

Why 'captains of industry' are rare in India.

Self-reliance and individual efforts are becoming rare, and the rising generation of the educated classes in India is *too literary*, too averse to adopt industrial pursuits. It is curious that in 1911 out of a total of 9,190, 7,747 students took a degree in arts and law, while only 1,633, 659, 129, and 22, in Sciences, medicine, engineering and agriculture respectively. Mr. Benians writes that "throughout Southern Asia the *aristocracy* is military, political or literary but never is the natural leader of peoples in the industrial sphere. They themselves have not the freedom, the wider outlook, the possibility of the training to produce this industrial leadership and the West steps in and supplies it *at the price of their economic freedom.*" Thus we see the aristocracy is indolent, a

Want of enterprise and training.

*See my " An introduction to the Study of Economics."

class which brought economic salvation to every known industrially developed country. But the commoners are still more handicapped, because 'the foreign concerns in India are practically useless, for one or more reasons, as a training ground for the youths of the country,' while training abroad, usually for a short period, when arranged on public charity are fruitless as want of cheap capital prevents the foreign trained man to open business, and in most cases it is found that he knows not the trade secret or finds himself in an awkward position in the new surroundings.

In Europe, the artisans first worked under the guilds, then adopted the domestic system, and undertook afterwards small independent concerns. Then as the business grew in dimension the principle of partnership was adopted, followed ultimately after continued struggle by joint-stock businesses. Such is the checkered history of Western industrial life. The result of the discipline undergone is invaluable, while to it may be added the discipline in the army and navy and the patient educative influence of a constitutional government. But in the case of India the conditions are otherwise. The country jumps from the domestic to the joint-stock stage without any training and habit of discipline. So, it is only natural that Indian 'captains of industry' are recruited from the ranks of unsuccessful lawyers and physicians, constitutional agitators and public demagogues.

Peculiar method of business evolution.

The dearth of the supply of leaders of business is due, to some extent, to the fear of unemployment. Men have not joined technical institutions and agricultural colleges as they held no hope of future success in life and imparted in many cases no knowledge that may help an independent practical career afterwards. Moreover,

Fear of unemployment.

Indians are allowed no entrance as *apprentices* in many businesses, both under government and companies under the control of government, which exhibit brighter future prospects. But very little may be expected of a free-trader State and the *people are to be more blamed* for whatever economic loss that may be incurred by them. In Europe when one's business flourishes, he to keep his trade intact takes the best man of his firm into confidence and makes him a partner. The business thus rolls on for generations together. But in India the capitalist's greediness is all-absorbing. The result is that even a flourishing business scarcely lasts for a single generation, its worst competitors being always the old dissatisfied officers. Thus many who had mettle in them are scarcely allowed the spur to success.

Lenient law of insolvency.

The lenient law of insolvency turn many to be dishonest and inefficient entrepreneurs. The principle of limited liability will take a long time to be completely familiarised in India, and some restrictions are necessary in the interests of the public as well as of the business community. Mr. Latifi in his book, 'The Industrial Punjab,' suggests that it may be possible to adopt the drastic principle of imposing unlimited liability on the directors of joint-stock company. 'But a somewhat milder variation of this insistence, as greater publicity, efficient audit, registration, and fixing of a certain proportion between nominal and paid-up capital will go far to remove some of the shortcomings of the present joint-stock enterprise in India. The New Indian Companies' Act VII of 1913 is a tentative measure in this direction.'

Lastly, the want of cheap capital deter many from adopting an independent business-life and when

capitalists are available who can easily make advances they will not allow free choice and initiative to their employees lest they should lose. So Indian business always follows the beaten track. Moreover, dear capital brings about the failure of many businesses and stagnate a good many. All these kindle distrust and despair in the hearts of the uninitiated clamouring public, the effect of which becomes cumulative of greater evils, such as making capital dearer and free choice of the entrepreneur more precarious.

Want of cheap capital.

So we see, Indian entrepreneurs are rare. The task of captaining indigenous industries is now mainly left with imported foreign business-managers, believing that the success of any business depends upon good management more than upon anything else, and that as our people will acquire the required training foreigner's services may be dispensed with. But, while our first belief has partly proved to be true, our next expectation has never been gratified as the foreigners seldom showed the least desire to teach the secrets of any trade to the people of India. The biggest business firm of India affords the example.

§ Population.

Population.

Malthus was the first who thoroughly handled the theory of population. He sets forth "that (*a*) the cause of low wages and of poverty lay in the large numbers of mankind; that (*b*) there was a tendency of population to press upon subsistence and keep wages low; that (*c*) a rise in wages could not take place unless the tendency to increase among the labouring classes was checked; that (*d*) in the absence of a check no plan for improvement in the condition of the mass of men had any

Malthus' propositions

prospect of success ; and that (*e*) for these reasons all proposed *reorganizations of society are doomed to* failure." An examination of Indian conditions, however, will vividly manifest the truth of the Malthusian theory.

India's high *birth-rate*, accompanied by a shockingly high rate of infant mortality, and a very high death-rate will prove the validity of both the first and the second propositions of Malthus. Population has increased relatively faster than the means of subsistence would allow and the consequences are that wages have fallen, due to the increased supply of labour, bringing in its train poverty and distress. It is estimated in the "*Imperial Gazetteer*" that out "of 232 millions of persons living in British India, there are at any one time about 28 millions sick from all causes, most of them traceable to food being bad in quality or insufficient in quantity." Prof. H. S. Jevons remarks that "in 1881 the population of India was over 253 millions, and it might have increassd to 506 millions in 1911 instead of only to 315 millions. Undoubtedly the population would have reached 500 millions, but for the positive check imposed by actual want of food." The annual average excess of births over deaths per 1,000 of the population for the ten years ending with 1911 is 4·5, the birth-rate being about 38 and the death-rate 33·5. But in England the annual average birth-rate is about 30 and the death-rate is 18. The average excess of births over deaths per 1,000 men in the following seven countries of Europe, Sweden, Roumania, Hungary, Italy, Bavaria, Saxony and England, is a little over 11. Prof. Taussig concluded that "high birth rates, high death rates, *backward industrial conditions*, low wages,—these commonly go together." Statistical comparison proved that death-rate and birth-rate are both high in India, and the

Malthus's doctrine and the case of India.

Prof. Jevon believes Malthus' propositions

Comparison with other countries.

Taussig's remark and the case of India.

two phenomena fully emphasise the fact that the country is steeped in dire poverty.* Birth-rate and prosperity are in inverse relation to each other. Facts and statistics thoroughly corroborate the theory. (*Taussig's Principles Vol. II, p. 227*).

Malthus's third proposition is, that a check to the increase of the labouring population is necessary to raise wages. Checks may be of two kinds, *positive* and *preventive*. We have already seen that positive checks such as untimely death due to famine, diseases, etc, are operating in India. As to preventive check, the methods adopted by the western people will not suit the moral sentiments of the Hindus and the Mahomedans, while they will be dangerous to the social well-being of a tropical country where the re-marriage of widows is prohibited. Of the preventive checks, celibacy and taking of religious orders will be productive of great good. But it is to be remembered that too much checks take away the stimulus which comes from competition and pressure, and sometimes deteriorate the quality of the population. At present, however, there is no such fear, but, on the contrary, a check is necessary to the steadily multiplying population in the lines of bare subsistence. High birth-rate in India is due to early marriage, social custom of compulsory marriage, the biological cause, low standard

Checks how far applicable in India.

Causes of high birth rate.

* The death-rate for the whole of British India increased from 29·4 per 1,000 of population to 32 during the decade 1901 to 1911. The following figures show the death-rate between 1880, and 1891 : 1880, 20 98 ; 1881, 24·5 ; 1882, 23·93 ; 1883, 23·17 ; 1884, 29·44 ; 1885, 26·12 ; 1886, 25 34 ; 1887, 28·35 ; 1888, 25·74 ; 1889, 27·98 ; 1890, 29·99 ; 1891, 28.09. That is, a rise from 21 to 29 per 1,000. The increase is all the more significant, as during the decade 1883 to 1892, there were no cases of widespread failure of crops.

of living and comfort, *the steady demand for labour*, both agricultural and for manufacture, etc. The high death-rate, on the other hand, is due to insanitary conditions, immaturity and ignorance of the mothers, the lack of competent midwives, and the crushing poverty of the people.

Causes of high death rate.

Prof. Jevons holds that the people will remain poverty-striken for ever, however much the Government may strive to improve their condition by gradually extending irrigation and cultivation, etc. Because in that case *a heavier and sudden demand for labour* will not occur and so wages will not rise, but labour will slowly increase to keep pace with the gradual rise in demand and thus wages will be kept low without improving in the least the condition of the masses. Moreover, it is a known fact that when higher wages are paid to Indian labourers, it, instead of increasing their efficiency, allures them to go home all the sooner, they 'having no object in saving more than a certain amount.' Under these circumstances he suggests that the demand for labour should be suddenly increased within limited areas where an industrial population has already settled down. It is necessary that *practical elementary education* should be diffused among them and also the policy should be adopted that better cottages, better food, and healthy recreation be introduced among them. He continues thus, "the point which I wish to emphasise is that industrial development when it does come should be very rapid, so that for twenty or thirty years the growth of demand for labour may quite outstrip the local growth of supply arising from any possible natural increase of the indigenous population of the district. Wages must therefore, rise to a level sufficient to attract immigrants from

The solution of the poverty problem.

Prof. Jevons' views.

a distance; and this level will be considerably above the subsistence minimum. It is only necessary for such high wages to persist for several years for the working population to adapt its permanent habits to the high level of earnings, which thus becomes fixed The artisan and the labouring classes, when they become accustomed to a higher standard of living, cling to it tenaciously; and, if necessary, protect themselves by combination against a threatened decrease. At the same time, because they are paid more, and live on better food, have more leisure, and are educated and intelligent, they become steadier and more efficient workmen, so that in the end their labour is not any dearer to the manufacturer. It may even be cheaper." He concludes that the government may successfully solve such problems to a great extent by constructive legislation, more so because the type of government prevailing in India is more suited to handle similar economic problems with the help of expert economic investigators than is possible in democratic countries where everything is settled by a majority of votes. (*For other details see pp. 14-25, and pp. 122-23*).

CHAPTER III.

Indian Manufactures. *

We have already seen the drawbacks under which Indian *factors of production* are labouring. But we will see later on that there are also other causes which add to the above difficulties. We will now discuss several questions relating to Indian production.

Several questions relating to Indian production.

1. Is India becoming industrialized too rapidly ?

It is a fact that *capital* is beginning to flow more freely towards industrial enterprises and this would have been greater had people more confidence in joint-stock undertakings. But as it is, the small capitalists still feel shy of investing his savings in companies. The local production of *coal* coupled with extension of *railway communications* has removed one of the chief obstacles to progress. Further, the allegation that there is a growing tendency of *increasing dependence* upon agriculture can not be corroborated by facts. The agricultural population in 1901 was 65·1 per thousand compared with 599 per thousand in 1891. (But in 1891 persons partly dependent on agriculture were excluded).

Capital only little less shy.

Communications.

No increasing dependence upon agriculture.

In face of this, however, it can be proved that India is not becoming too rapidly industrialized because according to the census of 1901, only one per cent. of the population is engaged in factories, coal mines, and other undertakings founded with European capital and conducted on European methods. *(cf. pp. 151-3).*

The real state of things.

* See Appendix *The Growth of Indian Industries.*

2. Is diversification of industries, or greater industrialization, needed for India?

Dependence upon agriculture.

In India full 85 per cent. of the population, if not more, depend for their livelihood on industries connected with land which are of *so uncertain a nature*, being dependent on the monsoons and other causes over which man has no control. It is owing to this circumstance that famines are so constant in India. Also, in these days of keen industrial competition the *possession of only a few stable industries* by a particular nation *for all time to come is scarcely desirable*. Who knows that Carolina rice may not one day supplant Indian rice and a new fibre would replace jute, as synthetic Indigo has done to the plantations of India. These questions are of special importance to a debtor country seeking for a favourable balance of trade. Again, exclusive dependence on land will gradually *lower the standard of comfort*. The land which in one generation supports one labourer with his wife and children in comfort, becomes in the next generation the sole means of subsistence for three or four brothers with their families. The inevitable result is that the earnings of the cultivator tend to reach subsistence limit. The other considerations that move the thoughtful Indians to be eager for manufacturing are:—(*a*) that municipal liberties and political education are possible only in towns, and these towns always grow with industrial progress; (*b*) that the law of diminishing returns has almost began to operate in Indian agriculture; (*c*) that manufactures when carried on a large scale, offer advantages which can not be secured in agriculture; (*d*) that we have to pay prohibitive freight charges as we export raw materials.

Specialisation in only a few industries is undesirable.

standard of comfort is being lowered.

Other conditions in favour of diversification.

This deplorable state of affairs can be remedied,

however, by the growth of manufacturing industries which will call away all the superfluous labourers from the land and thus enable the diminished agricultural population to live in a higher standard of comfort than is possible at the present time. (*Vide also Free Trade and Protection*).

3. How more capital can be drawn into productive employment?

Sources that may be tapped.

We have already seen how a great part of the indigenous capital is unproductively locked up. To them we may also add the following accumulations :—(1) accumulations in the noted shrines ; (2) accumulations in the hands of the zemindars of the permanently settled tracts ; (3) accumulations in the hands of families where the law of primogeniture prevails.

The Government may help in these ways.

Now the question that confronts us is how to induce these capital to be invested in industrial enterprise. We may safely presume that ordinary influence will be of no avail under the circumstances. So *Government help is necessary*. Now Government may help in the following ways :—(1) By a judicious *distribution of honours* among persons engaged in commerce and industry, such as the conferring of baronetcy upon the mill-owners of Bombay ; (2) by the active and sympathetic encouragement of the *local officers and heads of administration*, such as the encouragement given to Jessore Comb and Button factory by H. E. the Governor of Bengal ; (3) *Government guarantee* within reasonable limits to Indian concerns and periodical audit of accounts, just on the principle adopted in regard to railways ; (4) by inducing the bankers and territorial magnates to co-operate and act *only through* joint-stock companies.

4. How freight charges affect Indian Production.

Internal high freights.

Freight charges in India are *often too high* and these high rates often hinder the growth of industries and make it impossible to utilise effectively the resources of the country. Even with regard to *coal* on which freight charges have been lowered considerably the rates are not yet low enough to allow of coal being used for many purposes.

With regard to many other articles that might be named it is even now *more profitable to import* them from Europe and America than to transport them from within the boundaries of India. In the European and American countries cheap freight charges have played a very important part in the development of industries. Railways must look to the interests of industries more sympathetically if any great progress is to be made. But unfortunately oftentimes we hear of *unjust discriminations* in the settlements of railway freights by unsympathetic railway managers, affecting most prejudicially the interests of Indian producers. In these cases it is particularly necessary that Government should step in to do the needful.

The dangers outstanding.

External freight charges.

But the most remarkable feature of the freight question arises with international trade. India being the exporter of raw materials she has to pay much in freight charges, but as her imports do not require so many ships for carriage, the *pity of the situation is* that at the time of export the carriers charge the double passage fare and thus open opportunities for the foreign exporters to tranship their goods to India at a nominal cost, the carriers having already been satisfied with the double fare do undertake to transport cargoes at nominal prices.

Thus the 'cost of carriage,' which serves as a natural protection to the industries of all countries, instead of shielding Indian production rather makes it a prey to the cut-throat competition of the West, and the demarcation that distinguishes international from domestic trade is thus almost obliterated in India.

What Foreign Capital has done for India.

We have seen how India wants capital; so it has been proposed that she should employ foreign capital. But opinions differ on the question. Some hold that without foreign capital the resources of India *can not be fully developed*, while others hold that foreign capital only exploits the country and *turns our countrymen into mere labourers*, the whole profit being appropriated by the foreign investors.

Two Schools.

The advocates for the use of foreign capital hold that:—(1) *India does not possess all the capital required to utilise fully her resources.* The working of the resources of India cannot but add to the wealth of the country, and it is well that we should rather take the aid of foreign capital than that these resources, be left undeveloped. The large sums of money that have been required to lay and run on our railways, to construct our great canals, etc, could not have been found within the boundaries of India. When we consider the huge capital that would be required to start efficient machine-industries and mining operations, we cannot but think that for a long time to come India must import capital from abroad and we cannot but be convinced that it should be to her best interests to do so. (2) *Apart from other considerations, foreign capital has educative influence of the highest value.* We often do not know how to utilise our resources best, and foreigners do good

Advocates of foreign capital.

What undertakings are accomplished by it.

Educative influence of foreign capital.

services when they show us how profitable industries can be started and worked. Besides, successful enterprises started in our own country afford encouragement to our people who are willing to follow, and the examples of successful employment of capital have also a very salutary influence on our shy capitalists.

In considering the above educative influence of foreign capital, we do incidentally knock at the question of *foreign enterprise joined with foreign capital* exploiting the resources of India. The problem of foreign capital, really speaking, may be divided under two heads, (1) *pure foreign capital;* (2) and *capital employed by foreigners.*

The line where foreign capital leaving its salutary influence becomes harmful.

So far as mere capital is in question there can be no doubt that free importation of it is an unmixed good to our country. But when the question widens into the employment of foreign capital by foreigners in India an objection may be raised that since the natural resources of the country are not unlimited *there is the danger of foreigners appropriating the most profitable portions* before our enterprises become alive to the situation. Similar arguments in Japan have led to the reservation of certain portions of the natural resources for natives of the country, and it appears that the same rules *might with profit* be introduced into India. But on no account should there be an absolute prohibition of foreign exploitation because the educative influence spoken of above, is one of the most important factors in the industrial regeneration of our country.

The danger.

A compromise view.

Thackersay's view on the present state.

But the actual condition in India is not hopeful. The whole of the foreign capital is now transacted by the foreigners themselves. We may here state Sir Vithaldas's much quoted opinion throwing a clear light upon the question. He points out thus :—

"When we turn to the petroleum industry in Burma, the gold mines of Mysore, the coal mines of Bengal, the tea and jute industries, the carrying trade by sea, and the financing of our vast foreign trade by foreign banks, we come upon another and a less favourable aspect of the question of the investment of foreign capital. It is in such investments as these that we find cause for complaint. In such cases, I cannot but think that it would be to the permanent good of the country to allow petroleum to remain underground and gold to rest in the bowels of the earth, until the gradual regeneration of the country, which must come about under British rule, enables her own industrialists to raise them and get the profit of the industries. A country which maintains a population of thirty-seven crores is not likely to let about one lakh of persons starve, and this is the number of wage-earners benefitted by these industries. The price paid is much too great for the advantages accruing from them to the country." (*See p.* 67).

But he adds at the same time that :—

"We cannot do without foreign capital and we must not reject it on sentimental grounds. The indigenous capital is not sufficient in quantity for financing the vast and ever expanding trade of the country and for accelerating the progress of our material and industrial regeneration."

For our industrial development we must borrow capital but the transaction should be effected *through our leaders of industry*, as in Japan, Canada, America, and other undeveloped countries. As a borrower we must pay the *interest* but the businesses being in our hands, wages, rents, and *profits* must be appropriated by us.

Amount of foreign capital invested in joint-stock companies.

We have already seen Mr. Paish's estimate (corrected by Howard) of British capital invested in India. To that amount we may add another £50 millions as the investments of other countries combined together. Now, making allowance for investments in Government loans, railways, and loans of local bodies, we may agree in a rough estimate that foreign capital sunk in *various kinds*

of joint-stock companies may amount to £165 millions. For practical purposes these joint-stock companies may be classified into three groups—(1) *Companies registered in India*,; (2) *Companies with a sterling capital carrying on business in India*; (3) *Companies registered elsewhere than in India*, but whose business is not mainly confined to India, though they have some business in the country, e. g. the exchange banks. Unfortunately however, the worst side of these investments is that not only they are financed by foreign capital but also they are *managed by foreign enterprise.*

Joint-stock Companies classified into three groups.

The worst side of foreign capital.

An examination of a few of the chief industries of India will reveal the evil that is wrought by foreign capital. We first take the case of **jute.** In 1912 there were 59 jute mills in Bengal with a paid up capital of £8 millions. In an average year some 20 crores worth of raw jute and 16 crores worth of jute manufactures are exported from India, and it is a curious fact that the whole of the trade is in non-Indian hands. Similar is the case with **tea** industry. In 1912 there were 156 concerns registered under the company's Act with a paid up capital of £2½ millions. But about 80 p.c. of the total capital invested is raised by compaines registered in England and subscribed by the Europeans. Similar and sometimes more serious is the case with many other chief industries and businesses of India. For example. India produces about Rs. 3 crores worth of **gold** every year but not one of the gold-mining companies is Indian. In mineral extraction she is perhaps losing more tremendously than in other industries managed by foreign enterprise, because the coal or gold raised is lost for ever as mines are not a perrenial source. Such is also the case with Banking, Loan, and Insurance com-

How the evil affects some chief industries.

Jute.

Tea.

Where the loss is greatest.

Gold.

Industries managed by Europeans.

panies: Navigation, Railways and Tramways companies; Wool, Silk, Hemp and similar Industries; Tea and other Planting Companies; Coal, and other Quarrying Companies. The only concerns under direct Indian management are, Cotton mills, Cotton gins and presses, Ice factories, Printing presses, Rice and Flour mills, some cheap insurance companies and a few indigo and sugar concerns.

Industries managed by Indians.

But why it is so? The plain answer to the question seems to be the *want of knowledge and training*. Sir R. N. Mookerji, a vetern business man of India remarked that when the present industries were first started, our countrymen had little interest in or knowledge of such enterprises, but the attitude is rapidly changing." The Government is doing much for the economic devlopment in various ways such as by exhibitions, experiments and demonstrations, statistical informations and special monographs, surveys and scholarships, introduction of better types of implements and machines, industrial conferences, and the appointment of experts to report on urgent economic questions. But there is still much left to be done. The urgent and incumbent duty of the Government is to see that Indian resources are developed in the interests of India and per people.

Why it is so?

Sir R.N. Mookerji.

What the Government is doing.

We have seen how the question has deeply engaged the attention of many thoughtful Indians. Some remedies have also been proposed. Sir Vithaldas Thackersay suggested that the evils of foreign capital, due to its being administered by foreign enterprise, may be minimised if the State should make it "obligatory on every industrial concern floated by foreign capitalists that the *same opportunities be given* to the Indian capitalists as to foreign enterprisers and the prospectus be published

The evils of foreign capital discussed.

Thackersay's remedial proposal.

simultaneously in India and Europe and the time for application for shares be the same and that allotment be made at the same rate and on the same principle." Prof. Kale also suggests that the publishing only of useful informations by the Geological Department will be of no avail to the people at large. "It is necessary that larger numbers of Indian students *must receive instruction* in mining and metallurgy : licenses and mining *leases must be altogether withheld from or more sparingly given to non-Indians*, and Indian enterprise and capital ought to be encouraged. Our motive in seeking industrial development is the desire to promote the growth of national wealth and national income. But much of our present economic development is development by proxy. We have a very small share in it and the profits of our industries do not remain to fructify in the pockets of the people."

Prof. Kale's suggestion.

We may suggest two other measures to the government. It will be more to the interest of the people if the various *publications* of the government *be abridged* annually into a single volume *and be translated* into the chief vernaculars of the country. We may also urge with impunity that the Government following the principle of minority representations, as adopted in services and council representations, may enact *a law that every company to be floated in India must possess a certain proportion of the indigenous capital*, say 33 p. c, with strict provisions safeguarding any clandestine evasion.

Two more measures suggested.

To summarize what we have said it will amount to saying that foreign capital is welcome but foregin enterprise is not at all welcome. We should borrow and pay interest for the capital, but we should not

suffer foreigners to control our resources turning us into mere day labourers serving under them. The remedies that are necessary to bring this object into pass should be sought at the hands of the Government. Conclusion.

Should Indian remain an agricultural country for ever?

India by nature should remain an agricultural country.

It is vehemently urged that India lacks the qualities that differentiate a manufacturing country. She was an agricultural country as she is now, and she should remain so for ever. But facts never corroborate such remarks. England was less industrialized than Holland, and America was a mere plantation only the other day. But things have changed. Moreover, India was as much advanced in manufacture as the former countries even from very early times. It was the policy of the East India Company, the heavy import duties of England, and her political environment that have led to the decay of her industries.

But it is not the case with similarly situated countries.

Why Indian industries declined.

Mr. R. C. Dutta, in criticising the policy of the East India Company towards Indian industries remarked that, "as early as 1769, the Directors wished the manufacture of raw silk to be encouraged in Bengal, and that of silk fabrics discouraged. They also directed that silk-winders should be made to work in the company's factories, and prohibited them from working outside "under severe penalties, by the authority of the Government." (*General Letter, dated 17th March 1769*). This mandate had its desired effect. The manufacture of silk and cotton goods declined in India, and the people who had exported these goods to the markets of Europe and Asia in previous centuries began to import them in increasing quantities." Thus the Company injured Indian interests.

(1) The bad policy of the East India Company.

(2) Tariff protection by the Home Government.

The British Government at home also felt shy of the Indian competition and the tariff schedule that was constructed then outvies even the protectionist country of America. In the 'Evidence taken before the Commons' Committee, 1832, vol. ii, Appendix 5.' we find the following table illustrating the duties levied on Indian goods.

	1812	1824	1832
	Per cent on value	Per cent on value	Per cent on value
Ornamental cane work	71	50	30
Muslins	27½	37½	10
Calicoes	71⅔	67½	10
Other cotton manufactures	27½	50	20
Mats	68⅓	50	20
Lacquered ware	71	62½	30
Silk manufactures	Prohibited	Prohibited	20
Taffatees or other plain or figured Silks	,,	,,	30
Sugar (cost price about £ 1 per cwt.)	£ 1, 13s per cwt.	£ 3, 3s per cwt.	£ 1, 12s per cent.
Cotton wool	16s 11d per 100lbs.	6 per cent.	20 per cent.

Thus Indian industries suffered persecution both at home and abroad, while her political relations obliged her to keep an unceasing excess of exports over imports. The effect became cumulative. The industries chiefly

being cottage arts speedily became disorganised and gradually began to vanish, while their rivals in other parts of the world having received *protection* and *support* at the hands of the State found time to readjust themselves to the new conditions that preceded, as also succeeded, the Industrial Revolution. Such is the mournful tale of Indian manufactures.

How Indian Industries decayed.

But the hope of revival is not lost for ever. We have already discussed the possibilities of India's becoming a manufacturing country, and also the causes as to why she should not remain an agricultural one.

The question is often asked by those who are against the industrialization of India, "*Is Europe going to make Asia an East End.*" They are of opinion that India must pause and think before she proceeds and invites the evils so characteristic of the modern organisation in Europe, "the over-crowded cities with their few millionaires and myriads of toiling work-people, the struggles between the employers and the employees, with their problems of unemployment, old age pensions, Poor Laws, Factory Legislation and Socialism." Prof. Kale truly answers the querry: "Arcadian simplicity and rural bliss are now things of the past among us. Japan, a country of the Orient, has shaken off its old garb and even the sleepy Celestial Empire has been awakened from its slumber of ages. The countries of what is called the Middle East are slowly preparing to follow. Can India be a solitary exception?" Further, there is hope that our industrial revolution being chronologically later we may profit by past experience.

The evil effects of Industrial Revolution apprehended.

Prof. Kale's answer.

The fear is minimised.

Many friends of India advise her to remain an agricultural country on the basis of the arguments that she is growing increasing mouths to be fed and derives almost

Friends say as to why India should

remain agricultural.

the whole amount of her national dividend from land. Also, the evils produced in European countries should be properly weighed before any new experiment is undertaken. But their apprehension is based on over-cautious beliefs. What India hopes to do is to *supplement* agriculture with manufacture and not to forsake the one to adopt the other. At present the only openings of the people are, one or two over-crowded professions, agriculture, and Government service. But the first and the last are confined only to a smaller percentage of a small section of the people, while the second is confined to almost all. On the other hand, the Famine Commission evidences and other circumstances proved that agriculture is a precarious source of living, and the consensus of opinion *recommend a new diversification* of occupations in trades and manufactures. Further, the success of cotton, jute, tea and other larger industries have shown to the advantage that India can succeed in industries to a great extent.

The fear apprehended is groundless.

Agriculture and manufacture is to supplement each other.

Previous experience.

Truth in the advice.

But there is some truth and practical suggestions in the advice. We, when endeavouring to foster industries, must be careful in three things as regards agriculture. We must always bear in mind that the *majority* of the Indian population *subsists on agriculture*, that nearly three-fourths of our *export consists of land produce while* agriculture is in a *most backward condition*, and that *agricultural improvement* is essential for the growth of the manufacturing industry. The first proposition has been discussed already, the second we will discuss under international trade, while the third requires our immediate consideration. We have seen that in sugar and tobacco we were thwarted in foreign competition, while in cotton and tea we could not progress as much as we should

Three things to be remembered.

have done. The reason that may be sanely attributed to the effect is that *we were below the standard of our foreigners in agricultural operations.* We produce inferior sugarcane than the Java producers and our tobacco leaves and cotton fibres require much improvement before we can expect any substantial progress in the above two industries.

Agriculture fosters manufacture.

With all respect to the friends of India, we are grateful to the government for its kind support and active encouragement of Indian industries. The Government opinion is that "though India remains pre-eminently an agricultural country, the advance of organised industries has been a notable feature of recent years. The movement for fostering home industries and encouraging the use of home manufactures known as the *Swadeshi* movement has received official support." In 1905 the Commerce and Industry Department of the Government of India was constituted. In Madras an officer has been appointed for the purpose of restoring and developing technical trades and industries, such as aluminium, chrome leather, and handloom weaving businesses. In the United Provinces, a Director of Industries has been appointed in 1910 with the same purpose in view. In Bengal, a Superintendent of Industries and Inspector of Technical and Industrial Institutions has been attached to the educational department since 1909. In the Central Provinces attempts have been made to revive and preserve cottage industries, specially weaving, tanning and shoe-making. Industrial surveys, to consider possibilities of industrial development, have been conducted in almost every district. Also, State-scholarships have been awarded to encourage industrial education. Lately, an Industrial Commission has

The optimistic Government view.

What the Government has done to foster industries.

been appointed to enquire into the causes and possibilities of the growth of Indian industries.

Government's conclusion.

Thus we see the Government is convinced that manufactures will prosper in India and particularly so it is quite in earnest that it should prosper *for the good of the people and the government.* (*See Economic Transition in India pp. 142-57*, Also, p. 16).

§ Why Indian Industries fail?

Many are the causes which may be attributed to the failure of Indian Industries. They may be enumerated as the following :—

Defective nature of the factors of production.

(1) *Defective nature of the factors of production.* First, *land* lacks many mineral constituents which increases fertility, and again water forms one of its main wants. So the efficiency in producing agricultural produce, which are only raw materials in manufacture, is less. But the defects are not incorrigible. Again, we have seen how our *labour is inefficient.* (pp. 260-64). But the greatest difficulty lies as regards *capital.* Happily however, the shyness of capital is breaking down and during the last decade the paid up capital of joint-stock companies has increased about 46 p. c. Lastly, *enterprise,* which has been comprised by economists as one of the factors of production, is equally rare in India. *See Organisation of Labour.*

Land.

Labour.

Capital.

Enterprise.

Freight.

(2) *The rate of freight and its injurious effect on production.*

Advertising.

(3) *The want of scientific method of advertising.* The history of "Karmichael handkerchief" is pregnant with a deep meaning and is supremely instructive.

Dumping.

(4) *The dangerous effect of dumping by protectionist countries like Germany and America.*

(5) *The injurious effect of discrimination in prices* by countries which cultivate large markets of the world. Japan or Germany, for example, may easily lower prices much below the cost price to ruin infant industries of India, and may recoup their losses by increasing prices at home or in other markets. Discrimination of prices.

(6) *Excessive price that has to be paid for setting up machinery.* Price of importation of the instruments of production.

(7) We find ourselves *anticipated in our own market.* The manufacturers and merchants of foreign countries have already established extensive trade-connections, and to dislodge them from their stronghold is almost an impossible task for our infant industries. Market.

(8) *Want of confidence and fear to invest freely.* Confidence. "What is peculiarly required now," said the Hon'ble Mr. Clark, "for a commercial development of India is that her people should learn to gain confidence and learn to invest freely instead of hoarding." But to implant *confidence* the active co-operation of the Government is urgently necessary at the initial stage. So the Hon'ble Sir Chitnavis says, "it is now admitted on all hands that the support of the indigenous industries is one of the legitimate functions of the administration." Capital was equally shy in Japan but Government co-operation alone has crowned her with the present success. This lesson has also been fully demonstrated in Madras, and Chatterton's help is too precious to be overlooked. Opinions in the official circles also support this view. Reports of the industrial surveys of the United and Central Provinces, and Berar recommended the policy of Government help to indigenous industries. Report of an industrial survey of Eastern Bengal and Assam also recommended the "rendering Government help invoked to arouse Confidence.

Swan's recommendations.

of pecuniary assistance" to profitable industries. Finally, the latest is Mr. Swan's report regarding the industrial development of Bengal. He points out that though much should be depended upon private enterprise, "the encouragement of Government might take a more active form than it has hitherto done. *One demonstration is more convincing than a dozen monographs.* Any one who has decided to start an industry will find much valuable information and advice in the monographs published by Government, but no one is likely to be persuaded by merely reading a monograph to start an industry. If, on the otherhand, Government can demonstrate that an article can be manufactured at a certain cost, that a market can be found at a certain price, and that the margin of profit is reasonable, the opportunity will not long be neglected."

Foreign competition.

(9) *Competition of foreigners* who produce under the economies of a large scale production and are supported by highly efficient and scientifically skilled labour, free and abundant capital, remarkable business ability and a ready world-wide market.

CHAPTER IV.

INDIAN INDUSTRIES.*

A Survey of the chief Industries of India.

The chief industries may be divided roughly into three classes :—

I. *Indigenous industries or handicrafts.*

II. *Organised industries connected in a specially direct way with agriculture.*

Chief industries classified.

III. *Other large industries*, including more particularly manufacturing industries conducted on modern lines in mills and factories.

I. Indigenous Industries or handicrafts.

The handicrafts generally are fast dying out though cases are not rare where introduction of improvements have brought prosperity in that particular industry. The causes of their failures are :—(*a*) they are on *too small* a scale to be commercially successful ; (*b*) *little capital* is employed ; (*c*) the methods used are *antiquated* and *unscientific* ; (*d*) *custom* and *prejudice* greatly hinder the introduction of improvement ; (*e*) and the general lack of technical skill. But co-operative societies are doing much to keep them alive and it will be to misread history to deny that cottage industries cannot successfully compete with manufactures on the modern lines. In Japan and Switzerland small crafts contribute about one-third of the country's production.

Why handicrafts are dying out.

The influence of co-operative societies.

* The readers are invited in connection with this chapter to read "*The Growth of Indian Industries*" in the appendix.

The chief of the handicraft industries are :—

Cotton-weaving :—More than 2000 years ago the industry was highly developed. Even now the industry gives occupation to the largest population after agriculture. In 1901 out of every thousand, 24 persons were returned as cotton workers, apart from those employed in mills. The 'hand' has been compelled by the force of 'power' to take up a different province of supply, producing *fancy* and *costly* goods and those goods for which the demand is too *small* or too *local* for the power loom to compete. Other features of the industry are that the goods produced are durable, than those manufactured by power, and the thread used is generally of foreign spinning. There is great scope for *co-operation* in this industry. The economies that may be derived by the help of co-operative societies are :—

The strength of the industry.

What articles it produces.

What co-operation can do for the industry.

(*a*) By big organisation the *risk* can be insured; (*b*) the goods can be *sold* in advantageous markets without incurring the cost of commission charges charged by middlemen; (*c*) the central union which will advance money can have the goods produced or deposited in a common warehouse as a *guarantee*; (*d*) the central union may take the charge of keeping them informed about *profitable markets*; (*e*) the weavers can *send their youths* to foreign countries to specialise themselves in some particular branch of the industry; (*f*) all their borrowing can also be done from central societies at a very *low rate of interest*; (*g*) and lastly, books and pamphlets can be prepared and distributed by these societies for the propagation of commercial and general education among the community.

The industry is believed to be worth Rs. 45 crores

annually, an amount which equals the value of the total imported cotton goods. (*See*, p. 59-61).

Silk Rearing and Weaving.—Under the fostering care of the East India Company large quantities of silk were produced and exported to Europe. But with the acclimatisation of temperate races of the worm in Europe the postion has totally changed. 'The imports of silk manufactures now greatly exceed the exports, while raw silk is imported and exported in approximately equal quantities.' (For the various kinds of worm see pp. 63-64). In 1911 the silk industry employed 6,000 persons in Bengal, and silk mills 1,600, mostly in Bombay, leaving out of account works employing less than 50 persons.

The past and the present.

Government is taking great pains to make the industry a success. "Nurseries for the supply of pure 'seed' have been established, a sericultural superintendent has been appointed. Subsequently, a class for training the sons of rearers has been established at the central nursery at Berhampore. It has been reported since that some progress has been made in the eradication of *pebrine*, the disease which was one of the chief causes of the decline of the silk industry."

What help the Government is rendering.

Shawl and Carpet Weaving:—The cheap imitations produced at Paisley and the effects of the Franco-German war destroyed Kashmere's shawl trade with France. In the Punjub where the industry was carried by colonies of Kashmere weavers and flourished for sometime is now declared to be 'almost hopeless.' Carpet-weaving is now done in many parts of the country, notably at Amritsar for the American market, and at Ellore and Masulipatam, in Madras. It is an important jail industry.

A decaying trade.

Other chief handicraft industries are *Wood carving*, *Metalwork*. etc, (See p. 139).

II. Organised industries connected with agriculture.

The present position.

Tea:—The most noticeable features of the tea-trade are the growth of the exports to Russia, Canada, the United States, and Ceylon, and the decline in the trade with Persia. 'The exports of tea from India have kept well ahead of those from Ceylon, and are now much greater than those from China, which have shown no marked increase in recent years.' In the last 20 years the export of Chinese tea to Great Britain has fallen from 50 to 5 p. c., while that of India rose to 57 p. c. as against 30 p. c. from Ceylon, the only serious competitor of India. (*See*, p. 68).

Comparative growth.

Coffee:—The coffee industry in India is practically confined to Madras and Coorg, and to the native state of Mysore. The area under cultivation has shown a continuous diminution since 1896. Coffee areas are now giving way to tea or rubber, while cheap Brazilian coffees are injuring Indian production in European markets. Since 1902 the exports are stationary, the quantity exported to the United Kingdom is fast diminishing but the trade is stationary with France and increasing with the Continental countries. (*See*, pp 69-70).

How and why it declines.

The depression.

Indigo:—The Indian industry began to decline continuously since 1897, when synthetic Indigo was put upon the market by Germany. But recently it has been found that the synthetic dye is less permanent, and so scientific research work has been undertaken, notably by the Behar Planters' Association with the aid of a grant from Government. 'It is hoped

Government aid to reinstate the industry.

that good results may be obtained from the biological line of work—of plant breeding and physiology—recently taken up.' In 1911 there were 122 indigo factories employing 33,000 persons, no cognizance being taken of undertakings employing less than 50 persons. (*See* pp 70-72)

Sugar:—(*See*, p. 57-59).

III. Other Large Industries.

Cotton Mills.

I. Cotton Mills:—As early as 1818 the Bowrea Cotton Mills Co. Ltd. was started with English capital at Fort Glo'ster near Calcutta. But the first of the Bombay series was started by Mr. Cowasji Nanabhai Devar in 1851 and of the Ahmedabad group in 1859 by Mr. Ranchodlal Chhotalal. Since that date the number of mills has steadily increased. There were only 50 *cotton mills* in India in 1878; the number rose to 179 in 1902, *and to 234 in 1912*. Similarly, in the last 30 years the *looms* have multiplied six-fold while the *spindles* increased fourfold. The *capital* employed in the trade is estimated to be greatly over £15 millions. But that there is still *immense scope* for the further development of the industry can be inferred from the fact that, of the cotton grown in India, "*one-half is exported raw, a quarter only is exported as yarn, and a quarter meets the local demand.*" Further, statistics show that our average *cotton imports* amount to more than Rs. 45 crores every year. The *market* available at home is exeeedingly large, while the raw materials lie scattered all over the country.

History of the growth.

The present dimension.

The nature of the scope.

Special features of cotton industry.

Some of the *special features* of this industry may be thus enumerated:—(*a*) The cotton industry *centres* in Bombay, and more particularly in Bombay city and Ahmedabad; the Presidency as a whole contains two-

The centres of production.

thirds of the total number of mills, nearly three-quarters of the spindles, and more than three-quarters of the looms. Madras, Bengal, and the United Provinces, each with almost equal number of mills, come next in order of importance, followed ultimately by the Central Provinces and the Punjab. (*b*) Weaving has advanced during the decade much more rapidly than spinning. (*c*) A large majority of the mills are *owned* by joint-stock companies, almost the whole of the capital being raised in India and *managed* by Indians. (*d*) A considerable increase has taken place in the production of *yarns of the higher counts*, and a falling off in its export trade during the closing years of the last decade. The import of yarn, mostly of counts above 25, is small in comparison with the local production. (*e*) The *exports* of Indian cotton manufactures, for which the Straits Settlements and Ceylon are the best customers, showed a very satisfactory increase in the closing years of the last decade. Since 1910 the trade with China is declining, but the causes are various than being wholly fiscal. (*f*) *Imports of piece-goods* are still much larger than the local production.

Advance in Weaving.

Capital indigenous.

Increase of the spinning of higher counts.

Export trade.

Piece-goods imports.

The above features reveal the *trend of the industry*. We may conclude that the foremost industry of India is owned and managed by Indians, that the industry has become specialised and localised, that the industry has successfully combated competition both at home and abroad, and that the industry has great scope to expand and prosper.

Nature of the industry.

The question is often asked as to why Indian cotton industry was unable to make phenomenal progress when the advantagss opened to them were manifold. In answer we may attribute the following reasons:—(*a*) Indian mills can not help to use abundantly *fine* American

Why cotton industry is progressing slowly.

cotton owing to the distance between the two countries. So they fail to capture the markets for want of fine texture. (b) The *cost of machinery* in England is less than in India, for the latter has to pay *freight*, *packing* and *insurance charges*, as well as a higher cost in erecting it. It is estimated that these costs add 25 per cent. more to the value of the machineries. (*c*) Though *coal* is not a large item in the expense of manufacturing, yet Manchester has a great advantage in that way. The English coal is three times stronger than the Indian and in some mills no other kind but the superior can produce the best results. (*d*) A *humid climate* is beneficial to cotton industry as in that case the breaking of threads will be less than in a dry hot country. (*e*) India has to import many goods for the manufacture of cotton, e.g. dyes, which are liable to heavy duties. (*f*) India may substitute for American cotton, the fine *long-stapled cotton of Egypt*, but the difficulty is that the latter country is not capable enough to supply the entire Indian demand. Moreover, Indian mills are generally adopted for lower counts just as the Manchester machinery is adopted for the higher. (*g*) Manchester manufactures *varieties of goods*, e.g. coloured, printed, and fancy goods. So when there is depression in the cotton market, which often affects one kind of production, the industry can sustain itself by manufacturing goods of other kinds (*h*) English *supervision* being more efficient, waste and depreciation of machinery are less and *skilled labour* costs on the whole less than the unskilled labour of India, although the wages of labour are individually much lower than in England. (*i*) The advantage which a country possesses over another in respect of the *cost of transportation* has almost been minimised in the case of India.

Can not largely use American cotton.

The cost of starting very heavy.

Less advantage in coal.

Climatic conditions less favourable.

Materials come from England.

Supply of Egyptian cotton is far less than the demand.

One kind of manufacture.

Labour inefficient.

Cost of transportation is no protection here.

"Indian advantage in 1872, was $1\frac{1}{2}$d. : subtract $1\frac{1}{10}$d., due to fall in freights : we get $\frac{2}{5}$d. per lb. which is the present advantage." (*j*) Capital being dear in India, businesses have to pay a very higher rate of interest for the loans incurred. (*k*) The Indian cotton Industry suffers much as most of the mills in Bombay 'are managed by firms which act as agents, and the agents are remunerated, not upon profits but by commission on outturn." (*l*) "The present supervision is no supervision at all. As employers, they are more or less under the sway of their superior overlookers, and what is more to the point, they do not appear to have realised the absolute necessity of *training up their sons* to the business, as mill-owners do in England and America." (*m*) "Financially, the majority of Indian mills are in a far from satisfactory condition. *Over-capitalisation* bearing a higher rate of interest than the ordinary debt hampers the full growth of the industry and the tendency to pay high dividends out of capital, with inadequate allowance, if at all, for depreciation is the besetting sin of Indian limited liability concerns."

Rate of interest high.

Method of remuneration defective.

Want of training and education.

Over-capitalisation.

Mr. Bowley in his "England's Foreign Trade in the Nineteenth Century" thus remarked :—"the factors that would naturally seem of importance are nearness to the raw material, to coal and to supplies of machinery and the command of organised and skilled labour. Taking these in order :—The *carriage of cotton* has been so wonderfully reduced that distance from the supply makes little difference; Our supply of *coal* is better than that of competing nations; and we have long enjoyed the complete command of the *best machinery*. Our power rests on the immense *capital* permanently invested, on the long continuous *training of workmen* and *masters* in skill and management, on our *damp*

Mr. Bowley's statements about English cotton industry.

climate which aids the process, and on our long-established *supremacy*."

The following is a table showing the growth of cotton industry in India."*

Year.	Number of mills.	Capital Employed.	Persons Employed.	Number of Looms.	Number of Spindles.
British India		£			
1901-02	179	10,562,000	161,756	38,891	4,743,391
1904-05	187	10,762,000	178,680	43,740	4,912,382
1908-09	212	12,604,000	220,443	69,791	5,623,542
1911-12	234	13,799,000	221,076	81,899	6,940,760
Native State and Foreign Territory.					
1901-02	18	763,000	12,282	2,924	248,858
1911-12	24	1,477,090	15,771	5,741	386,421

* See also International Trade.

Jute mills.

Jute Mills:—Next in importance comes the jute industry. It is to Calcutta what the cotton industry is to Bombay and dates from about the middle of the last century. The number of mills rose from 36 with a nominal capital of £4½ millions in 1901-02 to 59 with a nominal capital of £8 millions in 1911-12.

Their growth

Special features of the industry.

The *special features* of the industry are:—(1) Bengal has a practical monopoly of the cultivation of the raw material, and that the imports of jute manufactures are insignificant in comparison with the exports. (2) The industry is *largely in European hands*, and more than a third of the capital is sterling capital. (3) Practically all the mills are in Bengal, excepting two in Madras; and the record of the industry is one of almost uninter-

Monopoly of Bengal.

Foreign capital.

Industry prosperous.

rupted progress. (4) The out-put of the jute mills can not be measured, and a considerable portion is consumed locally. The exports fluctuate considerably; their total value was £5,808,000 in 1901-02 and £10,671,000 in 1911-12, the exports of raw jute in the same years being 14.8 million cwt., valued at £7,865,000, and 16·2 million cwt., valued at £15,038,000 respectively. The *largest buyers of bags* are Australia, the United States, and Chile. The greater part of the cloth—about two-thirds of the total export—goes to the United States.

Exports and imports.

Jute Mills in India.	1901-02.	1910-11.	1911-12.
Number of Mills at work	36	58	59
Nominal Capital Employed	£ 4,642,000	£ 7,667,000	£ 7,950 000
Persons employed	114,795	216 390	201 324
Looms	16,119	33,169	32,927
Spindles	331,382	682,527	677,579

Woollen Mills.

III. **Woollen Mills**:—Woollen mills have *made little progress* during the last decade, though there were marked fluctuations. 'The number of mills (including one in Mysore) was in 1912 five as against four in 1902' and five in 1892. The mills weave cloth for the army and police and articles of superior quality generally, using Australian wool to a large extent for the latter. Indian wool production is mainly confined to artistic production, such as Kashmere shawls. Of a capital of about a crore invested in the trade 70 p. c. is claimed by the two mills only, one at *Cawnpore* and the other at *Dhariwal*. The excessive imports of woollen goods which is six times the home production, show that there is a large market for the industry in India. There are great prospects for wool growing in the hilly districts, and a serious attempt to foster this industry may be attended with great success.

Progress slow.

The nature of production.

Imports of woolen goods very high.

Prospects.

IV. Paper mills:—The number of paper mills in 1911 was 7 with a capital of about 46 lakhs as against 4 with a capital of 17 lakhs in 1887. 'The increase in the output of the Indian mills has been less rapid than that in the imports, the competition of cheap wood-pulp paper from Europe having checked the development of paper-making by older methods in India.' That is to say, paper-making is an industry in India with brighter prospects of success if only the up-to-date scientific method of production be instituted.

Paper Mills.

Why the industry has undergone depression.

V. Breweries:—The number of breweries under joint-stock management in India were only 4 with a capital of about 20 lakhs in 1911 as against 3 with a capital of 12 lakhs in 1887. The returns of the breweries show a decline since 1902. Prof. Kale estimates that "more than a half of India's production is purchased by the Government Commissariat Department, the remaining quantity being consumed by the civil population. It is estimated that two-thirds of the total production is consumed by the troops, the remaining third being drunk mostly by the European population residing in or near hill stations. The quantity of beer imported into India nearly equals that produced in the country itself."

Breweries.

Who consume the article.

VI. Leather:—In 1903 there were 43 large tanneries in India with nearly 8000 employees, 37 of them belonging to Madras alone. Cawnpur and Agra take the lead in Northern India. Throughout India local shoemakers supply a great quantity of the local demand. But with a rise in the standard of comfort a large supply of leather goods have begun to be imported from abroad. Prof. H. L. Smith looks upon the leather industry as having "the greatest potentialities for the

Leather.

Madras' share.

Prof. Smith's remark.

future" as raw materials can be found plentifully at almost no cost all over the country, the capital that is required is not very large and a large supply of skilled *chamar* labour is available throughout the length and breadth of India. All that is required to develop this industry is efficient training of entrepreneurs and managers who must be thoroughly acquainted with a knowledge of scientific methods pursued in the West.

How prosperity can be achieved.

Iron and Steel

VII. Iron and Steel:—"Iron ores are widely distributed in India, but smelting after European methods has only been carried on in Bengal, where coal is found in proximity to the ore, and before the formation of the Tata company it was carried on only by one company, whose production was practically confined to pig-iron, though steel plant was laid down in 1904 with the aid of a subsidy from Government, and was worked for a time. The scheme for the establishment of a large iron and steel industry on a scientific basis owed its inception to Mr. J. N. Tata. The *Tata Iron and Steel Company* was floated in 1907, with exclusively Indian Capital of over £ 1,500,000, and an Indian board of directors. After detailed preliminary enquiries, a lease of 20 sq. miles of iron-ore lands in Orissa was secured, arrangements were made for the erection of blast furnaces and steel rolling mills at a point, some 150 miles west of Calcutta, where the raw materials—ore, coal, and flux—could be most advantageously assembled. The Government of India gave assistance in various ways to this important project, and undertook to purchase annually for a minimum period of 10 years at least 20,000 tons of steel rails, subject to the Government specifications being complied with and prices comparing favourably with those at which similar rails

Tata Iron and Steel Company.

could be imported. It is stated that the rated capacity of the steel works is put down at 90,000 tons a year, employing 2,000 workers, including 160 Europeans." *Moral and Material Progress and Conditions of India.*

VIII. Some mineral industries. The chief of the present mineral industries of India are, *coal*, *kerosene*, and *gold*.

(*a*) **Coal** :—Vide pp. 74-75.

(*b*) **Kerosene** :—Vide p. 78.

(*c*) **Gold** :—In addition to the gold produced in India a large quantity is imported every year in the course of trade. In 1911, the net import of gold was to the value of Rs. 24 crores in addition to the net import of silver worth Rs 4½ crores. It is believed that the whole of this quantity is hoarded or sunk in ornaments by the people of India. (Vide pp. 75-76).

Coal. Kerosene. Gold.

In addition to these there are lots of smaller industries which if properly and ably managed may bear golden fruits. Prof. Kale, the optimistic thinker of Indian industrial progress, in the conclusion of his noted thesis on "Twenty-five Year's Survey of Indian Industries," thus quotes from Mr. H. J. Trozer's book on *British India and its Trade* :—

"The cotton and jute manufactures, already conducted on a large scale offer scope for still further development. Sugar and tobacco are produced in large quantities, but both require the application of the latest scientific processes of cultivation and manufacture. Oil seeds might be crushed in India instead of being exported. While cotton seeds, as yet imperfectly utilized can be turned to good account. Hides and skins, now largely exported raw, might be more largely tanned and dressed in India. Again, the woollen and silken fabrics manufactured in India are mostly coarse fabrics and there is scope for the production of finer goods. Although railways make their own

H. J. Trozer's view.

rolling stock they have to import wheels and axles, tyres and other iron work. At present steel is manufactured on a very small scale and the number of iron foundaries and machine shops, although increasing, is capable of greater expansion. Machinery and machine tools have for the most part to be imported. Millions of agriculturists and artisans use rude tools which might be replaced by similar articles that are more durable and of better make. Improved oil presses and hand-looms should find a profitable market. Paper-mills and flour-mills might be established in greater numbers. There are openings also for the manufacture of sewing machines, fire-works, rope, boots and shoes, saddlery, harness, clocks, watches, aniline and alazarine dyes, electrical appliances, glass and glassware, tea chests, gloves, rice, starch, matches, lamps, candles, soap, linen, hardware and cutlery."

§ Comparative efficiency of labour *and cost of production in the chief industries in India and other countries.*

It is admitted on all hands that the comparative efficiency of labour in India is lower than in other industrial countries. We have seen that when an English labourer raises 317 tons of coal per annum, an Indian labourer raises only 167 tons. Similarly in *agriculture*, when an English peasant raises 32 bushels of wheat per acre, our peasant raises only 13 bushels. Also in industries that depend solely on agriculture, such as sugar, we have found our position to be inferior. Where Java produces 4 tons of molasses per acre, we produce only 1½ tons. In organised industries, such as, cotton mills, etc. we have seen that an English labourer works from 3 to 5 times greater than our mill worker.

In mining.

In agriculture.

Agricultural industries.

Organised industries.

Thus we see though the *money wages* of an Indian labourer is lower than that of an Englishman, the

former's *real price* are always higher. The inefficiency of labour is due to the following reasons:—(1) He is inferior in inherited strength and energy; (2) the quality and quantity of food consumed by him is also inferior; (3) he lives and works in an insalubrious climate; (4) the sanitary conditions of his surrounding require total change; (5) he is a little less intelligent; (6) his hope for the future, and freedom and changefulness of his life is precarious; (7) nearness and directness of his reward is very remote; (8) and he requires urgently good laws and customs coupled with public sympathy to regenerate his conditions.

Why the Indian labour is inefficient.

§ Average Production and Income per head.

The condition of the once fabulously rich country of the world now compares most unfavourably with the present civilised nations. Mulhall estimated our *annual production* per head to be Rs. 40, while Lord Curzon and Mr. F. J. Atkinson estimated them to be £2 and £2·5 respectively. But many great thinkers, like Digby, Naoroji and others, consider it to be much below rupees thirty. The *burden of taxation* per head in 1902 was 3s. 5d. and making allowance for other expenses the net income is not, we suppose, more than rupees twenty-five. But, though after all these are conjectural statistics they are useful as throwing an effective light on the condition of the people of India. The present average income in the United Kingdom is stated to be forty-two pounds per head.

Annual production per head.

Average income per head.

§ The National Wealth of India.

It is very difficult to compute accurately the national wealth of India. For practical purposes we may divide

the entire *fund* into two groups, (*a*) the amount of *wealth invested* in the different sorts of productive enterprises, and (*b*) the *amount hoarded* by the people of the land.

Hoarded wealth of India.

It is very difficult to get a proper estimate of the first group of wealth, specially because foreign capital is lying sunk intermingled with indigenous capital. We can, however, safely say that it is very small. But the last group engages the attention of financiers, specially of foreigners, so much so that serious attempts have been made to compute them. Sir Earnest Cable, Henry Macleod, and others estimated the hoarded wealth of India to be worth not less than £550 millions in gold and silver. Lord Rothschild in his evidence before the Indian Currency Committee remarked that "smooth gold bars sent from London to India never come back." Trade statistics also show how large an amount of treasure is annually absorbed by India. As to the source and nature of these hoardings the authorities maintain that the Indian princes and Indian bankers largely possess these hoards and most of the wealth hoarded by the general population is in the form of rupees mainly, one-fourth only is in ornaments.

Foreign expert opinion on the subject.

Rothschild.

Trade statistics.

Where hoarded.

Expert Indian opinions.

Thackersay.

R. C. Dutta.

But the great Indian thinkers hold a less extreme view. Sir Vithaldas Dammodar Thakersay holds that it can not be denied that we hoard some wealth. But the amount concerned is very small. "The recurrence of famimes and famine-mortality proves this. It is significant that the poorer middle classes are the greatest sufferers from famines." Mr. R. C. Dutt holds the view that at least in Bengal very few rupees are hoarded. Truly speaking, with the recent rise in the standard of living all that is now hoarded is in the form of gold ornaments

by the middle classes who draw a fixed income, with the sole intention that it will serve them as a reserve in times of contingency. These hoardings are justifiable for the present as the hoarders have no opportunity to invest them personally; and as also they can not dare to invest them safely in joint-stock companies. Further, the people are compelled to hoard in ornaments as the banking system is quite undeveloped and a moment's notice can not bring money to them. As for the imported treasures, we may safely say that as the country evolves from national to world economy stage, most part of them are only urgently diverted to meet the increasing demand for the medium of exchange. The truth of this view is illustrated by the fact that since 1900-07 the Indian Mints coined 100 crores of rupees inspite of the regulations of the closing of the Mint Act of 1893.

What the hoardings mean: their justifications.

The Government also hold the view that *the practice of hoarding* is fast dying out in India. The Hon'ble Mr. Clark remarked, "There are signs that the ancestral habit of hoarding is beginning to give way before modern influences."

The practice of hoarding disappearing.

Sir Robert Giffen estimated in 1903 that the average wealth per head in India is £10 while in England it is £334 per head.

Wealth per head.

But national wealth includes other things than the amount of treasure in circulation or hoarding. It includes, (*a*) public material property of all kinds, e. g. canals, etc; (*b*) all kinds of free goods, e.g., the Ganges, Himalayas, etc; (*c*) business connections and better trade reputations; (*d*) the better organization of credit,* etc. India possesses the first two natural advantages

Other constituents of national wealth.

* See my "Study of Economics."

very advantageously, but in the last two achievements she lags behind the civilised countries of the world.

§ Factory Legislation in India.

Act of 1881 amended in 1891.

The provisions of the Act.

Definition.

Powers of the local government.

Stoppage of work.

Employment of children.

Protection and sanitation.

The first Factory Act was passed in India in 1881, and its provisions as amended by the Act of 1891, regulated the conditions of factory labour till 1911. The chief provisions of the amended Act were briefly as follows:—A factory, for the purposes of the Act, meant any premises (other than indigo factories, and those on tea and coffee plantations) in which manufacturing processes were carried on for not less than four months in the year, with the aid of mechanical power, and in which not less than 50 persons were employed. The Act could be *extended* by local Governments to establishments in which not less than 20 persons were employed. Local Governments were empowered to *appoint* inspectors of factories and *certifying* surgeons to certify as to the age of children. A *mid-day stoppage* of work was prescribed in all factories, except those worked on an approved system of shifts, and *Sunday labour* was prohibited, subject to certain exceptions. The hours of *employment for women* were limited to 11, with intervals of rest amounting to at least an hour and a half; their employment between 8 a. m. and 5 p. m. was prohibited, as a general rule, except in factories worked by shifts. The *hours of work for children* (defined as persons below the age of 14) were limited to seven, and their employment at night time was forbidden; children below the age of nine were not to be employed. Provision was made for the *fencing* of machinery and for the promulgation of rules as to *water-supply*, *ventilation*, the prevention of *overcrowding*, etc.'

The Act of 1881 was repealed by the Indian Factories Act of 1911, which, however, did not come into force until the 1st of July 1912.

The causes for the repeal of the Act of 1891 were the following:—(*a*) Increasing use of electric light in the Bombay mills abolished the security that operatives could not be employed for more than 12 hours a day on the average. During the prosperity of cotton industry in 1904-05 operatives were almost regularly worked for 15 hours a day.

Why the Act of 1891 should be repealed.

So in 1916, the Government of India appointed a small committee with *H. P. Freer-Smith* as Chairman to conduct a preliminary inquiry into the conditions of labour in textile factories.

Committee of 1906.

The Committee recommended that the working *hours of adult males* should be limited to 12 hours a day; that certificates of *age* and *physical fitness* should be required prior to half time employment and prior to employment as an adult; that *night-work of women* should be prohibited; and that *whole-time Medical Inspectors* should be appointed.

Recommendations of the committee.

The conclusions of this Committee formed the basis of an investigation by a representative Commission. Their report disclosed "the existence of abuses, particulary in connection with the *employment of children*, and the *excessive hours* worked by operatives generally in textile factories. The majority of the Commission deprecated a *statutory limitation of the working hours of male adults*. But they recommended the *formation of a class of "young persons,"* between 14 and 17 years of age, whose hours should be limited to 12 and condsidered that this would indirectly secure a 12 hours' day for male adults. They also recommended that the *hours*

Appointment of a Commission.

The report of the Commission.

of work for children should be reduced from 7 to 6 hours and that the *hours for women* should be assimilated to those for "young persons," night-work being prohibited for both classes. They recommended that children should be certified as to *age* and *physical fitness.*"

On the recommendations of the Committee and of the Commission a Bill was introduced in 1909 and was finally passed into law in 1911.

Factories Act of 1911 Definiton.

The **Indian Factories Act, 1911**, extended the definition of "factory" so as to include seasonal factories working for less than four months in the year, shortened the hours for which children (and, as a general rule, women) may be employed, and further restricted the employment of women by night by allowing it only in the case of cotton-ginning and pressing factories. It also contained a number of new provisions for securing the *health* and *safety* of the operatives, making inspection more effective, and securing generally the better administration of the Act. The most important feature of the Act, however, was the introduction of a number of *special provisions* applicable only to textile factories. The report of the Factory Commission showed that excessive hours were not worked except in textile factories. The Act for the first time applied a *statutory restriction to the hours of employment of adult males* by laying down that, subject to certain exceptions, 'no person shall be employed in any textile factory for more than 12 hours in any one day.' It also provided in the case of textile factories that no *child* may be employed for more than six hours in any one day, and that (subject to exemptions in certain cases among which are factories worked in accordance with an approved system of shifts)

Provision for health and safety.

Special provisions.

Restriction upon adult work.

Child labour.

no person may be employed before 5·30 a. m. or after 7 p. m. (the new limits laid down generally for the employment of women and children). Corresponding limitations were placed on the period for which *mechanical or electrical power* may be used."

§ Technical Education and its relation to castes and guilds.

Progress of technical education in India.

That technical education is sorely needed in India few can deny, and fortunately of late it attracted considerable attention. The progress that has been made during the last decade in the various provinces may be thus summarised:—

Madras.

(1) *Madras*:—The reorganisation of the *School of Arts* and the development of several *engineering* schools are incidents of the second-half of the last decade. There are several *industrial schools* mostly established by the missionaries. *Lace making, needlework, printing* and *book-binding, wood-work* and *metal-work*, are taught in a number of schools.

Bombay.

(2) *Bombay*:—Since 1904 three important institutions have been started—the *College of Science* at Poona, the *Victoria Jubilee Technical Institute* and *Sir J. J. School of Art* at Bombay. Two other important institutions are the *Royal Institute of Science* at Bombay and the *Madhavlal Science Institute* at Ahmedabad. But though there has been great expansion in technical education, there much remains to be done in increasing the efficiency of existing institutions as well as in the way of further expansion. The great drawback that lies in the way of technical education is however, that few follow the profession about which they get any training.

Bengal.

(3) *Bengal*:—In Bengal there are a number of technical, commercial and industrial schools. The *Serampore* Weaving Institute has been started with the intention of supplying local demand effectively.

The United Provinces.

(4) *The United Provinces*:—Since 1907 measures have been adopted to expand the scope of the *Thomason Engineering College*, Rurki, so as to include instruction in textile industries and electrical and mechanical engineering, to improve the industrial school at Lucknow and establish other additional industrial schools, to develop the school of Arts and Crafts at Lucknow, carpentary school at Bareily, and an experimental weaving station at Benares. Sanction has also been granted to establish a Technological Institute at Cawnpore for the chemistry of sugar manufacture and leather, textiles, and acids and alkalies. The conferring of university commercial certificates will no doubt stimulate further technical education in the province.

The Punjab.

(5) *The Punjab*:—The Punjab being in the main the country of the agriculturists and the craftsman, it possesses both an Agricultural College, and a School of Art (Mayo) at Lahore. There being practically no organised industries in the province, the provision of technical education is necessarily scanty and in the more restricted sense can hardly be expected to exist as yet.

The Central Provinces.

(6) *The Central Provinces*:—The Industrial School at Amraoti is now being named Berar Victoria Memorial Technical Institute. It teaches mechanical engineering moderately, and trains men for work in the cotton gins and presses in Berar. Also an engineering school for the instruction of civil and mechanical engineers has been started at Nagpur.

There are also many private and Government organisations for the spread of Technical and scientific Education in India. The chief of them are (1) Association for the advancement of Scientific and Industrial Education of Indians, in Bengal, (2) Tata Educational scheme, (3) Madras 'National Fund' for foreign education of Indians, (4) the Victoria Jubilee Hindu Technical Institute, Lahore, (5) the Chamarajendra Technical Institute, Mysore, (6) *Kalabhavan* in Baroda, (7) and other smaller or greater Technical Institutes and Funds in the Native States.

Some arrangements for the advancement of technical education in India.

But *technical education* taken as a whole *is a failure in India* and it is so for the following reasons :—(*a*) the prospects that it ever held before the higher classes of the people were *quite unambitious*, while to the innumerable mass it was *too literary* and *remotely paying*. (*b*) *Respect for labour* is quite uncommon in India and a fixed income in another's service is more alluring. (*c*) Well-trained *teachers* are rarely available, while intelligent students are still more wanting. The worst boy is always sent to learn the arts. Further, a father here always decides what his sons are to do without any reference to their respective aptitudes. (*d*) The fund available is always the *Government money*, the public money flowing into this channel is very scanty.

Why technical education is a failure in India.

Prospects unencouraging.

Want of respect for manual labour.

Want of able teachers.

Supply of capital is small.

Under the circumstances the following course should be adopted to make this kind of education successful :— (*a*) it must have reference to the *local industrial needs* : a technical school should aim at supplementing the efforts of the local working man—the man engaged in the crafts; (*b*) it should be the true foundation for *progressive improvement* in the existing and prospective crafts : the workman should feel that his son would be

Suggestions for success.

the better for being educated in the school and the layman feel that the school would furnish his son with the requisite knowledge for entrance into successful and profitable pursuit of the craft taught; (*c*) the *industrial centre* of a particular group of industries is obviously the best place where to disseminate knowledge concerning that group; (*d*) what the school should aim at would be to leave intact the *older method of apprentice system* for acquiring practical skill and supplement it by imparting scientific and advanced knowledge of the craft or industry to the actual workers in the craft or workshops, etc.; (*e*) *evening class work* among the workmen, teaching them the three R's and drawing, and then scientific instruction in their own art, is about the best way of making a technical school useful; (*f*) a technical school *working in conjunction with big workshops* would afford the ideal combination to produce the right sort of stuff; co-operation should be established between the workshops, factory, etc. and the school, and both will derive benefit while the interests of true technical education will be advanced; (*g*) the schools should be under the proper *supervision of technical experts* or local representatives of the industries taught and not under the supervision of literary Educational Inspectors.

To sum up, "the technical school should start from a sympathetic study of the needs of the workingmen and the crafts of the locality, should take the working man and industrialist into its confidence, should establish co-operation and join working with workshops and factories and what is more, should keep a kindly and paternal watch over the workman, its graduates as well as the industries within its range."*

* Mr. S. N. Pherwani M. A. M. E. on *Side Lights of Technical Education* in the India Review.

Technical Education and castes, see pp. 106-08.

Indian system of Technical Education :—India is ever famous for her handicrafts and some 2000 years ago her cotton industry was relatively more prosperous than it is now. Her organisation of labour was also highly efficient. Sons always adopted the father's trade and received their training from their very childhood. Others who wished to become initiated to some trade, he must of course belong to the same caste guild, apprenticed himself to some well-known hand in the trade. His first service was often outside the trade, and he got in exchange only food. Gradually, if he was found intelligent he was taken into the trade and sometimes became partners with his master and even married his daughter. But now-a-days foreign competition has disorganised the industries, and only few master craftsmen may be found to have a few apprentices, while the general tendency everywhere is to abandon the old trade and to become a day labourer or at most to become a clerk in an office. The result is that we have already lost or fast losing the technique that is essential to organise important in dustries.

CONSUMPTION.

CHAPTER I.

The Indian standard of comfort as determining Indian consumption: the laws of consumption; statistics of Indian consumption; comparison with the United Kingdom.

§ Indian standard of comfort as determining Indian Consumption.

India being partly in the tropical and partly in the subtropical regions, the inhabitants are not required to spend much on food, clothing, and shelter. Cheap food, rice and millet, a few yards of cheap cotton cloth and a mud and bamboo hut thatched with straw are all that is *necessary* to sustain the life of an average Indian. Shirts and shoes are looked upon as *decencies* while sock and stockings are *luxuries*. A few brass pots used for eating and drinking, various earthen vessels for cooking and storing provisions, some kitchen utensils and implements for cutting, etc, made of iron, grinding stone, a few earthen lamps, some pillows and quilts made of rags, a few straw or palm leaf mats, perhaps a *charpoy* or two to sleep or to sit on, generally make up the list of *household furniture* of an ordinary Indian villager. In taking meals he uses the floor as the dining table, plantain or shal leaves or brass vessels as plates, and his hands are his spoons and forks. The sun, the moon, and the stars serve as his clock and watch. A fire place is of course quite unknown to him. A large part of the fuel he uses for cooking consists of cowdung picked up in fields. Water is his only beverage; even when he takes anything stronger it is of the cheapest kind. His sports and amusements too do not require

The necessities of life.

Household furnitures.

Indian standard of comfort.

any expensive material. In the indigenous schools there are no blackboards or wooden seats for teachers and boys while palm leaves serve generally the purpose of slate and paper. Thus on the whole the *Indian standard of comfort seems to be very low*, when compared with the European standard. The effect of this is that *an Indian villager does not consume many foreign goods*, his simple wants being sufficiently met by what is produced in his own village or neighbouring villages. Formerly he imported next to nothing from the world outside and even now *his imports mainly consist of* a few cheap articles of every day use, such as machine-made cloth, kerosene oil, matches, iron-plates, lanterns, etc. *India does not afford an extensive market for any costly merchandise.* On account of his poverty the average Indian purchaser is rather disinclined to buy expensive things, even though they are more efficient or last longer and therefore cheaper in the long run than the cheap and flimsy things he uses. *He cares more for the cheapness of an article* than for its quality. This tendency on his part has been better studied by the German than by the British manufacturer, and hence certain British goods, e. g. woollen goods, hardware, etc., are being largely displaced in India by German manufactures.

A village is a scarce consumer of foreign goods

He is a consumer of cheaper goods.

The general poverty of the Indians and perhaps their *religious nature* which makes them look upon multiplication of desires and enjoyments of even the simplest luxuries as evils, have always tended to keep down the scale of living in this country. Moreover, consumption of certain articles is *prohibited by customs* and religious prejudices of the community. On the other hand, there are signs that the standard of comfort is gradually rising with the spread of the Western educational ideas among

Why the standard of living is kept low.

But the standard of comfort is rising of late.

the people. The changes of course are most visible in the *higher grades* of the society, but the lower ranks are not quite unmoved. Not only are the *middle classes* better housed and better dressed than before, but the *peasant* also now wears longer, finer and broader cloth than his fore-fathers did, while his sons are evincing a growing desire for at least occasional use of shirt, coat and shoes and even of fancy umbrellas and hand-kerchief. We are moreover learning to appreciate the value of such comforts as newspaper, filtered water, and street lighting. Our amusements and recreations too are becoming more expensive requiring more costly materials. The increasing tendency of the people to consume luxuries is further indicated by the continuous increase of the excise revenue It may be one of the causes that the recent rise in food grains is raising the cultivator's standard of living.

How the different grades of society are affected.

Some economists look upon cheap food as a thing to be deprecated. They argue that it is almost certain that the people will carry their increase up to the limits of subsistence according to the kind of food they use, whatever that may be. If the food be of the cheapest kind as in India the failure of crop means starvation, whereas in a country where the people subsist habitually on dear food, the masses may in times of scarcity resort to cheaper sorts of food. It would be therefore *better for the Indian if they acquire the habit of living on dearer food.* But Mr. Walker points out that 'in a country where the people have shown the capability of setting bounds to the increase of population by the exercise of their own judgment and will, cheap food would be an advantage for it would enable the people to effect a saving which may be applied to the permanent enlarge-

Potato philosophy of wages.

ment of their capital or to the increase of their comforts or to the spread of education and culture. What is necessary in fact is not the introduction of dear food but the general rising of the standard of life, which implies an increase of the intelligence and energy and self-respect, leading to greater exertion and higher activities, greater care and judgment in expenditure and an avoidance of ways of living that are unwholesome, physically and morally'. According to Prof. Senior 'the great preventive check to the increase of population is the *fear of losing decencies*. The desire for decencies is a powerful incentive to progress; a man who has advanced from the position in which he earned a bare subsistence to one in which he earns comforts is for that very reason likely to advance further, while, on the other hand if a man once falls below the plane of comfort and decency, he soon becomes quite reckless, loses all self-respect and goes further and further down without any check till he is thoroughly brutalised.' Fortunately for India, a feeling of decency has evolved in the minds of her people of late, a result of her foreign connection. This spirit may keep her population more steady and ultimately raise her standard of living. (See my *Study of Economics*).

Prof. Senior and *decency* problem.

§ The Laws of Consumption.

The following are the points that should be noted in consumption.

The law of consumption stated.

I. *Wants are progressive*. The wants of the savage are few but every step in progress upwards increases a variety of needs.

II. Wants at first gives rise to man's *activities* but

afterwards each new step upwards is to be regarded as the development of new activities giving rise to new wants. The savage hunts for food, wears dress to keep himself warm, and builds hut to get shelter from weather. These are 'necessaries for his existence.' But a civilized man wants richer and more various food, more costly dress and ample houseroom because he looks upon them as necessaries for efficiency and exercise of his higher activities as well as the most convenient means of securing social distinction.

III. The operation of the law of satiable want or *diminishing utility*. The total utility i.e., the total pleasure-affording power of a commodity to a person increases with every increment in his stock of it but the marginal or the final utility of a commodity diminishes with every increase in the amount of it he already has.

IV. The *law of demand* therefore is, the greater the amount to be sold, the smaller will be the price at which it will find purchasers, *i.e.*, the amount demanded increases with a fall in price and diminishes with a rise in price.

V. We first procure and consume the goods which yield the greatest *consumer's rent i.e.*, surplus of utility over costs, and endeavour to reach a maximum of gratification by making the final utilities of the last increments of all commodities as nearly equal as possible.

VI. *Engel's Law of Consumption*. As the income of a family increases, (*a*) a smaller percentage is expended for food; (*b*) the expenditure on clothing remains approximately the same; (*c*) percentage of expenditure for rent, fuel, and light remains nearlyt he same; (*d*) and a constantly growing percentage is expended for education, health, recreation, amusements, etc.

VII. Consumption is of two kinds, immediate and postponed. The first is called *spending* and the second *saving*.

(*a*) *Spending*:—It is beneficial when it turns capital and labour from relatively unproductive channels into those that are more productive; if it does the opposite, it is economically harmful. By means of spending, each man exerts a great influence on productive activity, but we are mistaken if we believe that spending is more useful than saving or that spending is always an advantage even though it involves useless destruction of wealth. Luxury which means gratification of a superfluous want is not always an evil, for suppression of all desire for luxuries prevents the development of all those wants which constitute civilisation. Luxury is condemnable when it degenerates into wastefulness, *i.e.*, when there is a disproportion between the amount of social labour consumed and the degree of individual satisfaction obtained. Consumers may reduce their expenses without reducing the quantity or lowering the quality of the objects they consume by means of various consumers' associations.

Spending.

(*b*) Saving provides for future wants not only of individuals but also of society as a whole for it is by means of united individual savings, large amounts of capital may be formed. So every man ought to try to save but if saving involves a curtailment of the necessary wants of man the effect is rather bad than good.

Saving.

In India the people should be taught to form consumer's associations among themselves. The joint families and the boarding establishments known as messes are forms of such associations on a small scale but their operations are so limited that except a little

saving in the cost of living no other advantages are secured by them. Encouragement of thrift is also highly necessary. Indian peasants are rather lacking in foresight and often ruin themselves by their improvidence and reckless expenditure. People should not only learn to put something aside but also to invest what they can save. Under British rule, fortunately, there is security as well as opportunity for investment and so there is little excuse for hoarding. (See my *Study of Economics*).

§ Statistics of Indian Consumption; *Comparison with the United Kingdom.*

It is impossible to get a correct estimate of Indian *per capita* consumption. Generally, consumption per head is calculated by adding the quantities of a thing produced within the country with those that are imported and then subtracting the quantities exported or re-exported, and finally dividing the amount by the number of population. But such purely statistical estimates are misleading to the highest degree possible, as India being a country of small producers, mainly cottage producers, no correct average estimate of production is possible. Others calculate the standard of consumption by studying critically the conditions of the different classes composing a society and then making a deduction from it. Principal R. N. Gilchrist, most successfully attempted to make a thorough study of the conditions of the domiciled Anglo-Indian Community in Calcutta and has shown a way which deserves much to be imitated. But for all that, it can be very well inferred and rightly presumed that Indian standard of consumption falls far below the English standard. About 28 millions of people in India are always in want of food and expert

How to calculate per capita consumption.

Indian standard of consumption.

medical authorities declare that the depredations of various diseases, *e. g.* malaria, cholera, plague, etc, are mainly the results of ill nourishment. Further, the statistics regarding the average income per head show that an Indians' income is less by one-twentifith of the income of an Englishman. Sir Robert Giffen in his address to the British Indian Association in 1903 observed: "How vast must be the economic gulf separating the people of the United Kingdom and the self-governing Colonies from India and the parts of the empire occupied by subject races, when we find that *forty-two millions* of people in the United Kingdom consume in *food* and *drink alone* an amount equal to the whole income of *three hundred millions* of people in India.

Forced raising of the standard of living in India.

It is considered, however, by all economists that the rise in the standard of living shows the economic prosperity of a country. Following this doctrine attempts are now being made in all quarters to raise the standard of our living without taking notice of the fact whether we are earning more than before. These men should know that the standard will be automatically raised with a rise in their income. But it is urged that new wants will give rise to new activities for earning more. Here, however, they make a misconception. In our very early stage it is want that gives rise to new activities. But when we have passed the stage of earning bare subsistence it is new activities that will give rise to new wants, *i, e.*, our efficiency judges whether we should aspire to indulge in higher living. Now, if in this stage without consulting whether we have capacity to create and satisfy new wants, we arbitrarily and whimsically run after them, the result will be that they will bring poverty upon us and our actions may rightly be termed acts of

extravagance. Unfortunately, such is the case with not a negligible portion of the people of India. The result is unflinching poverty in almost all quarters. The evils of this forced rise in the standard of living has become all the more serious as the cost of living has also increased and is steadily increasing of late. Foreigners who only seek the sale of their goods in this country over and over again advise us that for the people's good India should raise the standard of her living. (Warren Hastings' Evidence before the Commons, 1813).

Stages of Indian consumption.

According to the economists human wants manifest themselves in the following successive stages. At first, we struggled for bare *subsistence*, then there came the desire for *variety*, followed ultimately by the desire for *distinction* and the desire for *excellence*. In India all these four stages of successive wants are manifest at present. In the first class come some 60 per cent. of the population. They are mainly agriculturists. Their wants are limited to simple food and non-intoxicant drink, coarse cloth and a small hut to lay their heads together. Remarking on this lowest standard of living a writer in the Economic Journal (March, 1912) said that the Swadeshi Movement will very little affect the British manufacturers as the demand of the people of India is restricted only to a few but staple articles, most of which the Indians can never replace by their home production. Then comes the *second class* composed mainly of the poor middle class men. They compose 25 per cent. of the population. Their wants are limited to *foods* of several kinds, from rice and wheat to sweet-

Stages of consumption in India: four grades.

meats and fish and flesh, and *drinks*, from toddy and bhang to cheap liquors of various kinds. They live in better-built cottages and wear cheap fine foreign clothes. Some ornaments are also used by their females. Then come the *third class* who are composed of the well-to-do middle class. They compose some 10 per cent. of the population. They live in brick-built houses, receive higher education, indulge in luxuries, use both costly foreign and home productions, spend much in social and religious ceremonies, and form the back-bone of the society. Lastly, come the aristocratic class. They compose less then 5 per cent. of the population. To them owes the regeneration of the country, and their consumption are mainly confined to articles of excellence.

It is no wonder that India should lag far behind England in matters of consumption. The latter's income is 25 times larger than that of the former; moreover, she is a cold country requiring more food and drink.

The nature of Indian Consumption.

It is a curious fact with India that she affords the greatest market for *cheap articles* of the world. Her people patronizes the worthless cheap goods of Germany and Japan to the prejudice of her durable home-made goods or better British makes. The reasons for this predilection in the wrong direction lie, *first*, in the incapacity of her people to understand intelligent self-interest, a failing which is mainly attributable to the *high level of general ignorance*. *Secondly*, the *passive nature* of the people coupled with a *deep sense of utter helplessness* forbid them to think twice before they purchase

foreign goods. *Thirdly*, the average people and oftener the poorer classes, in their endeavour *to imitate the high standard of living* among the upper classes, purchase imitations to satisfy their vanity. *Fourthly*, the cheap flimsy substitutes have generally a *good finish* over the home-made lasting goods and so they appeal to popular tastes more irresistibly. *Fifthly*, most of the people having been dependent upon agriculture, the *surplus* which is left to them after satisfying their necessities cannot but be small and so investment on high-priced goods, however good and lasting they might be, becomes out of the question. *Sixthly*, most of these cheap goods can be had by the people at their *own doors* and often on *credit*. *Seventhly*, the suppliers of these cheap goods always critically study the *fancy* of the people and dazzle them with as many kinds of *varieties* as possible. *Eighthly*, those producers can help to allow *larger commissions to retailers* and thus can easily capture the market. *Ninthly*, the people of the country readily *believe in others* than they can believe in themselves. When a want is created, it must be satisfied, however precarious the object to satisfy it really may be. *Lastly*, the *poverty of the people is increasing* and they have to distribute their shortening resources among the various necessary uses.

CHAPTER II.

FAMINES.

Indian Famines and the famine Relief.

History of Indian famines.

India, like other agricultural countries, has been the victim of famines from the very earliest times. We find numerous descriptions of famines in Sanskrit and Pali literature. But we have no strong authority to declare whether they were frequent or scarce. However, in all descriptions we find that they were the results of failure of harvests for long series of years, and the name *'Mannantar'* also declare that they were exceptional occurrences presaging the termination of an era. In the later Hindu age, we have records of history that well-concerted precautionary measures against famines were adopted by the State in the from of irrigation, etc.

Hindu rule.

Mahomedan rule.

During the Mahomedan rule, though there are instances of the visitations of famines, they are few and far between. There were only four famines of any importance during a period of 500 years.

British rule.

But during the British rule the recurrence of famines have become more frequent. From 1770 to 1900, during a period of 130 years 'we have a sad record of twenty-two famines.' We here enumerate the chief of them. In 1770 due to the failure of rains and the malad-ministration of the East India Company, a terrible famine visited the land carrying away over ten millions of people, estimated to form one-third of the entire population. Then comes the 'very widespread and intense famine' in Northern India in 1784. Warren Hastings recorded

(1) Under the Company.

Bengal Famine of 1770.

about this famine thus,—'the distresses which were produced by the long-continued drought unavoidably tended to heighten the general discontent; yet I have reason to fear that the cause existed principally in a defective, if not a corrupt and oppressive, administration. I am sorry to add that from Buxur to the opposite boundary I have seen nothing but traces of complete devastation in every village." From 1784 to 1854 there were six famines in Madras, three in Bombay and two more in Northern India. There being no means of communication in those days prices in famine areas rose to levels rarely reached in modern times. So Government interfered with trade and prohibited the export of grain and tried to import and fix the price. But since 1812 Government stopped to interfere with trade. Relief works were first opened in 1792 but the recognition of the obligation that *work should be provided to all who seek for it* came as late as 1838. The relief of the helpless and the infirm was left to the charity of the public. Most of the famines, which numbered not less than a dozen, during these years can mainly be attributed to the wars of conquest of the British and the consequent disorganisations of administration and trades. After the assumption of the sovereignty of India by the Crown, a famine visited Northern India in 1860. The wars of the Mutiny, and the act of retribution which followed, had greatly interfered with cultivation. and when there was a failure of rains in 1860, it was followed by a famine. The principle of relief, for practical purposes, was modified. The population was roughly divided into *three classes*, (*a*) those capable of work in the large public undertakings; (*b*) those who were proper objects of charity, but from whom, for moral rather than economic reasons,

Famine in Northern India in 1784.

Warren Hastings' remark.

Government policy towards famines in the early days.

The causes of the earlier famines.

(2) Under the Crown.

Northern India famine of 1860.

some work was demanded in the poorhouses in which they were fed; (c) and lastly, those, who, on account of their caste or decreptitude, were unable to leave their homes. The care of the latter class was left to the charity of private individuals. Free trade principles were announced and strictly adheredto, and Col. Baird Smith expressed that "*our famines are rather famines of work than of food.*" The latter, who was deputed to enquire into the causes, reported that the famine was less severe than of 1837 on account of the more lenient land assessments (by the Saharanpur rule of 1855) and recommended a permanent settlement on the line of Bengal. Then came the terrible famine of Orissa in 1866. The scanty rainfall of 1865 destroyed the winter rice while the inundations of 1866 caused further damage to the crops. The Government also committed blunders 'being misled by defective estimates of the population requiring food and by fictitious price lists.' The mistake was found out too late and the difficulty of communication aggravated the situation. Then came two other famines, one in 1869 in Northern India (called Rajputana Famine) and another in 1874 in Bengal. In 1876 a general famine afflicted Southern India. (Madras, Mysore, Hyderabad, and Bombay) for two years, and in the second year extended to the Central and the United Provinces and to a small tract in the Punjab. The Government of India thus enunciated its policy of relief then: "we say that human life shall be saved at any cost and effort; and if it is asked what 'the general principles are by which the District officers should be guided in refusing the aid needed to preserve life, the reply must be that there are no such principles, and that there are no circumstances in which such aid can be refused.' The

Orissa Famine of 1866.

Two other famines.

Southern India Famine of 1876.

The famine policy of the Government of India enunciated.

loss of life from this terrible famine was estimated at 5¼ millions. The declaration of the Government's idea of relief could not satisfy everybody, so in the year 1878 the question of relief was submitted to the first great Famine Commission under the presidency of Sir Richard Strachey. The labours of this Commission were of two kinds. They formulated *general principles* for the proper treatment of famines and they also suggested *particular measures* of a preventive or protective character. The Commissioners declared that 'the great object of saving life and giving protection from extreme suffering may not only be as well secured, but in fact will be far better secured, if proper care be taken to prevent the abuse and demoralization which all experience shows to be the consequence of ill-directed and excessive distribution of charitable relief.' They followed the maxim of Turgot that 'the best and most useful kind of alms consists in providing means of earning them,' and laid down the following principles, (*a*) that the able-bodied, on performing a reasonable task, will get wages sufficient to live ; (*b*) that people, unable to work, should get gratuitous relief at home or poor-houses. Interference with trade was stopped and remissions and loans to landowning classes were recommended with a corresponding duty to them towards their tenants. Then came the Madras Famine of 1889 followed by the widespread famine in Madras, Bengal, Burma and Ajmer in 1892. Again in 1897 a more widespread and intense famine broke out in Northern India, Bengal, Burma, Madras and Bombay. In 1898 a Famine Commission was appointed under the presidency of Sir James Lyall to enquire into the incidents of the famine of the previous year. Its recommendations were principally

The Famine Commission of 1878-80.

The policy of relief re-stated.

Principles to be followed.

Other recommendations.

Famine Commission of 1898.

A few detailed suggestions.

the same as that of the former and where it differed, it differed only in some minor details. It made special recommendations for the relief of the weavers, aboriginal and hill tribes, and for the management of the charitable relief fund. It recommended a more liberal wage and a freer extension of gratuitous relief. Towards the conclusion of its report it made the following significant remarks about the labouring classes of India :—"This section is very large and includes the great class of day-labourers and the least skilled of the artisans. So far as we have been able to form a general opinion upon a difficult question from the evidence we have heard and the statistics placed before us, the wages of these people have not risen in the last twenty years in due proportion to the rise in prices of their necessaries of life. The experience of the recent famines fails to suggest that this section of the community has shown any larger command of resources or any increased power of resistance. Far from contracting, this class seems to be widening, particularly in the more conjested districts. Its sensitiveness or liability to succumb, instead of diminishing, is possibly becoming more accentuated." In 1900 the Punjab, Rajputana, the Central Provinces and Bombay suffered from famine. In 1901 a third Famine Commission under the presidency of Sir Antony MacDonnell was appointed to examine the whole question of famine. They declared that famine relief taken as a whole was excessive, recommended 'prudent boldness' to make the test of relief stringent but not repellant, revised the wage-scale and made proposals for dealing with a fodder famine. In revising the wage-scale it recommended that in no case should power be given to earn beyond the normal wage. Full ordinary task should be exacted and

The Commission upon the condition of the labouring classes.

Famine Commission of 1901.

labour should be the only test. Two other lesser famines visited the land in 1907, and 1908. Mr. R. C. Dutt and others attribute the causes of these later famines to the failure of rains, heavy land assessment, increasing military expenditure for Britain's extending Asiatic Empire beyond the boundaries of India, and the consequent increase in taxation, etc. To the credit of the Government be it said that the policy of relief adopted by it saved many lives and alleviated untold of miseries. At a moderate computation the loss of lives during famines may be estimated at twenty millions within the forty years ending with 1900.

Causes of the later famines.

The Economic effects of a Famine.

The results of these famines are appalling. It carries away thousands of the sturdy *labouring population* and most injuriously affect the *efficiency* of the rest of the people. The twin sisters of famine, cholera and fever, carry away the flower of the community whom the latter fail to affect. *Land* may gain in productivity by being kept fallow through a harvest time and for being supplied with nitrogenous matter from the carcase of the dying animals, but cultivation may be delayed in some tracts for so many years that the loss thus sustained is several times greater than the gain which may be derived from increased fertility. The greatest loss is, however, on the account of *capital*. An Indian cultivator's capital is mainly composed of *seed-grains* and live-stock. But the first pressure of a famine falls on these two heads. *Trade* shrinks and *industries* disappear as there are few who can buy from the sellers, who are many. *Immorality* increases and *lawlessness* finds a ready scope. Thus the *production of wealth is hampered* and the industrial development of the country assumes a retrogade order.

The economic effect of famines.

How it affects Labour.

Land.

Capital.

Trade and industries.

Immorality and lawlessness.

Production of wealth hampered.

Finance affected.

The *finances* of the country are also seriously affected and many pressing needs remain unsatisfied for years to come.

Causes and Remedies of Indian Famines.

A survey of the melancholy history of the Indian famines and the economic losses they involve lead us to make a careful examination of the various causes which bring in a famine, and then suggest the remedies that may seem effective to mitigate them.

Prof. S. C. Roy believes with others that, (a) the cause of famine lies in the *want of money* than in the want of food. Sir Richard Strachey showed in 1877 that taking the country as a whole, the food supply easily provides for the entire population under all known circumstances: and facts also show that during some of the latest severe famines exportation of food grains continued without any serious break down. So we may conclude that the people are poverty-striken so much so that they cannot store for a bad season which may on an average occur 'twice to every seven good.' In answer to the many eminent authorities who proclaim that increase in the Savings Bank deposits is the true index of the growing prosperity of the people, we may say that the number of depositors is very small, barely one million as compared with a population of 321 millions. Moreover, from 3 to 10 deposits generally come from a member of a single family (well-to-do middle class) only under different names. while raising of the amount of money that can be deposited by a single person, is diverting money from different sources towards this investment on account of its security, and easy accessibility and facility of transaction. So we can conclude that there is very little connection between savings banks and agricultural people

Poverty of the people.

who are the worst sufferers during famines. Those who know intimately the condition of the Indian people can safely say that very few of the 68 p. c. agricultural population are even aware of the existence of Post Office Savings Bank.

(*b*) The *failure* of *rainfall* sometimes precipitates famine. It is the bane of all agricultural countries. The farmers having almost no capital and very little credit, coupled with *the ignorance of a saving habit*, a failure of harvests put a severe strain on their reserves which unfortunately amount to next to nothing in this world. Particularly there is one class of people, such as the landless labourers, on whom the thunder first bursts forth. With every failure or partial failure of harvests their services are dispensed with or highly curtailed causing them to seek after relief operations. But it should not be presumed that the failure of a single harvest causes famine. A succession of several failures brings in the calamity. This state of things will continue so long as the country will remain mainly agricultural. To combat this physical disability irrigation has been extended throughout India.

The evils of an agricultural country.

(*c*) According to a certain civilian critic of Mr. R. C. Dutt's "Open Letters,' the cause of famine in an old-world country like India is the introduction of modern civilisation which is continually expanding *extremes* in the country making the rich richer and the poor poorer. But this argument is not backed up by facts. In India the instruments of production are so widely scattered according to both space and persons that such socialistic views are quite out of place. Both agriculture and manufacture are not concentrated in a few hands as in other countries of the world.

An unfounded criticism.

(*d*) Mr. R. C. Dutt held the view that it is the excessive land assessment that have taken away the resisting power of the people against scarcity and famines.

Remedies for the prevention and mitigation of famines.

The following are some of the *remedies proposed for the prevention and mitigation* of famines :—

Prof. S. C. Roy's views.

(*a*) Construction of *railways* and canals for *irrigation* purposes. Irrigation is sorely needed for the prosperity of the people while railways are necessary for the transport of provisions during the famine. This improvement in communication has differentiated the character of modern famines from that of the past.

Railways and irrigation.

Formerly, people died for want of food when they had much money in their pockets but now money can fetch food articles from other parts of the country. One point that we should note here is that the expenditure on irrigation is much less than it should have been the case, while the expenditure on railways is much above than it is relatively necessary.

Forest protection.

(*b*) *Prevention of the demolition of forests.* Forests exert a great influence on the rainfall, so their preservation demands special attention. It cools the atmosphere at a height considerably above 4000 ft., and rain-bearing clouds passing over the land on meeting the cooler belt of air above the forest often precipitates rain. The destruction of forests in the mountainous region of the North—the source of the great Indian rivers—is fraught with great disastrous consequences.

Emigration.

(*c*) *Emigration.* (see pp. 16-25).

Agriculture and agricultural industries.

(*d*) The *development of agriculture* and *agricultural industries.* We have seen how some of our chief manufacturing industries, e. g. sugar, tea, silk, cotton, etc., depend on the efficiency of our agricultural production.

and also how high a percentage of our population is engaged in agriculture. Under the circumstances, for our existence we must develop our agriculture on scientific lines (see pp. 29-32) and foster agricultural industries which comprise our dying indigenous *handicrafts* and our still resisting *cottage industries*. The re-establishment and fostering of these industries have been made highly possible by the Co-operative Credit Society's Act of 1912. To develop the minor handicrafts, Prof. Roy suggests that a technical school should be opened in every district under the patronage of our wealthy men, with the financial support of the State, and the District and Municipal Boards.

Financial remedy.

(*e*) *Financial remedy*. By diverting annually half of the Famine Insurance Grant to financing of poor peasants, the results that would be expected may far outweigh the present benefits derived from the Grant.

Tenant-right is to be curtailed.

(*f*) Prof. Roy, says, "the *improvident habits of the ryot* drive him to indebtedness with the consequent result that his power of resistance in times of stress becomes weak." As a solution of this peoblem, he advocates *the restriction of the tenants' right to alienate his land* and the growth of the *Co operative Credit* organization. (*see* pp. 145-152).

Fixity of Land Revenue is necessary.

(*g*) Prof Roy is of opinion that between "the two alternatives, namely, the relinquishment of the prospective revenue by the *extension of the permanent settlement* and promoting of the well-being of the famine-stricken and impoverished peasantry who constitute the backbone of agricultural India, *the choice can never be doubtful nor difficult*. Direct pecuniary aids (in the shape of many generous financial concessions) are more demoralising in their character, and more extravagant in effect, than

permanent indirect concession in the shape (ixity of the land revenue demand." If the increasi cost of administration be a bar, then let the cost b t from those heads (e. g. stamps, excise, &c.) of reve rather than the land, that are indicative of material prosperity.

R. C. Dutt's suggestions.

Mr. R. C. Dutta suggests the following remedies:—

(*a*) India has to pay for England's possessions and wars in Asia beyond her own natural boundaries. The consequence is that Indians have to bear a growing heavy incidence of taxation. Now, when the state of finance is so very strained and the people so heavily taxed, India can legitimately ask England to *contribute a share of the vast military expenditure* required to sustain her Asiatic Empire.

Military expenditure.

(*b*) A salutary and needful change of India's administrative system. Centralisation of power has been carried too far, and has crushed all life out of village organizations. Some power should be given to the village institutions that they may avoid ruinous litigations, etc.

Administrative change.

(*c*) *Land assessments.* Over 80 p. c. of the population of India are dependent on agriculture and it is no exaggeration to state, therefore, that "the well-being of the people of India depends on the wisdom and moderation with which lands are assessed." He recommended a settlement in perpetuity of the revenues derived from the soil. He held that a famine Code is an excellent thing, but it prescribes the method of treatment when the disease is on us, and not a preventive. Famine Fund is also an excellent provision but it means additional taxation on the people.

Land assessments.

(*d*) Some *administrative action to encourage and revive the ruined industries* of India.

Encouragement of industries.

The suggestions that we have hitherto noted are convincing and requires earnest attention. Also the remedies that were effective in barring out the visitations of famines in Europe may as well be safely and easily attempted in India. These we mean the improvement in *communications* and the growth of *manufacturing industries*. These two remedies, we believe, can do away with famines most effectively. Communications from one part of India to the other has been established, and it is the development of organised manufactures, coupled with the revival of cottage and handicraft guild industries that will satisfactorily solve the question of Indian famines for all time to come.

How Government combats famine.

We have discussed in detail the causes which culminate in famines The allegation that the increase of population due to abiding peace of the British rule is one of the causes of famine, is not particularly true. India is not the country where alone population increases. England doubled her population during the reign of Queen Victoria while India did not even multiply at half that rate. "On the other hand, trade and commerce have increased in India, railways and canals have been opened, wastes have been brought under cultivation, and the resources of the country have been developed during these sixty years. The increase of population has not been even greater than the increase in cultivation." We have also seen that the people is living on the means of bare subsistence and it is the positive check that has kept down population. So it is not population that has brought famine but on the contrary it is poverty that has affected the growth of population. The *great famine*

Increase of population is not the cause of famine.

R. C. Dutt's view.

The Famine Problem.

problem is closely connected with the dire poverty of the people due to many causes, not one being alone responsible for the frequently recurring catastrophe.

How the Government handles the famine problem.

The Government thus handles the problem:—"It is not in the power of man to prevent drought in India, or so long as the country is mainly agricultural, to prevent drought from causing famine: all he can do is to restrict and mitigate the resultant suffering. Modern famine policy is thus a struggle against nature"

Remedial and Protective measures.

The modern *famine policy of the Government.*

A. *Remedial.*

B. *Protective.*

A. **Remedial measures:**—In 1868 Sir William Muir defined the remedial policy of the Government thus, 'every District Officer would be held personally responsible that no deaths occured from starvation which could have been avoided by any exertion or arrangement on his part or that of his subordinates.' But the policy was found to have erred on the side of indiscriminate charity. So in 1877 the Secretary of State thus restated the policy, "the object of saving life is undoubtedly paramount to all other considerations. But it is essential that officers should guard against people relying too much upon Government rather than upon their own industry and thrift. In the interests of the distressed population and the taxpayers, precautions should be adopted against indolence and imposition." But the number to be relieved is often so large and of so many nationalities, speaking so different languages and belonging to so many castes that a strict pursuance of the above policy is an impossibility. But matters have been smoothed down with so much care and skill that it may

Remedial policy of the Government, 1868.

The policy of 1877.

The difficulty of following the principle.

is one of the most remarkable achievements in history of scientific administration.'

The frequency of the famines have led the Government to keep a standing preparation always ready to cope with the calamity. It keeps itself always informed of facts affecting the harvests and formulates plans as to the way of procedure in times of emergency. Every Province has its own special Famine Code. It records the standing arrangements that are to be made as a precautionary measure, the ways and conditions of relief that is to be evolved, the procedure according to which the officers should discharge their duties, etc. The Codes were first severely tested by the famine of 1896-7.

Standing preparations.

Danger is apprehended when crops fail, prices rise, credit shrinks and unemployment begins. People wander in quest of work and charity. The latter soon contracts, petty thefts begin and traders and the rich make big purchases raising the price still higher. (At this time if the rains just set in the Government tries to avert a visitation by giving Takavi loans to the cultivators.)

Danger signal.

At this stage the Government takes preliminary actions. It explains its policy, seeks the co-operation of the non-official gentlemen and induces them to extend the hand of private charity. When cases of death from starvation is reported village inspection begins and a list of persons requiring urgent relief is drawn. If their number increases poorhouses are opened.

Preliminary actions.

Now test works are opened. Caution is taken that it should not be so strict as that the Government would fail to understand the people's real condition, and again it should not be so lenient as to incur improvident

The first stage and the test work.

expenditure. During all this time strict care is taken to guaze accurately the condition of the people.

When the distress becomes ripe and the death role increases the relief works are thrown open and they give additional relief not only to the relieved but also to their dependents. The distribution of gratuitous relief also begins, and at the same time village inspection becomes fully developed. From December to March the number rises, till in April a respite is given due to the ripening of the spring harvest or of the *Mahua* and the *mango*, and it ultimately reaches to its maximum distress in May when the cholera breaks out.

The second stage of relief works.

A new policy begins with the rains. The chief object now is to secure the re-establishment of ordinary agricultural conditions. The people if employed on large relief works are transferred to small public works near their homes and villages.

Third stage: the rains policy.

Lastly, come the closure of the relief. On the one hand this should not be done too suddenly nor on the other hand should State relief be continued after the necessity for it has ceased. Because thereby we retard the return of the community to the honorary pursuits of life. Thus when the earliest autumn corp is ripe in any district gratuitous relief should be generally closed in it, poor-houses may be kept open until the autumn harvest has been gathered. There is a great elasticity in the present relief system. Habitual beggars find shelter in poor-houses, children are protected from the rapacity of their parents, weak persons are specially treated, and deserted children are returned to their relatives, or co-religionists. In a word, no effort is spared to prevent the loosening of social and moral ties, which is the

Last stage.

Elasticity of the relief system.

melancholy accompaniment of an economic cataclysm like famine.' The relief, mainly of necessaries, is always softened and supplemented by private relief funds. The objects on which these funds are employed are: (1) for providing small comforts of food or clothing to the aged, infirm, sick, children, and others in need of them; (2) for helping orphans; (3) relieving the respectable poor in ways acceptable to them; and (4) giving a fresh start in life to those who have lost everything in the struggle.

Private relief funds.

B. **Preventive measures**:—

Remedial measures are not the only duties that should be limited to the Government to work upon. So it has been found incumbent that the State should so act as 'to place the people in a better condition for enduring famines, *i.e.* it should help to prevent the occurrence of a calamity. To attain the purpose, an accurate knowledge of the country and the conditions of the people should be most assiduously collected'. This has, however, been done. The next duty of the State that becomes obvious is to formulate measures, conducive to public welfare, based upon those facts. Experience has told that famine relief would be a recurring charge upon the finances of the country for a long time to come, and has suggested that a fund should be permanently started with a fixed annual grant for the purpose of meeting famine charges. Thus originated the *Famine Insurance Grant*. The fund is to be thus employed, (*a*) to defray the cost of *famine relief*; (*b*) to construct *protective railways*; (*c*) to construct protective irrigation works; (*d*) and to reduce or avoid debts.

The duty of the Government.

What experience bids.

Constitution of the Famine Insurance Grant.

The reduction of debt took the form of protective public works for which otherwise provision had to be

made by extra loans. The expenditure on famine was made the first charge on the Grant, then come protective works and lastly the reduction of debt.

Sir Strachey's recommendations.

In 1878 Sir John Strachey, the then financial member, first declared that periodical occurrings of famines should enter into the calculation of government in preparing its annual budget and surplus revenue should be created in ordinary years in order to meet the extra-ordinary deficits in years of famines. The annual provision is fixed at a crore and a half and are thus to be raised, (*a*) by the *decentralization* of financial responsibility to local governments, 40 lakhs; (*b*) by *license tax* on trades and professions, 70 lakhs; (*c*) and by a *local rate* on agricultural lands in Bengal and Northern India, 50 lakhs. Thus we see 10 lakhs were retained on the side of caution.

How the fund is to be raised.

Between 1878-81 the Grant had to be suspended owing to the Afghan War and other financial difficulties and from 1882-97 the exigencies of the finances occasionally prevented the Government from completely fulfilling this obligation. However, up to 1908-09 the whole sum expended out of the Grant exceeded £28 millions. But the Famine Commission recommend that—"Budget estimates should henceforth be so framed as to include a full grant of a crore and a half and if ever financial exigencies compel a contraction of the Grant it should be made good in favourable years."

The actual appropriation of the Grant.

Controversy about the mportance of railways in famines.

It is alleged that Railways are generally of little use during great famines. They do not lower but equalize prices through large areas and thus widen the scarcity though lessen the intensity of famines. Further, they prevent accumulations of grains in any tract during years of plenty. But against these draw-backs they offer

very many advantages. Though they have discouraged the storage of grains, they have substituted 'the great reserves of the country at large for the petty reserves of individuals.' Also they have substituted famines which are of money only, for famines in which both food and money were lacking, while by extending markets increased the incomes of landowners and cultivators. Again, it has become a proverb that 'railways make trade.'

Other efforts have also been made to increase material prosperity. The land revenue 'has become progressively moderate in assessment,' rent laws have been enacted in all the provinces, agricultural improvements have been undertaken, Takavi loans are being advanced, and co-operative societies have been started.

Other preventive measures.

DISTRIBUTION.

CHAPTER I.

DISTRIBUTION.

§ The Problem of Distribution.

In India the present day idea of distribution was ever distinctly manifest. Though it is certain that it can not be termed socialistic, it is at the same time can not be denied that the principle followed was in a greater extent semi-socialistic. It is true that affluence and poverty were in most cases in the extremes, but the social claims of the latter were never waved in favour of the former. That is to say, the belief that we moderners hold—that there should always remain in a country a rich and powerful educated aristocracy combined with a naturally poor mass but their conditions gradually improved by social efforts—was always ripe. Custom and social injunctions often decreed that the poor should always be taken care of and relieved by the rich. In social ceremonies, *e. g.* the *sradh*, *marriage*. etc, the claims of the indigent always occupied the most prominent place. From the Brahmin priest to the professional beggar, the lower castes, *e. g.* the barbers, the smith, the washermen, etc, not being in any way excepted, received their due shares in the Indian social systems of distribution. Giving of alms to the poor was the criteria that always judged the success of a function. Private charity supplied the modern function of a Poor Relief and a labourer's nominal income was often supplemented by the munificence of the well-to-do. Whatever social wealth was spent, it was distributed relatively to the merits and services of the various members

The semi-socialistic idea of distribution in ancient India.

Tallies with the modern views.

The acknowledged claims of the indigent over the opulent.

composing the society. Spending without purpose and without its incidence being shifted on a certain section of the community was unknown and in most cases were impossible.

The present social dislocation.

But things have changed with the present modernisation. Now much wealth can be consumed without benefiting the society. Pomp and display are now the special order of the day, and they being always fashioned on foreign models, the appropriation of social wealth is now diverted to the foreigner's pocket. This is the first cost that we have to pay for the rising of our standard of comfort and living.

The share of labour in modern India.

With the growth of our organised industries the problem of labour is assuming greater importance day by day. But our labour being uneducated and unorganised the problem engages our attention from the side of the employer. However, the latter's restricted power to compete with his foreign rivals and the growing scarcity of labour teach him to take more of a paternal interest in his employees than to throw them into squalor and distress by means of an unfair bargaining which his advantageous position allows him. Thus there is every reason to believe that the conflict between labour and capital are very remote in India.

The share of the capitalist.

The problem of the capitalist's share in distribution, *i.e.*, interest, has been to some extent solved by the Co-operative Credit Society's Act Still more the impending 'Usury Bill' is expected to make some salutary provision for the borrower class. But it is quite certain that the rate of interest will rule high for some time to come until a good amount of it is accumulated within the country, or a substantial quantity come for investment from abroad.

The problem of profit is still in its embryo stage. Excepting a few small and local industries and trading transactions the profits of larger organised industries are generally small, and wherever they are large, *e.g.*, in jute, etc., the labour employed is not strong enough to successfully bargain with the employers.

The share of the entrepreneur.

RENT.

§ Rent as affected by State Landlordism.

We have seen that the land revenue systems of India are either temporary or permanent; and in the temporary areas the State is the landlord while in the permanently settled tracts the Zeminder is usually the landlord. In 1793 the privilege of permanent settlement was conferred on ⅓ of India and the rest was placed under temporary settlement. Now, with the rapid extension of cultivation the area under permanent settlement has dwindled into one-fifth of the whole of cultivated India. Thus at present State landlordism extends to four-fifths of India.

State landlordism, and private landlordism.

The area under State landlordism.

In permanently settled tracts it was decided in 1793 that the Zemindar should collect the economic rent from the cultivators and keeping to themselves some 10 per cent of the amount should remit the remaining 90 per cent. to the State. At present, however, with the extension of cultivation and the rise in prices 'the Government revenue is estimated to absorb no more than 25 per cent. of the economic rental, leaving 75 per cent. to be enjoyed as a net rent by the landlords or other parties who now stand between the cultivator and the State.'

The private landlord's share.

In the temporary settled tracts, the Government directly settles the rent with the tenants and the term of settlement extends from 20 to 30 years. At first the

The State's share.

demand of the Government was 90 per cent. of the net rental but the recent exploding of the territorial sovereignty theory in Europe and the indigent condition of the people led it to lower the demand and it approximates now to 50 per cent.

The problem of rent as summed up officially.

The author of the Imperial Gazetteer thus sums up the problem, 'the peculiarity of Indian rents lies therefore in this fact, that whereas in most countries the land revenue is an assignment from the rent made by land-owners to the Government, in India the net rent is, historically speaking, a relinquishment of part of the profits of land by the Government to the land owners'

How the State demand affects rent.

The land systems as *mainly* settled (four-fifths of India is temporarily settled) places the State in the position of a monopolists. But it differs from other monopolists in the sense that it does not put its lands to the highest bidder or raise the rent, or make it a point to get the maximum revenue arbitrarily. So the question, is often asked, 'Is Indian Land Revenue a rent or a tax.' In answer we may say that both under the Hindu and Mahomedan systems the proprietorship of land by the people was ever acknowledged. Also, in modern times the idea of the territorial sovereignty of the king has been replaced by a more liberal one. He is the sovereign of the whole kingdom but he should not interfere with other's right of property. Again, economic laws ordain that the State should not interfere with the production of wealth.

Whether land revenue is a tax or a rent.

Territorial sovereignty theory exploded.

The British Government in India, however, 'has every-where conferred or recognised a private property in land.' Thus, looking by the above perspective we find that the possessor of land has some inherent right with him which can not be legitimately violated. Under the circumstances land revenue is nothing but a tax imposed

by the sovereign authority over the proprietors of land for the benefit which the latter derives from the former. But this theory requires a little modification. It can not be denied that according to the form in which the land revenue is gathered it is nothing but a tax, but actually the net demand has been fixed both in permanently settled and, specially, in temporarily settled tracts on the basis of economic rent. So the question assumes different aspects when studied from the theoretical or from the practical point of view. For this reason all financiers have agreed to declare that it is only parrying of words to discuss whether the land revenue is a tax or a rent. The system is a part relinquishment of the economic rent and it is quite anomalous to declare it to be either a tax or a rent. It cannot properly be said to be a tax for its heavy incidence nor a rent for its part abandonment. (For the disadvantages of State-landlordism, read the disadvantages of temporary settlement).

A little modification of the theory.

The theory from the practical and theoretical point of view

§ Rent as affected by Permanent Zemindary settlements.

From time immemorial the tenants enjoyed the right of permanent tenure and fixity of rent and were owners of the soil while the Zemindar's right was insecure and depended generally on the prescription of enjoyment. The Act of 1793, however, secured the right of the latter while it made no practical provision for the former's protection. The effect was that the farmers were rack-rented and evicted where no *pattas* were given, which were often rare, specially so, as the land was not properly surveyed at the time of the settlement. The Zemindar's had also much unassessed waste lands, etc, under their disposal. In these cases all the abuses of unrestricted power

The Zemindar's exaction.

found their full vent. The landlord claimed and enjoyed almost the whole of the economic rent. In this period however, the Government's allowance as Zemindar's share did not exceed 10 per cent. of the economic rent which he was to collect from rayots.

The rent law and the protection of the raiyats.

But things changed as time went on. More and more land came under cultivation for pressure of population and rising in prices. Competition for land increased and rack-renting became ripe. At this stage the Government stepped in with the Rent Laws and Tenancy Acts and secured the tenant's right. Excepting the tenants-at-will, a great portion of the unearned increment is now appropriated by all the numerous kinds of fixed tenants.

§ Rent as affected by pressure of Population.

John Stuart Mill's remark.

John Stuart Mill describes the evils of competition for land among an ignorant peasantry as follows;—"When the habits of the people are such that their increase is never checked but by the impossibility of obtaining a bare support, and when this support can only be obtained from land, all stipulations and arrangements respecting the amount of rent are merely nominal; the competition for land makes the tenants undertake to pay more than it is possible they should pay and when they have paid all they can more must always remain due." The relations between landlord and tenant in India confirm every word that Mill wrote, and they have driven the Government of India to avoid by a series of legislative enactments, the conclusion at which Mill arrived. We have already seen how in the beginning of the 19th Century the rent of land was

Rent how affected by custom.

settled according to custom due to the scarcity of tenants for the abundantly available lands, and the peculiar demand of the tenants' physical help for the protection of the landlord. But with the growth of English power in India the postion has been changed. Population has increased and landlord is no longer in want of his tenant's protective help. The result is that the landlord has risen to a position from which he could exploit the raiyat's resources.

The landlord is now the bargainer.

In India the tenants pay to the landlords in the two following ways :—(*a*) by surrendering to the landlord a share of the crop, or (*b*) by a cash payment which does not vary with the harvest. The following are some of the Mettyer systems of tenure :—

The ways in which rent is paid.

(*1*) *Batai* :—It means a division of the crop on the threshing floor, the landlord's share varying from one-third to two-fifths.

Batai.

(*2*) *Kankut* :—It is in Bengal known as *kuth*. The amount of the standing crop is approximately determined and the landlord takes from one-third to two-fifth.

Kankut.

(*3*) *Amaldari* :—It is the valuation of the standing crop according to the current price and the allocation of the value of a share to the landlord.

Amaldari.

In addition to these the more avaricious landlords often add to the above appropriations some of the following imposts or cesses when they can afford to do so. They are :—

Some more kinds of exaction.

(*1*) *Khakiuna* :—'About half or three-quarter seer per maund to make up for the dust which the Zemindar assumes has got mixed up with his share of the produce and has thus added to its weight.'

Khakuina.

(*2*) *Nazar* :—It is generally paid to the landlord's agent for his trouble and services and they are often converted into annual payments.

Nazar.

Biaha.

(3) *Biaha* :—A 'benevolence on the occasion of weddings in the Zemindar's family.'

Why payments in kinds unfavourable to the tenant.

There are also many other forms of exaction So we see, division of crops system for paying rents is not favourable to the tenants, specially because, (*a*) the landlords can easily elude the restraints of custom, (*b*) the system deadens the incentive to industry, (*c*) and it directly tends to promote fraud and cheating of every descriptions. In such tracts the tenant is liable to be ejected at the the end of the agricultural year by notice served through the courts He must either submit to have his rent enhanced or make way for a higher bidder. Thus they bid frantically against each other and undertake to pay more than it is possible. In this unequal competition the advantage is with the landlord and he can manage to wring even the tenant's bare subsistence, because, (*a*) the average raiyat is ignorant and (*b*) have no other occupations on which he can fall upon.

How the competition acts.

Money rent can solve the problem to a great extent.

The substitution of money rents for rents in kinds may in a great measure remove the abuses by making the landlord's demand more certain. Early in the last century money rents were uncommon. But with the incoming of a vast hoard of silver the substitution of money rents are becoming more prevalent. Also the growing of such rich crops as cotton, etc, by more enterprising tenants have made the institution of money rents more and more common.

How the pressure of population can be measured.

The evil effects of the pressure of population upon land are manifest from the following facts :—(1) The number of *landless labourers* are increasing, a problem which seriously engaged the attention of the successive Famine Commissions. (2) Small-scale production has been pushed to such an extreme that land has been

parcelled into the smallest possible plots, say an acre. (3) Diminishing return has begun to operate in the most populous districts. (4) It has increased rent over large part of the country though its increase is not proportionate to the growth of population. (5) It has made the tenants always the worst bargainer and thus embittered their feelings against the landlords. So the undertaking of improvements have become more and more difficult. This pressure upon population can, however, be lessened if (*a*) industrial undertakings be developed and thus draw a section of the people towards them; (*b*) if more waste lands are brought under cultivation by the help of irrigation, as in the Punjab; (*c*) if more scientific measures be adopted to wrest from nature her maximum contribution; (*d*) if the co-operative credit societies are thoroughly naturalised among the raiyats and thus enable them to live a more frugal and intelligent life.

How the pressure can be lessened.

§ Rent as affected by land tenure legislation and rent laws.

It is a misconception to affirm that landlords in permanently settled tracts always rack-rented tenants It is true that they oppressed the raiyats but the pressure exerted by them was less severe than it is supposed The tenant's holding was often larger in comparison with the area for which he was assessed. So he was given some chance to withstand the illegal pressure, and the nominal rent only seemed to be much higher than the real one

Zemindar's exaction was less than it is supposed.

We have already seen how land legislation has affected rent in the different provinces, and how the rent laws has safeguarded the tenant's right.

How the Rent Acts operated.

§ Rent as affected by Custom, *See ante.*

WAGES

§ Wages in different employments.

Agricultural labour.

By far the most important kind of labour is *agricultural.* They are paid either in kind or in cash Generally, the practice is to pay a little cash as wages and then to make up the shortage by adding some produce to the money wages. The regularity of employment varies greatly, and it is not continuous throughout the year.

The condition of the labourers as affected by the wage system.

During the harvests the demand is great and it gradually falls till it becomes nominal Though the rate is comparatively low than in the industries it is steadily rising of late. Both time-wages and piece-wages work are now undertaken by them. Most of them are unskilled except a few who take to garden-farming and other specialised agricultural works. The mobility of labour is gradually developing. Labourers from Orissa come to Bengal in harvest time to work in the fields. So, there is the chance of a general rise in wages though for the time being this importation do somewhat to keep lower the local wages rate.

The proportion of population engaged in agriculture.

The census figures of 1901 show that about 30 per cent of the population were tenants, 12 per cent. were field labourers, and about 1 per cent. were growers of special products or engaged in estate management, etc. In addition to these, about 2½ per cent., who mentioned some other forms of employments as the chief sources of their livelihood, were also partially agriculturists; and another 6 per cent. who were shown as 'general labourers,' were doubtless in the main supported by work in the fields.' Officially the services of these agricultural

labourers were classed as unskilled labour. Their wages have risen 40 per cent. in Bengal, 49 per cent. in the Punjab, more than 18 per cent. in Bombay, and remained stationary in the other provinces within the thirty years ending with 1903 The services of domestic servants who constitute 4 per cent. of the population are also put under this head.

Rise in wages.

Next in importance to agricultural labour comes the services of the *common artisans*, whether mason, carpenter or blacksmith. Their services are classed as skilled labour. They are always paid in cash and the system of payment generally takes the form of piece-work wages. Towards the end of the last decade their wages have doubled in almost all the provinces excepting in Bombay. There, mobility of these kinds of labour is very uncommon.

Artisan labour.

Following this class come those who live by preparing material substances, and food and drink, and by working and dealing in textile fabrics and dress. Within this class may be comprised the hands engaged in mills and factories and those employed in the mines. The census statistics thus goes on to say, 'About 15 per cent. of the population are maintained by the preparation and supply of material substances; and of these more than a third find a living by the provision of food and drink, and a quarter by working and dealing in textile fabrics and dress.' In this class may be comprised those who are skilled and also those who are unskilled. The rate of wages in these cases are determined by the operation of the law of demand and supply, and money wages are always the rule. In the case of *miners* their wages are often supplemented by payments in kinds, *e.g.* coal is often given to the coal miners for their use. Their

Industrial labour.

Proportion population comprised.

The rise in wages.

wages are steadily rising and it has risen about 40 per cent since 1873. The wages of textile workers are slowly rising since the last decade, it being stationary for the last 30 years owing to the rate being highly monopolistic at the beginning.

Educated services.

Lastly, come a class who provide their livelihood by 'commerce, learned and artistic professions, and service under Government.' They form barely 2 per cent. of the population. The services of the people engaged in these avocations are daily becoming less remunerative as the competition becomes rigorous every day.

Peculiarity of Indian wage problem.

But the question of wages are less important in India. Sir Theodore says, 'In all Indian towns there is a considerable number of men engaged in manual labour who receive daily or monthly wages, but as the urban population is only a small fraction of the total population, they are relatively of small importance. In the villages also there are almost always a few persons serving for wages. But the great bulk of the labouring class of India are men who work on their own account, and not for an employer. Thus the rate of wages which appears the *paramount question to the vast majority of the people of civilized lands*, is a matter of very slight concern to the working class of India.' This condition, however, has both advantages and disadvantages of their own. The direction of industry being in the hands of the ignorant, the amount of national dividend is small and so the individual's share is scanty, while on the other hand he being possessor of some land or business has not to suffer the unmitigated hardship of unemployment. Another disadvantage of Indian labour organisation is that it affords no scope for *division of labour*. But division of labour in agriculture is of no great moment and the

Its advantages and disadvantages.

only opening where it can be taken advantage of is the subsidiary industries. These industries 'would be much more efficient if labour could be further divided.'

The distribution of labour differs in cities from that of the country. 'In cities, as might be expected, the functional distribution is very different from that in the country as a whole: the proportion of persons dependent on agriculture falls from two-thirds to one-twelfth; the number engaged on the preparation and supply of material substances rises from one-seventh to two-fifths; one-eighth derives a livelihood from commerce, and nearly as many from personal and domestic services; one-eleventh from unskilled labour, and one-fourteenth from Government Service.'

Distribution of labour in towns.

The Imperial Gazetteer thus sums up the problem of Indian labour, 'Wherever a demand for labour has been created by large undertakings, such as railways or canals, mills and mining, wages have risen. It follows that high prices do not always involve high wages. In fact, the most direct connexion between prices and wages in India, and that which takes effect most rapidly, is the reduction of wages in times of scarcity, when food is also inordinately dear. The failure of the crops destroys a large proportion of the fund used in paying wages, and the numbers seeking employment are greatly enhanced, so that those who find it often obtain in return the barest subsistence. When, however, a rise in the price of agricultural produce is due to a larger demand, and extra profits are thus obtained by the cultivator or landowner wages may and do rise. As to payments in kind, in so far as the labour receives the same quantity of grain, his real wages are unaffected by a rise in its price, unless he can save a portion and

The problem of wages summed up.

High prices and high wages.

Payments in kind and high prices.

thus make a profit by selling it; but it must be borne in mind that, in the case of casual labour, remuneration in kind, like a cash wage, is affected by competition. The common belief that the wages of skilled labour have advanced more than those of unskilled work is not altogether corroborated by the District returns for artisan labour. A factor to be reckoned with is the very low standard of comfort prevailing among the working classes, and their unwillingness to accept better circumstances when coupled with conditions that are not wholly congenial. Thus it is which explains the general difficulty of obtaining a sufficient supply of labour for tea gardens, collieries, or factories. Prejudices are, however, disappearing, and of late years a great improvement has taken place in the mobility of labour. Besides the emigration to foreign countries and the tea districts which is regulated by law, there are large and constantly increasing migrations of labourers by sea and land, to other countries and Provinces, or from District to District within the same Province. These periodical movements are largely for the performance of agricultural work, but are none the less beneficial in relieving the pressure in densely populated agricultural districts, where the remuneration of the labourer is often but a scanty subsistence. As this process proceeds, and the supply of labour for industrial employments adjusts itself to the growing demand caused by the development of the country, the condition of the Indian labouring classes must constantly tend to improve."

Mobility of labour.

§ Average rates of Wages.

It is very difficult to enumerate correctly the average rates of wages in the different occupations. They not

only vary in the different provinces but also in different parts of the same province according to density of population and the predominance of agriculture or manufacture. Moreover, the official returns are not conclusive as they do not discriminate between rural and urban areas, nor do they state the principle on which the payments in kind are converted into cash wages. Confusion is also caused by combining under one head different occupations and then finding a single average for all. To remedy these defects new measures have been introduced according to which a regular wage census is to be conducted once in every five years. The arrangement dates from 1911.

Statement of the average rates of wages misleading.

The latest average rates of wages reported (1911) are the following :—

Average rates of wages.

In *Bengal* the average rates of wages of unskilled labour in 1911 were between 2 and 3 annas a day. In Eastern Bengal and Assam the general level of wages for agricultural labourers ranged from 5 annas a day or upwards. The wages for skilled labour, of course, were much higher.

Bengal.

In *Bombay* the prevailing rates of wages for agricultural labourers ranged for the most part between 3 and 5 annas a day, rates considerably higher being reported from Sind.

Bombay.

In *Madras* the average wages of unskilled labour were about 4 or 5 annas a day in towns, and 3 to 4 annas in rural tracts, an advance of from 33 to 50 per cent. on the rates prevailing twenty years earlier. The actual rates in different areas ranged between very wide limits.

Madras.

In the *Punjab* the prevailing rates of wages of agricultural labourers were below 4 annas a day in only

Punjab.

a few districts. In canal colonies the most common rates were 6 to 8 annas a day. Since 1889 the wages may be said to have doubled. The rates for skilled labour showed a similar increase. 'The advance in the rates of wages had been most marked during the five years ending with the last decade, and was attributed to the rise in prices, the heavy mortality from plague among the labouring classes, and a much greater demand for labour, due largely to the extension of cultivation and the taking in hand of large irrigation works.'

Why wages have risen.

United Provinces

In the *United Provinces* the tendency of wages was distinctly upwards during this period, which was marked also by a further extension of the practice of paying wages in cash instead of in grain. The prevailing rates for unskilled labour in 1911 were in most districts from 2 to 3 annas a day.

§ **Purchasing power of wages**, *see under purchasing power of money.*

PROFITS.

§ Profits of Manufacture.

India being a country of small producers the element of profit was seldom distinguished from interest and the wages of management. The weaver's tools and the blacksmith's implements required little capital and the greatest difficulty of calculating profit lay in the fact that their prices were generally paid in kind. The element of risk inherent in the composition of profit was also absent as the market was always at their doors. Generally, the rate of profit was low for ordinary work. But it was substantially high if it required some special skill and comprised articles of superior art. A well-known

The problem of profit.

Under the old economic order.

artisan's goods often carried the significance of a patent and attached fame and name to the locality of production. At the present time large classes of such artisans are existing in India and living under the same old economic order. But foreign competition is driving to the walls many of these smaller industries and the result is that the modern economic conception of profit is gradually evolving in India.

At the modern times.

Profit in its modern sense is generally used in the calculation of gains in business enterprises. In India, we have seen, that in addition to indigenous capital a vast amount of foreign capital is sunk and is engaged in earning good profits. The average Indian rates of profits can not be correctly declared and any attempt to fix them will be misleading and incorrect. In some of the bigger organised industries, e g. Jute, tea, etc, the profit is very high ranging from 10 to 20 per cent. but their number is very small. In cotton, silk, woollen, and similar industries the profit is medium, while in glass, paper, sugar, etc., the rate is the lowest. In some smaller industries, e.g., perfumery, stationaries, etc., the rate of profit is the highest ranging between 25 and 50 per cent.

With the growth of modern industries a new class of business men have sprung up into existence. They are popularly known as entrepreneurs. Their function is to direct properly the capital of the country.

Want of entrepreneurs in India.

The industrial enterprises of the civilised world could not have been brought to their present height without their mastership. The rate of profit greatly depends on their superior capacities. Unfortunately as India possesses a very limited number of them, her industries cannot hope to yield a larger profit. So the *rate of profit in*

India is less than it would have been the case had India possessed good many able entrepreneurs. Also, as India's *supply of capital* is scanty the economies of large-scale production can not be derived to the full, while the higher real price of her labour deducts much from the amount of profit.

§ The profits of the middlemen.

In India the condition of the peasantry being improvident, they require at the sowing season some advancement of money to defray the costs of cultivation, while there are many who in addition to these advances require further loans to maintain themselves during the period between sowing and harvesting, and sometimes to pay interest on loans previously contracted. These loans generally known as *dadans* are advanced by a class of agricultural money-lenders on very unfavourable terms to the peasants, the severity varying according to needs and security. (*see pp.* 14-951). The outcome of these transactions is that the raiyats are seldom allowed to enjoy the fruits of their labour and have to hand over all excepting what is necessary for their bare subsistence to their creditors. Oftentimes big businesses and agents of foreign exporters finance these village money-lenders, or advance money directly to the cultivators. These middlemen generally accept their payments in kind. In the remote villages these men sell the commodities at the local market price and pocket their profits.

Middlemen and their financing.

Where there are improved means of communication they sell the articles at the depots of exporters who are generally of foreign extraction. These exporters buy the goods at a little over the market price to attract

the supply. Now, the profit of these exporters are just as much as the articles will fetch at the destined markets over the price at which they do buy, minus the cost of carriage. The profit derived by these concerns are very high. Thus the whole gain of cultivation is divided between the money-lender and the exporter, the cultivator's portion being exploited by them both, specially by the former. The exporter's gain is, however, legitimate and may be reckoned as earnings of management while the moneylender's gain is illegitimate as he increases his earnings by taking advantage of the helplessness of his fellow brethren. India will retain much of this profit if there be increase of Indian exporters. But her drawbacks are want of sufficient capital, ignorance of the nature of foreign demand, lack of old business connections with foreign countries, etc. So we may conclude that agricultural money-lenders are vampires sucking the blood of the raiyats, and only keeping their existence as they form a dangerous necessity (*vide p.* 143); that the number of Indian exporters should greatly increase in order that they may enjoy the advantages of the high price of their goods in foreign markets. But there is one great evil underlying the second part of the conclusion. If the number of exporters increase there would be competition among the exporters for securing the increased supply of goods, and the result would be that they will be willing to pay more for the goods at some sacrifice of their profits in the foreign markets and *thus increase the price of agricultural produce in India.*

The exporter's profit compared with that of the moneylender.

Prices will rise as a result of the competition between exporters.

Middlemen as commercial agents are very few among Indians, and what few there are seems to be limited to the trade of a few staple raw industries, e. g. Jute, rice, timber, etc. They generally possess small

The function of the middleman in trade.

capital and sometimes advance them to the producers when the latter are in need. The latter, on the otherhand, take their goods to those commercial agents and generally to exporting firms and get their price from them when the goods are sold. The agents remunerate themselves by taking a part of the proceeds of the sale as a commission. Thus the risk involved is very small. Sometimes the goods pass through the hands of many of these agents before they reach the exporters. This process is all the more good when the articles of export are generally those for which the foreign demand is inelastic and we do stand in the position of a monopolist. But in the case of many of the manufactures of moderate importance this passing through many hands raises their prices both at home and abroad and thus badly affect the industries. Similarly, in the case of imports for which there has evolved almost an inelastic demand at home, the passing of the goods through many hands raises the price and thus affects the consumers However, in the cases of all the *chief* articles of imports, the agencies of distribution have been so arranged that the price of goods remain almost unaffected. So we may conclude that in the case of exports the passing of goods through many agents is not so very bad as regards goods for which there is inelastic demand abroad; that in the case of manufactures of export, distributing agencies should be so contrived that middlemen may not raise the price; that in the case of imports for which we have inelastic demand the profits of middlemen should be so adjusted as not to raise the price.

How they affect both the export and the import trade.

Conclusion.

EXCHANGE.

CHAPTER I.

FOREIGN TRADE.

§ Foreign Trade of India.

India's foreign trade has always been mainly with countries lying on the west. At first the traffic began with the countries lying near by and goods were carried by land. Gradually it extended to more distant countries and in course of time a regular trade route was established between countries lying on the Indus and the Caspian or Black Sea. The many articles of luxury often mentioned in Manu and a passage in the Code, "men acquainted with *sea voyages*, or journeys by land," prove that there was open trade between India and the adjacent countries and within the different parts of the country. The difficulties of transport possibly limited the trades to exchange of valuable articles in small bulk.

Early inland commerce.

Traffic by sea perhaps began, though not earlier, about the beginning of the 7th century B.C.. "An intercourse with the Mediterranean no doubt took place at a still earlier period; but it is uncertain whether it was carried on by land, or partly by sea. It seems not improbable that traders used to cross the narrow sea from the coast on the west of Sind to Muscat, and then passed through Arabia to Egypt and Syria; while another branch might go by land, or along the coast, to Babylon and Persia." India exported spices precious stones, muslins, etc., and received in exchange precious metals. The annual drain of specie from Europe to India amounted according to Pliny to £ 458,000 a year. The

Trade by sea.

Third Route.

discovery of the possibility of using the regular winds of the monsoon opened a third route to India and gave considerable impetus to trade.

The Syrian route having been closed during the Crusades, the northern trade route by land prospered for a time. Commercial activities continued in full vigour till the 10th century A. D. During the Mahomedan rule, however, maritime commerce was gradually abandoned but the trade by land was maintained. The discovery of the Cape route to India by Vasco de Gama in 1498, opened a short, safe and cheap route for commerce between India and Europe. Foreign maritime commerce was thus once again revived, this time however by Europeans.

Trade during Mahomedan rule.

In the 17th and 18th centuries, the Portuguese, French, Dutch and English Companies competed with one another for the largest share of the trade with India. Ultimately, the English East India Company was able practically to oust the other Companies from India. Invention of steamships, the excavation of the Suez Canal and the extension of railways in India brought this country in points both of real and virtual distance much closer to Europe and gave a fresh impetus to the commercial development of the country.

Trade in the 17th and 18th centuries.

"For many centuries the trade of India hardly developed in nature or in volume beyond its condition in the first century A. D" It was the Portuguese who first increased the volume of Indian trade. 'Still the trade was limited to the products of the coasts and to articles of high value in comparatively small bulk.' It was in fact practically impossible to penetrate inland or to draw thence to the coast any of the products of the interior, and even if facilities existed for local traffic it would have

Nature of early trade.

been impossible as the cost was prohibitive 'in the conditions of navigation which then existed to convey to Europe at a profit the bulky articles of low value which now maintain great fleets of ocean steamers and are the staples of Indian export trade.'

Why British trade did not flourish early.

The trade of the English East India Company were at first limited to about half a dozen of ships only. 'The natural obstacles to commercial intercourse, the very imperfect development of communications by sea and land, the state of incessant war in the country among rival rulers, the struggles of supremacy among the European adventurers and the costly nature of the articles of trade, the effect of the narrow monopoly pursued,—all these were factors tending to keep the trade small.' Even so late as 1834 the earliest year of which a statistical record exists the value of the whole trade of India (both exports and imports) was not much more in value than £ 140,000,000.

Trade in the 18th and 19th centuries.

In the 18th and 19th centuries the trade of the English East India Company became more diversified in its nature than hitherto. Indian cotton manufactures began to be displaced by Lancashire goods. Silk retained its position, indigo rose into great prominence as an article of export, and the exportation of sugar was stimulated owing to the paralysis of sugar industry in the West Indies due to the emancipation of the slaves.

Causes of the slow growth of trade.

Yet, the rate of development was very slow. The following are some of the reasons for the slow growth of the trade:—"Roads and rivers where they existed were alike infested by bands of robbers. Neighbouring districts were totally separated from each other. The applianes at the ports for the shipment of merchandise were of the most primitive type. Charge of freight from

India to England by way of the Cape of Good Hope was high and the duration of the voyage protracted, and charges for internal transit were almost always prohibitive."

The steps taken to develop trade and commerce.

Railways and canals. Opening of the Suez.

After 1858 active steps were taken to remove the difficulties that stood in the way of development. Construction of *railways* and *canals* were pushed on apace. The ports were improved. The *opening* of the *Suez Canal* in 1869 reduced the voyage from London to Bombay from hundred or more days to twenty-five or even twenty-one days, and thus saved the export trade from being damaged by insects in the long journey and gave opportunities for English manufacturers to sell their goods in India at a price within the means of the Indian consumers. *Fiscal system was reformed and simplified.*

Reform of the fiscal system.

Import duties were reduced from 20 to 5 per cent in 1875 and 'in 1882 the import duties were swept away entirely except for a few articles of a special character; namely, arms and ammunition, liquors, opium, and salt.' *Internal duties were abolished.* The great barrier, known as the

Abolition of internal duties.

inland customs line, stretching from Indus to the Bay of Bengal was gradually reduced in length and practically abandoned in 1879 This customs' hedge was raised within the country primarily because of the difference in the salt duty levied in different parts of the country and also to tax sugar exported from Northern India. *Exchange*

Simplification of the exchange difficulties.

difficulties were duly enquired into. Since 1873 the fall in the gold value of silver began to affect trade. The effect was that export trade received encouragement and import trade began to be badly affected, while every fall in exchange led the Government to impose fresh taxations in order that it may discharge its obligations in England in the gold price of silver. *Departments of*

Agriculture and of *Commerce and Industry* were instituted and *statistics* relating to production and trade began to be published. Thus every measure was adopted which tended to stimulate production and trade Opening of the Suez Canal and contemporaneous extension of railways in India greatly developed commerce since 1870. The progress of trade has since continued unabated, with only occasional pauses due to famines. But in recent years even drought and famines have been unable to check trade for railways have brought affected areas within the reach of external markets and influence of famine upon foreign trade has been further reduced by the extension of irrigation (The Indian Empire, vol iii).

Departments of Agriculture and Commerce and Industry instituted.

The present prospect.

These improvements greatly changed the nature and character of trade. The only ancient feature, the importation of the precious metals, however, continues without any marked change. Owing to the low standard of living of the people the consumption of important merchandise is limited and a large proportion of the payment for exports is taken in the form of gold and silver, which are used for hoarding either as coin or as ornaments. Some goods, for long the most important items in the export trade have decreased much in importance, while other goods have gradually taken their place, 'foremost among these being food grains (chiefly rice and wheat), raw cotton and cotton yarns, raw jute and its manufactures, oilseeds, tea, hides and skins, and opium.' In the import trade also great changes have taken place. English cottons have increased in such a degree that they now represent between one-third and one-fourth of the aggregate imports. 'Prominent in the lists also are cotton yarns, metals (iron, steel, copper), earthenware, machinery, sugar, and salt.

Nature of modern commerce.

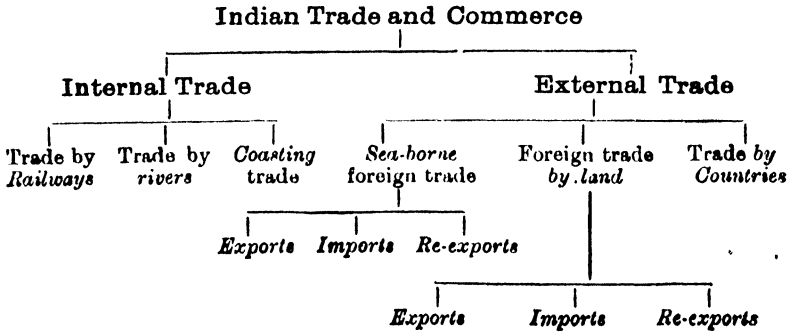
The most dominant feature of Indian trade is the

Excess of exports over imports.

excess of exports over imports. This has been necessited because India is a debtor country. She has to discharge, for the most part in London, the interest on the debt contracted for railway, irrgation and other purposes, she has also to pay in London what are called the "home charges,"—the payments for pensions, salaries of officers on leave, and similar services. These amount in round figures to about £ 17 millions a year. The total payments to be made in London annually on both heads and for capital works on railways and other stores is £18 millions. Consequently there must be a balance of trade in favour of India. Thus when it exceeds the Home Charges which is almost invariably the case, it is liquidated by the importation of treasure—gold and silver, gold in the form of sovereigns and bars, and silver invariably as bullion.

§ The Present Position of Trade and Commerce.

In the following survey of Indian trade and commerce, we will proceed thus :—



The internal trade of a vast country like India must be very great and her foreign trade however great it may be, it cannot but be only a fractional part. No estimate of the total volume of inland trade can be given, there having no systematic record of the trade carried on by roads. River-borne trade is now registered in almost all cases. The most reliable statistics are those relating to rail-borne trade. The railway goods traffic return showed in 1913-14 a total earning of 38 crores. This is a sure sign of the considerable mercantile activity of the country.

The magnitude of internal trade.

The railed and River-borne trade:—The total trade for the twelve months ending in March, 1914, as regads quantity, amounted to 1350 million cwts. as compared with 1376 million cwts. in 1913 and 1080 million cwts on the average of the preceding 3 years. The inland trade of the British Provinces was 60·84 per cent. and that of the sea-ports 33·25 per cent. The rail and river-borne trade of Calcutta was by far the largest, and represented 18·93 per cent. of the total inland trade of British India, or nearly three times that of Bombay port, the imports alone accounting for 14 per cent. of the total inland trade registered. Bengal (excluding Calcutta) follows with a trade of 15·18 per cent. of total inland trade. The total trade of Bengal including Calcutta amounted to 33·57 per cent. The trade of the Bombay port was 7 per cent. and that of the Bombay Presidency, excluding the port, 5·46 per cent. The total inland trade of Bombay Presidency including Bombay port amounted to 12·46 per cent. or a little above one-third of the trade of Bengal with Calcutta.

Railed and River-borne trade.

Position of the different ports.

About the **external trade** of India we have more accurate and definite figures. The external trade of India

External trade.

are either (1) *Sea-borne*, or (2) *by land*, the latter being only 4 or 5 per cent. of the former.

(1) **Sea-borne foreign trade of India.**—India's foreign commerce can not but be only a fraction of her total trade. The present position of it can best be judged by a glance at her trade returns.

SEA-BORNE FOREIGN TRADE.

Sea-borne Trade.	1902-03.	1905-06	1908-09.	1911-12.	1913-14.
Imports	£	£	£	£	£
Private Merchandise ..	52,525,272	68,722,713	80,849,618	92,383 255	127,500,000
Government Stores ..	4,687,504	6,019,781	5 008,302	3,653,703	
Treasure :					
Private	16,887,152	13 047,726	15,087,902	35,614,729	24,500,000
Government ..	82,085	7,153,150	74,876	32,503	4,500,000
TOTAL IMPORTS	74,132,013	95,843,170	101,020,698	131,684,190	156,500,000
Exports					
Total Private merchandise ..	85,876,909	107,812 022	102,018,662	151,896,113	163,160,000
Government Stores ..	387,490	78,392	76,801	96,041	
Treasure :					
Private	5,873,341	4,299,838	3,971,116	6,907.746	7,590,000
Government	565,084	6 013 199	242,382	3,101	
TOTAL EXPORTS	92 702 824	118 203 751	106,308,961	158,908,001	170,750,000
Excess of Imports	18,570 811	22, 360 581	5,288,263	27,223,001	14 250 000
Net imports of treasure	10,480 812	10,787,339	10,949,280	28,731,295	21,410,000

Export Trade.

The articles of **export** are grouped under four main heads—(1) Articles of Food, Drink and Tobacco, (2) Raw Materials and Produce and articles mainly unmanufactured, (3) Articles wholly or mainly manufactured, (4) Miscellaneous and unclassified. 'The predominance of unmanufactured articles among the exports is as noticeable as their subordinate position among the imports.' Largest part of the exports consists of food grains, raw materials comprising in all more than 80 per cent. of the whole export trade. But the production of most of these is more or less dependent upon the season. In a year of drought most of the exports dimi-

Abundance of raw articles.

nish, but hides and skins increase owing to mortality among cattle. The following were our most important heads of exports in 1910-11.

Exports of Indian Merchandise.	*Value in rupees*
Grain and Pulse	.....
Rice	23,03 48,883
Wheat	12,95 82,291
Other sorts	2,61,32,945
Cotton	.....
Raw	36,05,55,775
Cotton goods including Twist and Yarn ...	12,61,86,522
Hides and skins	13,08,55,304
Opium	12,76,39,748
Tea	12,46,14,092
Wool	.....
Raw	3,13,10,982
Manufactures	30,94,618
Lac	2,14,28,576
Oils	1,61,56,968
Metals	1,62,61,671
Coffee	1,33,51,865
Indigo	33 52,938
Seeds	25,12,52,735
Jute	.....
Raw	15,48 99,736
Manufactures	16,99,48,792

Exports of Indian Merchandise.

Grain and pulse:—In ordinary years this heading takes the first place among the exports, raw cotton, oilseeds, and raw jute taking a place only within measureable distance. The head includes, rice, wheat, millets, pulses and barley, taking them in order of importance.

Grain and Pulse.

The fluctuations in wheat trade between India and Europe are more marked than that of rice, because the latter are exported from Lower Burma where failure of rains is unknown. But its (rice) exports to other parts of the world is affected by conditions in other parts of India. The fluctuations are very marked in the case of wheat, the margin between prices in India and in Europe being an additional factor affecting its exports, over and above the influence of the seasons. (See pp. 52-56). In 1913-14 the export of wheat and wheat flour was Rs. $14\frac{1}{3}$ crores, and rice Rs. $26\frac{3}{4}$ crores.

Raw cotton.

Cotton:—The quantities of *raw cotton* exported show a stationary tendency. The reasons that may be attributed to it are (*a*) demand for raw cottons by the Indian mills, (*b*) substitution of superior American cotton for the Indian inferior cotton in the European mills, (*c*) and the absence of sufficient scope for extending production owing to the cotton area not being susceptible of large increase. The exports to the United Kingdom has fallen to comparative insignificance, while Japan retains the first place among importing countries. In 1913-14 Japan took more Indian cotton (45 per cent. of the exports) than Germany, Belgium, Italy, Austria, Hungary, France and the United Kingdom combined, and these countries are, in the order stated, after Japan, are largest buyers. Japan takes nearly twelve times as much as the United Kingdom and absorbs nearly one fourth of the entire home production. It is apprehended in some quarters that our principal customer Japan may some day import cotton from America and discard our production. But it can not be so for some time to come because, (*a*) of its cheapness and suitability to Japanese mills for coarse cloth, (b) and because of the world's

Why the trade is stationary.

Can Japan dispense with our production.

supply of cotton is barely sufficient to meet the increasing demand. The areas under cultivation in the presidency of Bombay, the Central Provinces, and Berar and the Hyderabad State stand at 13¼ million acres producing a crop of 14⅓ million cwts. of which about 8½ millions are exported and the balance consumed in the country. The total cotton crop of the whole world is 93⅓ million cwts. of which India's share is 14⅓, America's 63½. Egypt's 6¼, and the balance shared by other countries. The two latter are therefore the principal competitors of India. In 1913-14 the export of raw cotton amounted to Rs. 41 crores and cotton manufactures to Rs. 12 crores.

Share of India in the world's cotton crop.

Indian *cotton manufactures*, such as cotton clothes, were formerly consumed at home, and a great quantity of *yarn* exported to China, Japan and England. With the establishment of spinning industry in Japan the exports to that country has become insignificant, while the exports to England has practically ceased since 1908 The only important customer of Indian yarn at present is China. Of the total consumption of yarn in India more than 90 per cent. is produced in the home mills. In 1911-12 out of a production of 5914 millions of lbs. of cotton yarn, 151 million lbs. i.e. about 25 per cent. were only exported.

Yarn trade.

Exports and home consumption.

In 1911-12 the total production of woven goods in the Indian mills amounted to 1100 million yds. and of these 81 million yds. were only exported. Most of the woven goods are exported to Aden, Persia, Arabia the British and foreign possessions in Africa, China, Ceylon, and the Strait Settlements, the two latter however, are the best customers. It is often asked whether the rivalry of Japan can perceptibly affect the Indian trade. In answer we may say that India has some advan-

Woven goods where exported.

Can Japan's competition be apprehended.

tages over Japan and it will take a long time before the latter can successfully compete with India. The advantages of India, generally are, (*a*) India has large cotton fields while Japan has none, (*b*) India's customers generally prefer coarse cloth which she has a peculiar aptitude to produce, (*c*) her customers are very adjacently situated. Again, it is often doubted whether India can hold her own for long in the Chinese markets against Lancashire competition. In this case also India has some advantages. The chief of them are, (*a*) cheap labour, (*b*) less cost in producing coarser yarn, (*c*) saving in freight on the raw cotton and also of the cost of transportation from London to China of manufactured goods, (*d*) the recent reduction of freight from Bombay to China, (*e*) and the reduction of port dues. In 1876 the export of English yarn to China was double than that of India but since 1885-86 India's share has become three times larger than that of England.

Can Lancashire oust us from China.

Oilseeds:—Next in importance to cotton come oilseeds. Of the seeds exported all but an insignificant fraction are oil-seeds. The trade is of a very recent origin but had already attained considerable proportions. Practically all the oilseeds exported are sent to Europe for utilisation in soap and candle factories. In 1911-12, taking the exports of seeds as a whole, the United Kingdom and France each took nearly a quarter of the total, with Belgium not far behind, Germany coming next, and the United States appearing for the first time as a large purchaser. In 1913-14 the export of oilseeds amounted to Rs. 25¼ crores.

Oilseeds.

Countries of export.

Jute:—Regarded quantitatively the export of *raw jute* has not increased as greatly as its value. In 1911-12 United Kingdom took 44 per cent. of the exports,

Raw Jute.

Germany taking more than half as much. 'Jute, as the cheapest fibre in the market, is in constant demand in Europe, being used for making not only packing cloth and bags, as in earlier days, but also carpets and rugs, which, though not durable, are showy and very cheap.'

Jute manufactures.

The rate of development of the exports of jute manufactures is very rapid. Gunny bags and gunny cloths besides being extensively used in India are sent to every part of the globe, the only apparent limit to the expansion of the trade being inadequacy of the supply of the raw material. Also prices may rise so high as to encourage substitution of other fibres for it. In 1913-14 the exports of raw jute amounted to 30¾ crores and jute manufactures to Rs. 28¼ crores.

Hides and skins.

Hides and Skins:—'Taking the trade as a whole, hides and skins are, roughly speaking, about equally important, but a larger proportion of hides are exported in the raw state. Raw hides go in largest quantities to Germany, and raw skins mainly to the United States. The great bulk of the dressed or tanned products are taken by the United Kingdom. In 1913-14 the exports of hides and skins amounted to Rs. 11⅓ crores, and dressed or tanned Rs. 4¼ crores.

Opium.

Opium:—"The outstanding feature of the period under review was the conclusion of agreements with the Chinese Government for the gradual diminution, and ultimate extinction, of the export of Indian opium to China. The first arrangements for the reduction of the trade was made in 1907. Under an agreement signed in May 1911 the same rate of reduction was continued, and the reduction was brought to bear directly on the export to China by arranging that each chest of opium sold for export to China should be provided with a

Agreement with China.

certificate, and that opium not so certified should be excluded from import into China. Provision was also made for an earlier cessation of the export to China in the event of the native Chinese production of opium being suppressed before the expiration of the period of ten years. It has been decided by the Government that the trade to China shall not be resumed."

Tea.

Tea:—(*See pp.* 68-9). The value of the trade is steadily increasing. Failing in their endeavours to secure the continuance of the silver standard and the falling exchange which were for the time being favourable to their trade, the Indian tea growers next turned to open and extend markets for their tea by imposing on exported tea a small duty. In 1913-14 the exports of tea amounted to Rs. 15 crores.

Other exports.

Woollens, Lac, Oils, Metals and metal-wares, Indigo, tobacco, etc., are the chief among the exports of other manufactured and partly manufactured goods. None of them, however, are of pressing present importance.

Tobacco.

Manufacture of *tobacco* is a promising industry. Its export trade has grown steadily and local consumption has also increased. The substitution of a fair *ad valorem* duty for the unfair *specific* duty on Indian tobacco imported into England may greatly develop the export trade while manufacturing of cigars and cigarettes in greater quantity will increase home consumption as there is an abundance of tendency for abandoning the *hookha* in favour of these. The exports of manufactured goods only amount to a little over 20 per cent. of the whole trade.

Import trade.

There has been a conspicuous increase in the aggregate value of **imports** in recent years. It averaged annually in the five years ending with 1909-10 to almost

Rs. 116 crores, in the following three years to Rs. 143 crores, rising to over Rs. 183 crores in the year 1913-14. By far the largest proportion of the increase occured in the class of manufactured goods which constitute nearly 80 per cent. of the total imports. There was also a small increase in the class of food, drink and tobacco, which was counter-balanced by a decrease under raw materials and articles mainly unmanufactured.

The following were our most important heads of imports in 1910-11 :—

Imports of foreign Merchandise.	Value in rupees.
Cotton :	....
Raw	19,27,640
Twist and Yarn	3,13,75,272
Manufactures	42,00,00,000
Sugar	13,16,59,695
Railway plant and rolling-stock ...	6,18,60,338
Machinery and Milk-work ...	4,97,93,460
Iron	5,10,97,815
Steel	4,67,19,780
Copper	3,77,34,506
Hardware, cutlery, implements, etc.	3,57,87,645
Mineral Oils	3,38,80,701
Provisions	3,02,93,776
Silk	.....
Raw	85,22,800
Manufactures	2,76,46,226
Liquors	1,89,95,111
Apparel	3,13,24,983
Woollens	3,07,08,570

Analysis of imports.

The total value of imports in 1910-11 were 133¾ crores. Of this the value of merchandise was more than Rs. 115 crores and that of treasure (gold and silver) somewhat less than Rs. 36 crores.

Value of total imports.

The market in India for foreign goods is limited and a great proportion of the demand for imports, specially luxuries, is dependent upon the needs of the growing European and Anglo-Indian communities.

Raw cotton

Cotton :—The importation of an increased amount of *raw cotton* indicate the activity and the improved spinning efficiency of the Indian mills. The heavy imports may be accounted partly for the rise in price of indigenous cotton in comparison with that of American or Egyptian, and partly for the demand of finer cloth in India. Cotton yarns, the imports of which show no very marked tendency to increase, come almost exclusively from the United Kingdom. Holland and Switzerland send about three-quarters of a million pounds worth, while Japan which up to 1910 sent practically no yarn to India, made a notable advance in taking the fourth place with half-a-million pounds in 1911-12.

Cotton yarns.

Cotton goods.

Cotton goods have been increasingly imported until their values reached a third of the total import trade. The actual imports have not increased so greatly as the value suggests. Taking cotton manufactured imports as a whole, the United Kingdom in 1913-14 supplied over 90 per cent. of the total and the percentages were higher in the case of piece-goods. Of other countries Japan has made a most marked advance, sending goods to the value of Rs. 120 lakhs in 1913-14 as against Rs. 81 lakhs in 1912-13, and Rs. 76 lakhs in 1911-12 and as against Rs. 13 lakhs ten years ago, the *imports consisting chiefly of hosiery*. The bulk of the import trade in cotton manufactures is represented by piece-goods, divided into three classes, (*a*) *grey* or unbleached, (*b*) *white* or bleached, and (*c*) *coloured, printed* or *dyed*. Unbleached

Share of England.

Japanese competition.

goods usually form about 60 per cent. of the total piece-goods.

Sugar :—The import of sugar are of special interest, by reason of their bearing on the question of sugar cultivation in India, and also in view of the competition between cane and beet-sugar and the imposition of countervailing duties on bounty-fed sugar about the beginning of the period under review. It is a striking fact that the production in India is estimated to be some 3 million tons of cane-sugar a year, and India is thus the largest single producer of sugar in the world; at the same time India imports increasing quantities amounting in 1913-14 to nearly 10 per cent. of the total supply of cane sugar outside India. Cane sugar, which is imported from Java, Mauritius, the Straits Settlements, and China, was 90 per cent. of the total sugar imported. Beet Sugar is imported from Austria, Germany, Belgium and the United Kingdom.

India is the largest producer though also the largest importer.

Railway Plant, Machinery 'etc :—The bulk of the trade under this head is with the United Kingdom. Machinery and mill-work also come mainly from the United Kingdom. Growth under this head was continuous up to 1908-09, and up to that time textile machinery held the first place. In 1911-12 there was a falling off under all heads except "electrical."

Railway plant, machinery, etc.

Metals and Hardware :—The figures for weights of *steel* caught up *iron* for the first time in 1905-06, and has since gone well ahead, the total figures for 1911-12 of steel more than doubled that of iron. An increase in the proportion of imports coming from the United Kingdom is also noticeable under both heads. England's portion in 1907-08 was 46½ per cent.

Metals and Hardware.

England's share.

while that of Germany was 26 per cent., but in 1911-12, England's share stood at 82 per cent while that of Germany at only 4 per cent. *Copper* is another metal for which India has a steady demand. It is used chiefly for domestic utensils. The rise in prices in 1905-07 led much of the demand to be satisfied by the substitution of cheap enamelled iron-ware from Austria and Germany. Copper is imported mostly from the United Kingdom, Roumania and Germany. The share of the United Kingdom in the hardware and cutlery trade, taken as a whole, was in 1911-12 nearly 60 per cent.

Copper vs. enamel.

Cutlery.

Imports of cheap cigarettes.

Tobacco:—The rapidity of growth in import trade in cigarettes, which were hardly known to the Indian community a few years before the beginning of the last decade, was a very conspicuous feature of its earlier years. The maximum was reached in 1907 08 when the import of cigarettes amounted to a little above 3½ million lbs. The great bulk of the cigarettes was of low quality. The imposition of relatively high duties in February 1910 for some time stopped the trade in cheap imported cigarettes, and energetic steps were taken to replace them by cigarettes made in India from country leaf. The figures indicate that the contraction in the imports was limited for the most part to the lower qualities with which indigenous industry competed. Imports recovered to some extent after the reduction of duties in 1911, but the imports from Egypt, representing a different class of article were not seriously affected by the additional duties.

Duty on Tobacco.

Imports and exports of precious metals.

Import of precious metals:—The movements of precious metals are of special interest, especially in view of their connection with currency. The *net imports of gold* were Rs 23⅓ crores in 1913-14, Rs 54 crores in

1912-13, and Rs 38 crores in 1911-12. The *net imports of silver* were Rs 13 crores as compared with Rs 17 crores in 1912-13 and Rs 5 crores in 1911-12. Nearly one-half of the gold imported is in the shape of *sovereigns*. Of the *exports* nearly two-thirds come from the Kolar and other gold fields of India. Silver is mostly imported as bullion. The imports on Government Account for purpose of coinage amount to nearly one-half of the imports. Silver exported is mainly in the form of rupees which circulate exclusively in Ceylon, Mauritius, Arabia, East Africa and the Persian Gulf.

Re-exports of Imported Merchandise:—The re-export trade is comparatively unimportant. The development of direct communications between various parts of the world tends to diminish the trade of *entrepot* countries, and the Indian re-export trade, though it has not in recent years shown the decline that might be expected, shows no great tendency in the other direction. The re-export trade is mostly in manufactured goods from western countries, the most important class being cotton goods, which go to Persia, Muscat, Bahrein, East Africa, and other countries. Re-exports to western countries are ordinarily comparatively small, raw wool imported over the land frontiers being the principal commodity. In 1911-12 raw wool to the value of £207,000 was re-exported to the United Kingdom. The total figures for that year were swollen by exceptional re-shipments of sugar mainly to the United Kingdom, in response to high prices.

Re-export trade.

Re-export of wool.

(2) Foreign Trade of India by land.

In view of its comparatively small dimensions, and of the imperfect nature of the returns, the land frontier trade does not call for the same detailed treatment as the

Foreign trade by land.

sea-borne trade. The trade is carried on with the adjoining foreign countries across the vast land frontier of India. The value, though comparatively small, being less than 5 per cent. of the sea-borne trade has increased in a very satisfactory way during recent years and has now attained substantial dimensions, amounting to Rs. 21,44 lakhs in 1913-14.

Imports.

The principal **imports** across the land frontier are rice, oilseeds, provisions (chiefly in the form of ghee and pickled tea), cattle, sheep, and goats, all coming largely from Nepal; horses, ponies and mules, chiefly from the Shan States; teak from Siam and Karennee, other timber from the North West Frontier; raw wool mainly from Afghanistan and Tibet, and fruits and vegetables, especially from Afghanistan. The principal **exports** are cotton manufactures and yarn, mostly of foreign origin;

Exports.

the other exports, among which spices, metals, sugar, tea and salt are the most important, are on a much smaller scale.

Trade with Persia.

About 27 per cent. of the total frontier trade crossed the North Western Frontier in 1914. The trade with Persia continues very small, inspite of the efforts made to develop the route from Quetta by way of Nushki and Siestan. The Quetta-Nushki Railway was opened in 1915, and rebates of freight have been granted by some Indian railways on goods for *Persia*, but the trade has been subject to various drawbacks, and is yet small. From Rs 12 lakhs in 1909-10, it increased to 25 lakhs in 1913-14, the largest items in the exports from India being cotton piece-goods, leather and tea. Formerly

Trade with Afghanistan.

the trade with *Afghanistan* was subjected to many restrictions in the way of heavy duties, monopolies, etc, but with the removal of some of them the trade has expan-

ded of late years, but not to such an extent as seems possible. In 1914 however, the total value amounting to Rs 2,81 lakhs was much less than that of the year 1912-13, which amounted to 3,77 lakhs. Under imports raw wool increased in value to Rs 74 lakhs, representing 57 per cent. of the total, due to favourable rains and good quality, while fruits and nuts declined to Rs 26 lakhs. Cotton piece-goods and tea mainly accounted for the decrease under exports from India. These decreases are attributed to the tightness of the money-market owing to failures of Indian banks.

Total foreign trade of India.

The total foreign trade of India in 1913-1914 was a little over Rs 460 crores, the sea-borne trade being Rs. 440 crores and the balance being foreign trade by land. Still however the share *per head of population* is very low when compared with other civilised countries of the world. This fact certainly explains to a great extent the poverty of India inspite of the steady and regular drain of precious metals from the West. The following table gives a comparative idea of our share in foreign trade per head of population.

Trade per head of population

	Population in Millions.	1900.		1905.		1910.		1912.		1913.	
		Rs.	As.	Rs	As.	Rs.	As.	Rs.	As.	Rs.	As.
India	315	2	4	3	8	10	11	12	8	13	3
Russia	164	16	0	18	6	24	7	23	4	24	10
United Kingdom ..	45	278	12	285	2	335	10	367	15	386	2
France	40	135	14	147	10	202	8	226	0	232	2
Germany	65	135	12	156	6	186	6	219	12	230	11
Italy	35	56	6	68	4	91	15	105	10	106	5
United States ..	92	90	6	95	14	110	9	136	10	136	3
Japan	50	17	7	26	9	28	8	33	9	30	7
China	400	2	2	4	13	4	4	1	13	5	9

Coasting trade of India.

In addition to the great volume of India's internal trade, there is a considerable **coasting trade** from port to port in British India and the native states, the total estimated value of which, taking private merchandise only, rose, with some fluctuations, from £ $27\frac{3}{4}$ millions in 1901-02 to £ $39\frac{1}{2}$ millions in 1911-12. The greater portion of this trade is between Burma and the ports on the western shores of the Bay of Bengal, especially Calcutta and along the coast between Bombay and Karachi. The trade is mostly in Indian merchandise, the principal exports being jute manufactures, coal, and food-grains from Calcutta, cotton manufactures and food-grains from Bombay, raw cotton and food grains from Karachi, and rice and mineral oil from Rangoon. Native craft and British Indian vessels naturally take a much more important part in the coasting than in the foreign trade, the former being by far the most numerous among vessels entered and cleared.

A study of Indian trade statistics.

Mr. Justice Ranade, and following him Prof. V. G. Kale, has made a survey of the Indian export and import trade and drawn *five conclusions* as to the nature of transition in trade. The first is, that the *exports of manufactured and partly manufactured goods* are rising steadily.

First deduction.

In 1892-93 the value under this head was only Rs. $16\frac{1}{2}$ crores as against $54\frac{1}{2}$ crores in 1913-14, i e. a rise of 233 per cent. in twenty-one years, or a steady advance of 11 per cent. yearly, as against 15 per cent. per year, during the 14 years previous to 1892-93. This increase in the first quinquennium, 1893—98, was 5 per cent. per year, in the second (1898—1903) again 5 per cent. and in the third ending in 1908 the increase was 11 per cent., while in the last quinquennium ending in 1914 the increase was about 40 per cent., or 8 per. cent. annually. The second

Exports of manufactured goods increased.

is, while the increase in the exports of raw produce was 43 per cent. in the 14 years ending in 1893, that in the next 21 years was only 59 per cent. which means less than 3 per cent. increase per year, as against 11 per cent. increase in the exports of manufactured goods. But one thing should here be noted. The figures in the above case is open to the *fallacy of percentages*, because the amount of our exports of raw materials is 3 times, more or less, of manufactured exports, and so the comparison of the percentage of their relative growth does not show the actual fact. A small figure with a small addition increases by a high percentage but a large figure with a relatively large addition increases only by a very low percentage. The third is, that while the increase of manufactured articles imported into India was 30 per cent. in the fourteen years ending in 1893, the same amounted to 100 per cent. in the next 21 years, that is 5 per cent. increase per year. This shows how our standard of comfort is rising and how the luxuries of our last generation is becoming the necessaries of the present. The fourth is, that the imports of raw produce which stood at 26½ crores in 1892-93 reached in 1907-08 the large figure of 60 crores, an increase of 127 per cent in fifteen years or nearly 8½ per cent. per year, as against 6¼ per cent. per year in the 14 years previous. "This again is an indication of our growing industrial activity as it shows that we have been importing raw material in larger quantities to be manufactured in this country, thus giving greater employment to our labourers and large profits to our manufacturers and merchants." But between the years 1907-14 the amount of raw imports is steadily falling. It amounted in 1913-14 to a little over Rs. 10 crores. Lastly, the proportion of the imports of manufactured articles to

Second deduction.

Exports of raw produce decreased.

Third deduction.

Imports of manufactured goods increased.

Fourth deduction.

Imports of raw produce increased.

Fifth deduction.

Proportion of manufactured imports to total imports diminishing.

total imports, which was 65 per cent. in 1879 and fell to 57 per cent. in 1892, fell still further to 53 per cent. in 1907-08. The tables, however, were turned on the opposite side and in 1913-14 the percentage of manufactured articles rose to 79 per cent.

Conclusion from the survey.

We may now agree with Mr. Ranade's deductions regarding the export trade of India, but since the last decade the nature of export trade is changing. We see our manufactured imports are steadily rising while our raw imports are steadily falling.

Percentage statistics of 1913-14.

The trade statistics of 1913-14 show that in our *import trade* the relative share of food, drink and tobacco was 13·4 per cent of raw materials 5 8 per cent., of articles manufactured 79·2 per cent., and of miscellaneous articles 16 per cent. In the *export trade* the relative share of food, drink and tobacco was 26·5 per cent. of raw materials 50·1 per cent., of articles manufactured was 22·4 per cent., and of miscellaneous articles 1 per cent.

Percentage of trade by countries.

Trade by Countries. The foreign trade of India is conducted with most of the countries of the world, but in very unequal proportions. The trade with Europe stood in 1913-14 at 67 per cent., with Asia 21 per cent., with America 8 per cent., with Africa 3 per cent., and with Australia only 1 per cent. The European countries supply four-fifths of her imports and receive one-half of her exports. India still remains in essence, an agricultural country and in many ports her exports are admitted free of duty, as they are required for manufacture and compose of articles of which India is now the chief source of supply.

England being the great carrier of the world (more than 50 per cent. of the world trade), Indian export and

import trade is carried on in English ships; till the opening of the Suez canal England held the practical monopoly of all the European trade with India. The canal enabled the continental traders to convey goods directly to and from India. This, and the rise in the commercial importance of the continental countries are the primary causes of the decline in the proportion of the trade of India conducted with England. With the expansion of India's trade with other countries the decline in the *proportion* of the British share of Indian trade must necessarily become more marked. Moreover, the total trade of India is rising very rapidly and it is quite natural that England with her high percentage of trade cannot keep pace relatively though absolutely the value of her trade is increasing. However, as the merchandise received from these countries do not usually compete with those from England owing to its different nature, the cause for alarm seems remote. In the year 1913-14 the imports to India have increased and the exports diminished. The imports are of a varied nature but 80 per cent. of them are confined to the seven articles, cotton and cotton manufactures, metals and ores, railway-plant, etc., machinary, etc., hardware, woollens, and apparel. In the supply of these articles which are typical requirements of India from abroad, England stands unrivalled.

England's share in Indian trade.

Fear of Continental competition remote.

Certain foreign goods, *e.g.* glassware, musical instruments, stationary, books, boots and shoes, soap, toys, etc. have an increased imports. But on the whole the displacement of British Trade has been insignificant and less marked than the substitution of foreign for British goods of similar classes in the United Kingdom.

The trade with Germany has increased with great rapidity and many are afraid that this has led to a serious

Germany's share in Indian trade.

displacement of British goods in India. But excepting the imports of German sugar and salt the rest of the imports include a great diversity of articles, the total trade being trifling in value, and none of these having any likelihood of material expansion. The articles are flimsy and sold very cheap to suit the purposes of the Indians to whom cheapness is the chief consideration. The process has been one of creating and developing a new demand rather than the displacement of British goods. Besides these numerous petty articles there are some in the production of which German manufacturers have secured special advantages through their technical skill or chemical science. Much of these goods are *dumped* or *bounty* fed articles. Cotton manufactures, dyes, copper, iron and steel, machinery, and woollens, bulk in the import trade. The substantial improvements in exports are chiefly due to increased shipments of raw jute and cotton seeds.

The nature of German goods.

The articles of trade.

Imports from the United States of America are not advancing. The demand for petroleum has been affected by the competition of the Burma oil wells. In 1913-14 the imports of Kerosene rose from Rs. 130 lakhs to Rs. 183 lakhs, and the marked advance in the export trade was due to larger shipments of raw jute and jute manufactures. Exports of hides and skins, and lac, are also a prominent feature of the trade.

United States' share in Indian trade.

The increase under imports from Java is accounted for by larger receipts of sugar. Exports of opium to Java has also increased. Ten years ago tea trade with Java was valued at Rs. 1,47 lakhs. In 1913-14 this had risen to Rs. 12,69 lakhs, as against Rs 12,79 lakhs in 1912-13. The trade has increased very considerably as compared with a decade ago, due chiefly to the growth

Trade with Java.

in the imports of sugar and exports of jute goods, tea, and opium. The chief exports in 1913-14 were jute goods (711 lakhs), husked rice (Rs. 39 lakhs), opium (Rs. 71 lakhs), and tea seed (Rs. 5 lakhs), and the chief imports, sugar (Rs. 10,64 lakhs) and timber (Rs. 5 lakhs).

Japan's share in Indian trade.

The trade with Japan has increased very largely and rapidly from Rs. 10,92 lakhs ten years ago to Rs. 15,16 lakhs in 1909-10, and Rs. 27,47 lakhs in 1913-14. Increased imports are partly attributed to the establishment of commercial agencies, the ability to supply cheap articles, goods what are exactly required by the Indian market, the opening of a direct line of steamers with Bombay, and the establishment of a Japanese bank there.

How she fosters trade.

She has recognised the importance of the market for cotton hosiery, silk fabrics, matches, umbrella fittings and copper. The export trade shows an appreciable improvement of Rs. 3,96 lakhs owing to the increased shipments of raw cotton. Of the total exports to Japan (Rs. 23, 67 lakhs) in 1913-14, raw cotton (Rs. 19,40 lakhs) was by far the most important. The other exports in order of importance were husked rice (Rs. 1,62 lakhs), iron or steel pig (Rs. 33 lakhs), oil-cakes (Rs. 30 lakhs), opium (Rs. 18 lakhs), raw jute (Rs. 16 lakhs), jute manufactures (Rs. 15 lakhs), hides and skins (Rs. 13 lakhs) and manures (Rs. 10 lakhs). The chief imports were silk piece-goods (Rs. 1,18 lakhs), hosiery (Rs. 83 lakhs), copper (Rs. 41 lakhs), matches (Rs. 39 lakhs), glass (Rs. 16 lakhs), and coal (Rs. 13 lakhs). Japan now possesses the predominant place in the trafic with foreign countries in Asia, her share amounting to nearly 3 per cent. of the import and 9 per cent. of the export trade.

Exports and imports.

The following statement shows the proportion of India's trade, export and import, with each of the principal countries :—

	Imports of Merchandise into India			Exports to them.		Percentage of total Foreign Trade in Private Merchandise including re-exports.	
	Value in 1911-12.	Percentage of total Imports		Value 1911-12.	Percentage of total Exports 1911-12.		
		1901-02.	1911-12.			1901-02.	1911-12.
	£ 000 Omitted			£ 000 Omitted			
United Kingdom	57,035	64·5	62·4	38,428	26·0	40·6	40·0
Total British Empire.	63,630	73·6	68·9	61,481	41·6	57·7	52·4
Germany	5,969	3·7	6·4	15,058	10·2	9·4	8·6
United States.	3,527	1·7	3·8	10,393	9·0	4·6	5·7
Japan.	2,318	1·0	2·5	11,153	7·5	3·7	5·5
Java	6,314	5	6·8	2,185	1·9	1	3·7
France.	1,427	1·7	1·5	9,162	6·2	5·0	4·8
Austria Hungary	1,771	4·8	1·9	5,047	3·4	3·1	2·8
China	1,034	1·0	1·1	6,730	4·5	4·1	3·2
Italy	837	1·2	·9	4,187	2·8	1·9	2·1
Russia	77	3·9	·1	1,153	·8	1·7	·5

The War and the Trade, *See Appendix.*

§ The Balance of Trade.

The balance of exports and imports only, in a modern State, does never constitute its whole balance of trade. Other items must come in to strike the balance. In the case of India over and above the other possible items her political relations add a large amount to her imports. In 1913-14 the excess of exports over imports including merchandise and treasure was Rs. 21,37 lakhs including Government transactions, and Rs. 36,08 lakhs excluding Government transactions, the average for the last three years being Rs. 30,20 lakhs and Rs. 41,08 lakhs, respectively. The following is a table in which

attempts have been made to give a credit and debit account of Indian balance of trade.

India.

Creditor.	*Debtor.*
1. Value of exports.	1. Council Bills.
2. Imports of Capital into India on private account for commercial enterprises, or investment.	2. Value of Imports.
3. Remittances of private incomes for personal expenses in India.	3. Private remittances from India for expenses of students and boarders in foreign countries.
4. Expenses by tourists and lovers of antiquities in India.	4. Value of services done by ships.
5. Government borrowings.	5. Interest on Private borrowings.
	6. Government borrowings to strengthen the reserves in London.
	7. Rupee debt bought.

Debit and Credit accounts of India.

The Council Bills do include the following items: interest on debt, payments on account of India Office and other charges, pensions, army charges, and stores. (For details, see under *The Drain*)

Taking the aggregate excess of exports over imports *during the decade* to be £ 100 millions and adding £ 42 millions on Government borrowing account and £ 46 millions on the private, and adding a million more on the third and fourth heading on the credit side, India's total credit amounts to about £ 189 millions for a decade. On the debit side we have first of all to pay for the Home Charges and stores £157 millions, then comes miscellaneous remittances and interest on capital (third and fourth) which amount to £ 10 millions, followed by charges of £16 and £ 4½ millions respectively for the sixth and the seventh heads on the debit side, bringing

Statistics of the balance of trade from 1890—1900.

the total to £187½ millions, leaving a balance of a million and a half only as the net gain from our so gigantic a trade for a decade. (cf. Morrison). A simple glance at these figures fully bring home to us the fact that as the years will roll on our *obligations for paying interest* will go on increasing and we shall have to export increasingly our food and necessaries to keep the balance of trade favourable.

Now we have seen the net amount of gain which India derives out of her huge foreign trade extending over the whole of a decade. The official statistics however, point out to us the fact that on the whole bargain India gains much by the importation of a large amount of capital. In his Review of the Trade of India for 1914-15, Mr. Findlay Shirras, Director of Statistics, observes :—

New foreign capital imported into India.

"It is well-known that in addition to the remittance to England of large sums on account of interest on capital invested in banks, industries, mines and other enterprises, there are the home charges amounting approximately to Rs. 30 crores. If allowance be made for interest on money lent to Government and embarked in railways, banks and industries, for remittances of money by British subjects and foreigners resident in India, it is clear that at least Rs. 45 crores were remitted in 1913-14 for interest and services rendered; in other words, a balance of exports over imports of over Rs. 21 crores indicates that some Rs. 24 crores of new foreign capital (borrowed or invested) were probably at the disposal of India in the year under review." We should, however, note here the outstanding fact that India has to pay more than she receives and consequently she has to borrow to make up the balance. Again, we should also remember that the supply of her foreign capital

The effect of borrowing.

manned by foreign enterprise is not conducive to her best interests, while the addition to her obligations to pay increasing *interest* by the export of her raw materials is positively harmful.

§ Public Debt of India.

The subject of the public debt of India is closely connected with public works, since the greater part of the debt has been incurred for capital outlay on railways and irrigation The registered debt consists of rupee loans raised in India and sterling loans raised in England The total debt is divided in the accounts into Public Works Debt and Ordinary Debt, the amount entered under the former head being the equivalent of the total capital expenditure incurred by the State on public works, together with the amount advanced to railway companies for capital expenditure. The remainder of the debt is the "Ordinary Debt." The following table shows the amount of Public Debt incurred by the Government and discriminates between the productive and the ordinary or non-productive debt :—

Public Works Debt.

Ordinary Debt.

[In Millions of £]

On 31st March	Ordinary Debt.	Public Works Debt			Grand total of debt.
		Railway.	Irrigation.	Total.	
1888	59·0	59·2	17·3	26·5	149·5
1893	65·0	91·0	19·3	110·3	175·3
1898	70·0	106·0	21·7	127·7	197·7
1903	59·1	128·1	24·8	152·9	212·0
1908	37·4	177·7	29·9	207·6	245·0
1909	37·7	182·2	30·0	213·0	250·7
1913	25·0	211·8	37·6	249·4	274·4
1914	12·8	222·0	39·4	261·4	274·2

It is satisfactory that the ordinary debt is very small and for many years the amount has, apart from small fluctuations, shown a continual diminution.

How the account is kept.

The procedure according to which accounts are kept in the matter of debts is as follows:—"All loans excepting those specically raised for railway purposes are treated in the first instance as *ordinary* or *non-productive.* At the end of each year the amount actually spent during the year for capital purposes on railways and irrigation is ascertained, and that amount is transferred to the head of productive debt, the remainder only being treated as ordinary or non-productive. Of recent years, the sums thus transferred from ordinary to productive debt have usually been considerably larger than the total of the loans actually raised during the year, the funds obtained by borrowing having been supplemented from other sources, such as revenue surpluses and Savings Bank deposits. The result has been to effect a gradual reduction of the ordinary debt. The interest on the public works debt is charged against the revenue from railways and irrigation. This branch of the debt no longer imposes any burden on the general tax-payer; on the contrary, the railways and canals now ordinarily yield a revenue sufficient to meet not only their own interest charges but also the total net charge under the head 'Debt Services'.

How the Ordinary Debt is reduced.

Public Works Debt no more a burden.

Percentage of the debt held by Indians and Europeans.

The bulk of Indian debt (including the whole of the sterling debt) is held by Europeans; but of the rupee debt, the greater part is held in India, and an increasing share is in the hands of Indians. In 1902 it was estimated that about 58·8 per cent. of the rupee debt including 1,929 lakhs held in London, was held by

Europeans, and about 41·2 per cent. by Indians. In 1911 the estimated percentage had risen to 47."

Liabilities of the Government.

Liabilities and Assets:—on the 31st of March 1912 the debt of India amounted to £ 276,259,677, making allowance for the temporary 'unfunded debt' raised by sterling bills which was excluded in the previous table. There were also *other obligations* of the Government of India, including savings bank balances, judicial and departmental deposits, balances of service funds, etc, amounting to £27 millions, and the various railway annuities, representing at present an annual charge of £3⅓ millions. These are the liabilities of the Government.

Assets of the Government.

Against these liabilities we place the following assets, £135 millions for railways constructed by the Government, £35¼ millions for the irrigation works undertaken by the State, £108 millions for nine railways purchased from the companies, £10¾ millions as advances to railway companies, £12 millions as advances to native states, corporations, agriculturists, etc, £20 millions to Gold Standard Reserve, and £30½ millions as cash balances held in India and England.

Criticism of the Ordinary Debt.

This statement of India's Public Debt evoked criticism at different times at different quarters. Sometimes Indian public opinions held the view that as the Ordinary Debt is small an addition to it for expenditure on *education* and *sanitation* is welcome. The answer of the Government to the holders of this view was that the expenditure on the two items advocated comes according to the true canons of finance under ordinary expenditure. So it should not be met by loans.

Wacha's criticism of

Again, the Hon. D. E. Wacha, a leader of public opinion in Bombay criticised the railway expenditure of the

the Railway policy.

Government. He held, 'that there has been extension, equipment and construction at a breathless pace, at a greater pace than is warranted by the necessities of the country and by the ability of the State. The railway policy hitherto pursued can not be said to be an unmixed "blessing" to the poorest masses. The railways have destroyed many humble but remunerative industries, professions and trades. As for finances, when Lord Rothschild, one of the greatest financial authorities, opined that India can at the utmost borrow £ 8 to 10 millions, the Railway Committee recommended an annual expenditure of £12½ millions. As for borrowing our own suggestion to the authorities is that a full and fair trial for at least three years be given to borrowing more largely for public works in India at the rate of 4 per cent. The investments of Indian's in cotton mills, coal mines, municipalities, port trusts, etc., show that much capital in India can be raised at that rate. The Government policy of 'nursing British capitalists and his interests' should be altered so as to bring about that healthy and economic benefit which *internal* borrowing must inevitably bring in its train. The urgency of constructing irrigation works, deliberately recommended with the view of avoiding as far as practicable the famine conditions, has been greatly overlooked. Irrigation works yield a profitable return of at least 4 per cent. (in 1915-16, paid about 5⅓ per cent) on the capital outlay while the combined systems of railways costing well-nigh Rs. 400 crores (in 1915-16, more than £386½ millions), cannot gain for the State even now more than a miserable one per cent. and that too 58 years after its first introduction into the country. The different European Chambers of Commerce are principally responsible for

It destroyed means of livelihood.

Financing policy to be improved.

Claims of Irrigation disregarded.

having plunged the country into this heavy burden of Rs. 400 crores of public debt against which no provision, save in a few instances, has yet been made for wiping it off by means of an annual automatic sinking fund. The net charge or loss from railways from 1849-95 is about Rs. 52 crores, and the net gain up to 1910 is Rs. 11 crores, leaving a balance of net loss up to the end of 1909-10 about Rs. 41 crores."

The total loss suffered.

Home Charges.

The following is a table showing the net expenditure in England of the Government of India, known as the Home Charges, chargeable on the revenues of the year, 1911-12.

Home Charges.

	1911—12	
	£	Rs. in lakhs
Interest and management of debt, and payment of interest and annuities on account of railways and irrigation works.	10,768,754	16,15⅓
Payments in connection with Civil Departments in India.	233,672	35
India Office (excluding pensions).	184,870	27¾
Army and marine effective charges.	1,016,597	1,52
Stores of all kinds charged against revenue.	1,191,371	1,78¾
Furlough allowances.	988,853	1.48⅓
Non-effective charges (pensions and gratuities).	4,481,129	6,72¾
Total	£ 18,865,246 or Rs. 28¼ crores.	

'These figures show that nearly 12 millions out of a total of about £19 millions in 1911-12 consisted of payments on account of capital and materials supplied by England, and belonged to a commercial rather than an administrative class of transactions.' (Moral and Material Progress of India, 1911-12).

It is not a drain.

Is Home Charges a "Drain."

It is quite a gross mistake to say that the whole of India's debits constitute a drain. It is only 'that portion of India's debt for which in that year she receives no material equivalent in goods or money, that can be called a *drain*.' To ascertain the amount of the drain we should study the excess of India's exports over her imports for the last decade. We find that this average annual excess was about £15 millions and we may say that this amount represent the annual drain from India during the last decade.

What is a drain.

But it is evident that these £15 millions can not represent the whole drain, because the Home Charges alone amount to about £18 millions. Therefore, the so-called drain must exceed the sum £15 millions. The explanation of this anomaly is 'that by means of loans raised abroad India received an increased supply of valuable imports and to that extent the excess of exports is reduced.' That is to say, in the ten years under discussion the debt of India annually increased (approximately by £6 millions), raising the average *potential* drain to £21 millions a year instead of the actual drain of £15 millions, and to pay that additional debt (£6 millions) to India more merchandise came to this country, thus reducing the excess of our exports. (A country when lends money to another its exports of merchandise greatly in-

Potential drain greater.

How it is so.

crease to the borrowing country'. All figures respecting this potential drain, however, cannot but be highly conjectural.

Is India alone drained.

Now, it may be asked is India alone drained. But that is not the case. We find a good number of countries which are still developing their resources exporting more than they import. In Europe, Bulgaria and Servia, in South America, Chile, Peru and Uruguay, exporting more than they import. So also the independent states, such as Russia and the United States of America, the self-governing colonies of Australia and South African union, export more than they import. Three other countries, viz, Japan, Canda and Egypt, though still developing their resources import more than they export. The explanation of this phenomena lies in the fact that they of late are borrowing money so heavily that temporarily their excess of exports is extinguished. They have 'invested the borrowed money in stores, armaments, rails and rolling stock, etc, and these have swollen their imports to an equality of their exports. What India has done on a small scale, they have done on a large scale.' In the last decade Japan alone borrowed £ 134 millions for which she has to pay £6 millions as interest. The payment of interest, however, will take the form of increase in exports.'

Countries which have excess of exports.

The excess of exports may be called 'Net foreign payments'.

'Seeing that the debtor countries which export more than they import are amongst the most prosperous in the world, and that they are every year adding to their wealth, it is manifestly absurd to describe the payments which they make to their foreign creditors as a *drain*.' It would be much better to use the term *'net foreign payments.'*

Now, only one question remains to be answered. Does India receive any equivalent for her foreign payments?

What equivalents does India get for her foreign payments.

The analysis of the Home Charges shows that the following are legitimate charges and we get some equivalents for our payments.

1. The first head includes considerable sums by way of annuities in the purchase of railways, sinking funds, interest on capital deposited by companies, interest on capital borrowed by the Government for the development of the country and interest on ordinary and unproductive debt. The latter was incurred (unproductive debt) for the benefit of the people or the protection of the country which although it was proved unproductive is none the less considered necessary, e. g., cost of war and expenses of famine. As most of the foregin capital employed in India is borrowed by Government, India has to pay for the use of it only a *low rate* of interest as she borrows on the guarantee of the Secretary of State* and she retains for her own benefit any profits which are made in excess of interest, e. g., Indian railways and canals yield 4 or 5 even 7 per cent. while the interest on capital is only $3\frac{1}{2}$ per cent. The difference remains in the country and represents a net addition to the national dividend of India. The capital invested in Indian railways has created a new fund of wealth. Out of the fund over half a million Indians derive their livelihood every year

Benefits for unproductive debt.

A margin over the interest.

* It is estimated that only the Secretary of State's guarantee enables India to borrow at a rate $1\frac{1}{2}$ to 2 per cent. lower than the market rate, which on a sterling loan of £270 millions represents a saving of between 4 and 5 millions of pounds a year. This is one of India's many benefits for her political relations with England.

and the State after paying interest to its foreign creditors gains a clear profit of a crore and a half to the advantage of the community as a whole. These are advantages which can be computed arithmetically, but the gain derived by the country in general from cheap transport is a very great one though it can not be put in an arithmetical form. It is also to be noticed that India's indebtedness to England is not due to her political connection with England but to the fact that London is the cheap money-market of the world where every one borrows. Morrison concludes, 'that the economic equivalent which India receives for a part of her foreign payments is the *equipment of modern industry*.' Even therefore from the mere *capitalistic point of view* the transaction is a highly profitable one. But there is also another side of the question. In the case of private concerns worked with European capital and under European management all the profits go out of the country and the only class of Indians that are profited thereby are, (1) the *landlords* who rent out the land, (2) the *clerks* and the lower class of *unskilled labourers*, (3) *brokers* who settle the above transactions and supply raw materials, (4) and some other *miscellaneous* agencies, who repair, protect, advertise, etc., and the *local authorities* who charge local dues. But unfortunately, the existence of such foreign concerns is a painful necessity in India. Had India been able to supply the capital which she borrows from abroad, this problem of 'interest on debt' would have been solved. But in India the demand for capital far outstrips the supply and further it is very shy to seek for investment in the development of industries.

Revenue and means of livelihood.

Another side of the picture.

2. *Cost of stores.* For the payment under this head India receives a material equivalent just as much as she receives when her private merchants import goods from abroad. That such purchases are made in England is due to the fact that it is not as yet possible to purchase in India the articles required or else not possible to purchase them as economically. The extent to which a reduction under this head may in the future be possible depends upon India's own industrial development. In the Resolutions no. 183, 10th January 1883 and no 4941, 14th July 1909, the Government of India directed to prepare catalogues of 'list of articles which can be procured of Indian manufacture' for the supply of articles to the public service, and to place them before the consuming departments of Government for information as to the resources of Indian manufacturers and as to the possibility of obtaining from them an indigenous article in substitution for an imported article. Following the policy, the Government of India have granted various railway facilities to the Tata Iron and Steel Company, and have also undertaken to buy from them large quantites of rails. 'It may be also mentioned that the Government have in recent years established in India extensive cordite, gun carriage and small arm factories which both tend to cheapen the cost of military material and afford mechanical training and employment to the Indians.' (Howard, India and the Gold Standard). Thus we see that these two heads which form $\frac{2}{3}$ of our foreign payments are not *drains.*

Why stores are bought in England.

The subsequent Government policy.

The balance that remains, a sum of about 7 millions, may not unreasonably be said to be a charge for India's political relations with England. This sum may be called the ***political drain.***

The possible maximum amount of the drain.

The payments on account of Civil and Military leave, allowances, and pensions (furlough allowances, payments in connection with Civil Departments, and non-effective charges) are charges, it is urged, that is a necessary concomittant of the British administration and to which India owes her material prosperity. They are only deffered pay. In answer the Indian opinion views with alarm that the salaries given to the European servants of India are generally 2 to 5 times higher than they may expect to get at home. Further, these payments can be reduced by recruiting higher officers from India without the fear of impairing the standard of services as actual experience has long proved. (Vide *Public Services Commission* Report, 1917). Then come the *Army and Marine effective charges.* It includes a charge of £ 916, 597 representing payments to his Majesty's Exchequer on account of the cost of training British troops, etc., and £100,000 being a contribution towards the expenses of His Majesty's ships employed in the Indian seas. The apportionment of such expenditure between England and India is settled from time to time after a thorough discussion between the Indian and the Home Governments. But these charges have been criticised from Indian point of view. It is contended that much of these expenses can be reduced by substituting a part of the British troops by the Indian soldiers, and by reforming military administration by a more cheaper system. The short service system which have been introduced into India of late cost much than the previous system, as the transportation cost per head of troops amounts to no less than to £ 10 ½. Still more the contribution of £ 100,000 for British Navy guarding against foreign aggression or the sea-boards is open to great contention. It is doubt

Payments on Civil and Military Accounts.

Army and Marine effective charges.

Criticism.

Contribution for British Navy criticised.

ful if India needs any protection in the least valuable part of her territory from the invasion of any great power when the Mediterranean is well-equipped from a naval and *military* point of view. If, however, it is contended that the safety of India depends upon the safety of England, then the mother country might as well claim a share of the whole naval expenditure of the British Empire. On the contrary, it is admitted that every care is taken to make the expenditure on our defence independent of England. Again, it is never contended that the measures of protection taken by the India Government is ever inadequate. The expenses that India incurs on these defensive measures, e. g on fortress, etc., render further defence on the sea-board unnecessary, and thus we may say the contribution which India pays towards the cost of British Navy is superfluous.

Thus we see, the *drain* can not exceed £ 7 millions, as a result of our political relations with England, if we even unreservedly agree with the contentions put forward by Indian public opinion. But we must here remember that there are also assets to be balanced against this liability. First of all comes the advantage which we derive from the credit of our Secretary of State's guarantee in contracting foreign loans. The advantage approximates to about £ 5 millions. Then there we find to remain only £ 2 millions that is to be balanced against any equivalent. But for this amount we derive some benefits which though can not be computed arithmetically can very easily be mentally realised. They are, (1) freedom from external aggression due to India's connection with England, and peace and order within her borders, (2) freedom from any naval expenditure to guard her coasts and commerce, (3) and other small savings such as that India effects by not having to maintain diplomatic and consular services of her own.

The equivalents for the so-called political drain.

How India pays her Home Charges to England : *See, Foreign Exchange.*

CHAPTER II.

CURRENCY.

§ History of Indian currency and Legislations.

India was in a high state of advancement when the present civilised countries of the world were steeped in ignorance and barbarism. Her trade and industries flourished early and it is no egoism to surmise that exchange succeeded the existence of some kind of money Records of history and evidences of ancient religious books all affirm that precious metals specially gold, were in use. The term *'mudra'* and *'niśka'* are almost as old as the human civilisation.

Early history.

It is believed that gold was the original measure of value in India though it was not the earlier coined. It was perhaps used by weight as we find Darius exacting from the satrapy of the Punjab 360 talents of gold dust as tribute. It was perhaps the silver that was the earlier coined. Sir Alexander and Mr. McLeod both hold that silver was coined as money as early as 1000 B. C. Other kinds of money as medium of exchange were also in use. The principal kinds of them are supposed to be copper, shells (cowries), lacquer, etc. In the latter part of the Hindu rule it was gold that came to be used as money for all large transactions.

Gold and silver as a medium of exchange.

'The early Mahomedan rulers used the Arabic standards for the gold *'dinar* and silver drachma, and for common use issued copper and other subsidiary coins of the indigenous standard.' In 1233 A.D , it was Sultan Altamash who first introduced silver *tankas*, and thus connected the currency with the ancient Hindu monetary

Mahomedan coinage.

system. Muhammad Tughlak made several innovations, and some resulted in failures. Sher Shah, (1540-5) abolished all coins of lower weight and substituted the *tanka* by the *rupya* or the present rupee. Akbar still further reformed and improved the coinage. The total number of places at which Mogul coins were struck in the whole period from Akbar to Bahadur II was about 200. Gradually, however, independent viceroys, Marhatta chiefs and other principalities began to coin money and debasement continued according to their respective avarices. Finally, the whole country was flooded with a bewildering collection of rupees of different values. The East India Company found 994 different kinds of gold and silver coins current in India.

Later chaotic nature of the currency.

The history of the British coinage in India begins in the reign of Queen Elizabeth with the export of special coins for use by the East India Company. The latter soon began to establish mints for coinage with the sanction both from the Home Government and the Indian Mahomedan rulers.

British coinage in India.

In the early part of the nineteenth century no uniform measure of value existed in British India. Some parts (e. g. Madras) maintained a gold standard and a currency; elsewhere, as in Bengal, silver standard obtained, with gold coins in concurrent circulation. Throughout India the coins, whether of gold or of silver differed in denomination and in intrinsic value even within the same district. Out of this chaos arose the demand for an uniform coinage, a demand to which the Court of Directors of the East India Company gave their approbation in 1806. It is important to observe that the Directors, while "fully satisfied of the propriety of the silver rupee being the principal measure of value and the

The early state of things.

money of account,' by no means desired to drive gold out of circulation. "It is not by any means our wish," they said, "to introduce a silver currency to the exclusion of the gold, where the latter is the general measure of value, any more than to force a gold coin where silver is the general measure of value." The Company tried to maintain gold and silver in circulation at a fixed rate, but the gold coins were undervalued (i. e their prices as bullion rose high), and gradually passed out of circulation. In 1818 the silver rupee was substituted for the gold pagoda as the standard coin in the Madras Presidency.

The arrangements of 1806 and 1816.

In 1835 a uniform silver currency was adopted for the whole of British India. This coin, which is our present rupee, weighs 180 grains and contains 165 grains of pure silver. India thus secured a monometallic silver currency, where mints were opened to the free coinage of silver (seigniorage charge 2·1 per cent). The free coinage and unlimited legal tender made the value of the bullion silver and the rupee coin practically identical and any cause which affected the value of bullion simultaneously affected the value of the rupee, i. e. the purchasing power of the rupee.

Act of 1835; monometallic silver currency established.

For a span of *58 years*, i. e. from 1835 to 1893, the Act of 1835 remained in force. Though the Act enacted that "no gold coin shall henceforth be a legal tender of payment in any territories of the East India Company," it still authorised the coining of gold mohurs as the equivalent of 15 rupee pieces. By a proclamation of 1814 officers in charge of public treasuries were authorised freely to receive these coins at their face values in payment of Government dues. The extensive

The position of gold.

Discoveries of gold.

discoveries of gold in Australia had the effect of diminishing its value relatively to silver, and holders of gold coins naturally availed themselves of obtaining at the Government treasuries a larger price for these coins in silver than they could in the market.

Dalhousie demonetises gold in India.

Consequently in 1853 the Government of Dalhousie by a Notification withdrawn the privilege, and henceforward no gold coin was to be received in any public treasury within the territories of the East India Company. In 1864 on the representation of the several Chambers of Commerce, sovereigns and half-sovereigns were authorised to be received at Rs 10 and Rs 5 respectively.

Agitation for gold.

In the following March, the Directors of the Bank of Bengal urged that "in view of the continued influx of sovereigns," the time had come when British gold might, "with safety and advantage be declared legal tender at the respective rates of ten and five rupees"; and the Government of India again pressed their original proposal on the Imperial Government. The Secretary of State replied,

Legal tender for gold thought premature.

that the time did not appear to have arrived for taking any further step, nor did he see that any practical advantage would attend the proposal to admit British gold to legal tender in India. In 1868 the rate for the receipt of sovereigns and half-sovereigns at the public treasuries was raised from Rs 10 and Rs 5 to Rs 10⅓ and Rs 5⅓ respectively.

New factor operating.

This system continued without any serious disadvantage up to 1873, but since that time new influences began to operate and affect seriously the currency policy of the Government. The value of money as of any other commodity is determined by demand and supply. By demand we mean the occasions when money is used either in purchasing of commodities or in payment for

services, and by supply we mean the quantity of coin or substitutes for coin current in the country. By value of money here we mean its exchange value with respect to gold. Since 1835 there had been a rising demand for currency throughout the world due to the increase, (*a*) of population, (*b*) rapid growth of production, (*c*) phenomenal opening of communications, (*d*) and the substitution for the archaic system of barter exchange the habit of using money.

Demand and supply of money.

But when there was thus created a demand, the supply also increased and it increased disproportionately to the demand. During the period under review there was an enormous increase in the *world's output* of silver, and its exchange value with gold consequently fell.

The supply of money.

This falling of its value led the rich civilised countries of the world dispense with its services for gold as a medium of exchange. In 1873 Germany, Denmark, Sweden and Norway closed their mints to the free coinage of silver. In 1874, France, Belgium, Switzerland and Italy (Latin Union) also suspended the free coinage of silver, and adopted gold as the only legal tender money. The effect of these great changes was that gold became the international money of the world, and silver began to flow to the still existing silver standard countries, such as India, China and Mexico. As for India, a great portion of these silver, e. g. from the increased output of mines and demonetisation of it in Europe and America, began to flow into the country.

Demonetisation of silver by the great commercial nations.

Silver flows into India.

The inevitable effect of the increased use of gold and the decreased use of silver in the great commercial countries cannot be otherwise than to raise the value of the one and depress the value of the other. The ratio of silver to gold in London fell from 15·58 to 18·65

The ratio of the metals falls and depresses the Indian exchange.

in 1885 as compared with 1871. In the eight years after 1870 the value of the rupee fell from 23⅛d to 19¾d, and there was no question as to why the value of the rupee should not fall lower still.

Controversy as to the effect of the fall in exchange.

Now a great controversy arose as to the effect of this fall on India as a whole. Some held that the fall in exchange is beneficial to India while others held that it is highly injurious to her interests. Those who advocated the benefits of the fall held that it is "no loss to the people of India. The prices of the produce of the country estimated in rupees rose as the value of the rupees fell and the export trade of India rather benefited than suffered by the depreciation of silver. The revenues of the Government also increased automatically in rupees as the rupee fell in value. The settlement officer raised the land revenue demand when he found rice and wheat selling at a higher price estimated in rupees. The local cesses assessed on the rental rose with rise of rent and the revenue. The income-tax assessor increased his assessment when he estimated the incomes of the traders and merchants at a large number of rupees. Officials could demand increase in their salaries in rupees as the rupees fell in value."

Views of those who advocated the fall in exchange.

Views of those who disclaimed the fall.

Those who held the fall in exchange as a grave evil argued in the following manner :—

Made gold obligations of India more burdensome.

(1) It has made *all gold obligations more burdensome.* The loss to the Government in paying its huge sterling obligations to England amounted year after year to nearly eighty millions of rupees and each fall of a penny in the exchange value of the rupee aggravated this heavy burden immensely. This was a heavy clog on the actions of the Government and it was a matter of much difficulty for the finance minister to adjust his

taxes and his budget to the requirements of India, for a fall in the price of the rupee would at once upset all his calculations.

Made additional taxation necessary.

(2) The people of India were compelled to pay all this huge amount annually in *additional taxation*. But from this they derived absolutely no benefit. If the currency system had been arranged with adequate consideration of India's interest, there would have been either no necessity for such heavy taxation, or if the money had been so raised it would have been applied to the reduction of debt, the more rapid extension of irrigation work, or other permanently useful objects.

Trading community harassed.

(3) The *trading community* (specially importers) *was harassed* by the uncertainty and the fluctuations of exchange to such an extent that legitimate trade was being replaced by speculative and gambling transactions. The *importer* was at a loss how to meet his liabilities when excharge fell day by day.

Discouraged imports of British capital.

(4) The *investments of English capital* in the development of material resources of India was discouraged for both as regards the remittance of the interest as well as profits and the final transfer of the money back to England. There was the risk that a large discount might have to be deducted owing to exchange difficulties.

Heavily injured the credit of the Government.

(5) The *credit of the India Government was heavily injured* by the depreciation in the value of the rupee. The uncertainty in the amount of the interest that might be obtained by the holder of Indian securities naturally rendered the English capitalists reluctant to invest their money with them. Any sudden calamity which makes it imperative for India Government to *borrow money largely* would find it seriously handicapped through the reluc-

tance of European capitalists to lend money on rupee security.

Affected the efficiency of the Indian Services.

(6) To all *Europeans in India with rupee income* the continued depreciation brought the greatest hardship. It was even feared that the speculative character of the Indian income would seriously interfere with the *efficiency* of the Indian Civil and Military service.

(7) The argument that the falling exchange *stimulated commerce and consequently aided production* was fallacious as it was only a temporary phenomenon and produced no permanent results. The theory was that exporters received the value of their products in gold prices prevailing abroad, and with this gold they bought silver which was daily falling in value and ultimately coined them in India. Thus they gained much more than they could receive by selling in India, where prices in silver was lower in comparison with the foreign gold-using countries and had been hitherto left almost unaffected by the world price. But the theory is untenable as *exports pay for the imports*, and while in India the existing currency hindered imports it could not be possible for the exports to remain high while the former (of course, her net obligations being taken into consideration) was diminishing. Further it is a question whether the rise in exports was entirely due to the opening of the Suez canal and the linking of the plains of Northern India with Calcutta, Bombay, and Karachi, and the consequent opening of markets.

Falling exchange can never serve as a bounty for long.

Rise in exchange for the American Currency Act.

In 1890 there was a material rise in the Indian exchange, which was largely due to speculation engendered by the Sherman Act passed by the United States of America providing for the purchase of 4½ million ounces of silver every month. This was, however, quite ineffective in bringing about any permanent relief owing

to the great increase which was taking place at the same time in the production of the white metal. The rise in the price of silver and in the Indian exchange, due to this speculation, lasted for only a very short time. From 1885 to 1894, the exchange fell with a short and temporary rise from 18·2 d. to 14·5d. Several attempts were made by the various Chambers of Commerce and the India Government to move the Imperial Government to suspend the free coinage of silver but they were rejected as being the sacrifice of the Indian taxpayers' interests for the welfare of the English traders and officers. Ultimately, the steady fall in exchange led the Government to try to facilitate an international agreement which might cause a rise in the gold price of silver and thus diminish the inconvenience resulting from the rentention of a silver standard in India. All hopes of an international agreement fixing a ratio between the values of gold and silver, however, had to be abandoned when the Brussels International Monetary Conference dissolved in 1892 without arriving at any definite result.

The rise only preceded a heavy fall.

International agreement for maintaining the silver exchange could not be arrived at.

In 1893 *four possible basis of currency* to remedy the existing evils seemed to hold the field :—

Four possible basis of currency in 1893.

(1) *Debased and depreciating currency*, usually of paper. The Government could not adopt this.

Debased currency.

(2) *Silver currency*. The Government was deliberating to upset this.

Silver currency.

(3) It was proposed that India should demonetise silver and adopt a gold currency *closing the mints to the free coinage of silver*. But to *establish a gold currency* in India it would be necessary to withdraw from circulation all the existing silver coins (approximately Rs. 115 crores), to sell it as silver bullion, and to replace these coins by gold. To do this, in both the buying and

Gold currency.

The cost proved to be prohibitive.

selling operations, the Government of India would have to suffer very great losses. So, in the existing condition of Indian finances it would be a suicidal policy; it would be too expensive to be undertaken with any chance of success.

Bimetallic system unmaintainable.

(4) Another remedy suggested was the frank acceptance of the *bi-metallic system* with both gold and silver coins passing current at a definite ratio. But no country can stand alone in adopting bi-metallism: there must be an international agent; and inspite of the repeated and earnest endeavour of the Government of India such an affair could not be brought about. The scheme for bi-metallism therefore came to naught.

The Government's decision.

Finally, the Government of India came to the conclusion that the best course would be to close the Indian mints and adopt measures having for their object the introduction of a Gold Standard into India, and accordingly submitted proposals for the purpose to the Secretary of State for India. In 1892, the Secretary of State referred the proposal to a Committee of which the Chairman was Lord Herschell. On the recommendations of this Committee the **Act of 1893** was passed, providing for,

Herschell Committee: the Legislation of 1893.

Closure of mint 1s. 4d. per rupee.

(*a*) The *closure of the mints* to the unrestricted coinage of rupees, reserving for the India Government the power to coin silver rupees on its own account.

(*b*) The *reciept of gold coin and bullion at the Indian mints* at the rate of 1s 4d. to the rupee.

Gold to be received as government dues.

(*c*) the receipt of sovereigns and half-sovereigns *in payments of sums due to government* at the rate of Rs. 15 for a sovereign. It should be noted that gold was not thereby constituted a legal tender; the rupee remained by law the only coin in which other than small payments

could be made, and no legal relation was created between rupees and gold.

The objects of the Act.

The *objects of the Act* were, (*a*) by stopping the supply of new rupees *to force up exchange* till a maximum rate was reached, *i. e.* exceeding 1s. 4d. by as much as the cost of transmitting gold; (*b*) that a maximum rate of exchange would necessarily tend to encourage *an exodus of capital* as soon as the gold point was reached; (*c*) to familiarise the people of India with the use of the sovereign without forcing it on them; (*d*) to discourage the import of silver. "The rupee was severed from silver without being *at once* anchored to gold, and remained liable to violent temporary fluctuations though not to progressive depreciation." (Howard). The Act was only a preliminary measure: the settlement of the permanent rate of exchange between gold and the rupee, the making of gold coins a legal tender, and the other measures necessary for the final and effective establishment of a gold standard in India were left to be provided for by future legislation in the light of the experience that would be gained by the study of the effects that followed the closing of the mints.

To force up the exchange.

Encourage import of capital.

Familiarise the use of gold.

Discourage imports of silver.

The Act was only a step to progress.

The closing of the Indian mints did not, however, immediately arrest the downward course of the Indian exchange, but, however, it *did not fall in proportion to the fall in the gold price of silver.* The repeal of the Sherman Act is mainly responsible for the fall. In 1895 the value of the rupee fell to 13·1 d. But afterwards there was a steady rise and in 1899 it reached 1s. 4d. The coinage of rupees was absolutely abandoned during these six years.

The effect of the closure of the mint on the exchange.

The legislation, however, could not satisfy every interest. Strong objections were put forward by all sections

Objections to the closure of the mint.

of the Indian producers against the closing of the mint. The following are the chief objections against the Act :—

The proper remedy is the curtailment of the Home Charges.

(1) The *proper remedy* for the exchange difficulties would be the *curtailment of the home charges* and not the present legislation. The necessity of making the huge remittance and at the same time to avoid the consequent loss to the Government of India indeed supplied the motive to the legislation. But if these charges could be minimised the loss for exchange would be averted and the necessity for legislation would cease.

Bombay mill industry suffered heavily.

(2) The *Bombay mill industry is seriously hampered* in its trade with silver using countries such as China and Japan (the latter no longer silver-using). Before the legislation the silver bullion got from China could be exchanged for the corresponding quantity of rupees but now the bullion value of silver being lowered than its mint value a loss has to be incurred in changing the silver into rupees.

Savings of the Indians depreciated.

(3) The *savings* of the Indian peasantry, are made in most cases in the *shape of silver ornaments* for their women. These ornaments are sold in years of scarcity. Before the currency legislation these ornaments sold for nearly the same value in money. Now, however, the price of these no longer approximate to its actual value but is much less. Thus by the currency legislation the savings of the poor have been depreciated in value.

The debtors were put to great hardships.

(4) The total mass of rural indebtedness in India has always been very great. Now, the debts previously contracted, when the rupee had a low value, would have to be discharged in the rupees the value of which had been artificially raised. This would be an *injustice to the poor debtors*.

The above are the four objections most forcibly

urged by Mr. R. C. Dutta. To these objections, urged from the Indian standpoint, may be added the views of European merchants (exporters of Indian goods) and tea-planters as to the feasibility of the closure of the mint. R. C. Dutta.

(5) The tea-planters argued that they sold their produce for gold but paid their coolies in silver. Consequently they suffered in proportion as the exchange rose and they got fewer rupees for a sovereign than before. Rise in exchange injurious to the Indian producers.

(6) Objection to the measure was also urged on the ground that State-regulation of the rate of exchange was opposed to the pure Laws of Economics. The measure opposed to Laws of Economics.

(7) It was also argued that there would be an indefinite and bewildering *fall in the internal price level* due to the scarcity of rupees, a token currency. Bewildering fall in the home price level.

(8) It was also urged that the measure would encourage the counterfeiting of coins, as the price of the rupee and the silver bullion contained in it (42 per cent. below the price of coined silver) greatly differed. Counterfeiting is apprehended.

Mr. Fowler in an essay on "Indian Currency" objected to the measure thus:—It is true that the closure of the mint has raised the exchange but it is at the same time imaginable that it has done so at the cost of a most serious deficiency in the supply of money at certain most busy seasons. The evil effect is that at these seasons traders and producers had to borrow money in a stringent market paying 12 to 18 per cent. on the loans contracted. A sound currency, however, should always be *automatic*. It is not true that a gold value should be given to rupees in order to encourage the influx of foreign capital. The evidence before the Committee proves that investments being permanent and for long periods the fluctuations in exchange were of less hardship. Again, the artificial raising of the exchange discourages exports and encour- Mr. Fowler's opinion. Traders and producers are injured in busy seasons. Currency should be automatic. An unbased apprehension.

Exports are discouraged.

ages imports, thus making it difficult for India to pay up her gold debt to England by the sale of Council Bills.

The Fowler Committee.

The Secretary of State appointed in 1898 a Committee under the presidency of Sir Henry Fowler to consider proposals to this end, in future. It was found clearly essential that the provisional arrangements made in 1893 should be replaced or completed. So, as soon as the exchange rose to 1s. 4d. the Government of India forwarded *several proposals* for introducing the gold standard in India.

Gold standard without a gold currency: Government project.

Of the several proposals forwarded by the India Government the *first* was the project of the India Government. The idea was to raise the exchange by withdrawing from the currency 200 million rupees, and to effect this contraction a loan was to be floated. But the Fowler Committee argued that there was no proof of the exchange falling since 1894 95 and what falling there was it was due to such causes as, (*a*) borrowing in London on account of India, (*b*) the reduction of the drawings of council bills, (*c*) increase of Indian exports, (*d*) a general rise in gold price, and (*e*) reduction of the imports of silver into India. *Another proposal* was the one called Mr. Probyn's proposal. This like the above proposal was for *a gold standard without a gold currency*. His proposal was to redeem rupees at the option of the Government in gold bars of the value of not less than Rs 10,000. Gold notes for Rs 10,000 each were to be issued in exchange for gold. These notes were to be redeemed at the option of the holder either in rupees or in gold. The idea was that gold would be attracted to India and gold reserve would be accumulated strong enough to allow the Government to undertake the convertibility into gold of all rupees

Criticisms of the Fowler Committee.

Probyn's proposal.

The principle underlying the scheme.

and rupee notes. The scheme was put forward under the apprehension that if gold currency was established in India the gold would be hoarded. Against his scheme the Fowler Committee argued thus, (*a*) there is no precedent for the permanent adoption of silver for purposes of internal currency; (*b*) and the danger from hoarding is not so great as it is thought. The introduction of gold currency into India was not an untried experiment and gold coins formed the principal currency and money of Madras in the beginning of the 19th century.

Criticism.

The next scheme was the *Lindsay scheme* which had been *ultimately adopted*. In order to fix the sterling exchange he proposed to make the *rupees freely convertible* in India and for remission to London they are to be converted at a fixed rate *into sterling drafts* chargeable on a sterling fund located in London. At the same time *rupee drafts* were to be sold *at a fixed rate in London*. In order to provide for the meeting of the sterling drafts a *loan of £10 millions* was to be raised in London. If an excess of rupees accumulate in India as the result of selling sterling drafts the excess number of rupees would be *sold as bullion* and the proceeds are to be credited to the sterling funds. The rupees would continue to form the *circulating medium of India*, gold not being admitted to legal tender. Mr. Lindsay held that this system of currency *could be permanently adopted*, or it may be the means of *leading up to a gold currency*. The Fowler Committee criticised the Lindsay scheme thus :—(*a*) any system *without a visible gold currency* would be looked upon with *distrust* and consequently would check the flow of capital into India; (*b*) further, if the system become permanent it would *base India's gold standard for all times to come* on a few millions of gold while the

Lindsay scheme.

The method of working the currency and fixing of the rate of exchange.

Criticism.

liability to pay gold in London in exchange for rupees *i e.*, sterling drafts, may increase to any extent.

Lindsay scheme finally adopted by the Government.

Here it is to be noted that the Lindsay scheme *had actually been carried into effect* and has been successful.

Fowler Committee and the legislation of 1899.

The Fowler Commission reported in 1899, and to give effect to its recommendations a Currency Act was passed in the same year. The following were the recommendations of the Committee :—

Rate of exchange should be fixed at 1s. 4d per rupee.

(1) The permanent *rate of exchange* should be fixed at 1s. 4d, the rupee, for the following reasons :—(*a*) taking the years 1872-3 to 1898-9, the average rate for many of the years has been so ; (*b*) in the year 1898-99 when the rupee was at 1s. 4d, India's export trade attained a record, showing that the rate did not discourage the favourable balance of trade ; (*c*) the rate has been regarded as permanent by the public and calculations as to future have been based upon it ; (*d*) that at that rate gold to the value of £ 2 millions flowed into the Indian Treasury.

Sovereigns with the rupees should be made legal tender.

(2) That the British *sovereign* with the *rupees* should be made a legal tender and a current coin in India, at the rate of 1s. 4d. per rupee.

No fresh rupee coinage unless gold increases above the demand.

(3) That whilst the Government of India should continue to give rupees for gold, if required, *no fresh rupees should be coined* until the proportion of gold in the currency was found to exceed the requirements of the public.

Unrestricted coinage of gold.

(4) That the Indian mints should he thrown open to the *unrestricted coinage of gold* on terms and conditions such as govern the three Australian branches of the Royal mint.

Gold Reserve fund.

(5) That the profits made from the coinage of new rupees should be used for *forming a gold fund* to secure the convertibility of rupees into sovereigns.

(6) No obligation of converting rupees into gold can be imposed on the Government. In France and the United States where the free coinage of silver had been suspended altogether, such coins are never convertible by law into gold. In both countries alike the silver coins are equivalent to gold for all internal purposes. The analogy should be observed in India.

No obligation to convert rupees into gold.

The *first two recommendations* were put into effect by the Government of India by the Act of 1899, and the rupee was definitely linked on to the sovereign at the fixed rate of Rs. 15 to the sovereign. The sovereign and the half sovereign were made legal tender to an unlimited extent and it was resolved to issue notes (or which is the samething, as rupees) in lieu of sovereigns and half sovereigns for any amount. No legal obligation was, however, undertaken to give gold in exchange for rupees.

Government acceptance of the first two recommendations.

India thus at last obtained what may be called the *Gold Exchange Standard* in contradistinction to Gold Standard in the sense in which it is generally understood in countries here the Mints are open to the free coinage of gold. Owing to various legal and technical difficulties the proposal for unrestricted coinage of gold was *temporarily dropped* in 1902, only to rise again towards the latter part of the decade. Under the new arrangement, gold tendered for exchange into rupees was received as portion of the Paper Currency Reserve, from which the rupees required were issued. As soon as the Act was passed, gold began to pour into India, and by the end of March 1900 the Gold Reserve of the Paper Currency Department rose to £7½ millions. The Silver Reserve at the same time fell steadily, till at the end of 1900 it reached the alarmingly

India thus attained the Gold Exchange Standard.

Gold reserve increased due to the imports of the metal.

low figure of Rs. 3 7 crores. The stock of rupees thus became quite inadequate to meet the *demands for the growing trade*, and it became absolutely necessary for the Government of India to recommence the coinage of rupees. The difficulty was successfully met by the coinage of 17 crores of new rupees during the year 1900-01, and gold to the value of £4½ millions was remitted to London to pay for the purchase of silver required for the new coinage. In the same year the Gold Standard Reserve, or, as it was then called, the Gold Reserve Fund, was created with the profits of the rupee coinage. The demand for rupees due to the growth of trade and, with it, the imports of gold due to the favourable balance of trade continued so heavy during the next few years that the Government was able to meet it only by working the mints under very high pressure. For more than seven years the demand for rupees continued to be so steady and heavy that it was decided to hold £4 millions of the Gold Reserve Fund in rupees, *as a special reserve* to meet sudden demands for the latter. This gave a reserve of 6 crores of rupees, but, of course, the available reserve in gold was reduced to the same extent. The designation of the Gold Reserve Fund was altered ultimately to the *Gold Standard Reserve*.

Rupee unable to meet the rising demand.

Coinage of new rupees in 1900-01.

Gold Reserve Fund created out of the coinage profits.

Portion of the Gold Reserve Fund held in rupees.

Indian Exchange

Foreign payments are effected usually by means of *Bills of Exchange*. It is a written and open letter of request addressed by a person who is called the *drawer* to another person who is called the *drawee*, desiring him to pay a certain sum of money either to the drawer himself or to a third party called the *payee* within a certain time after its date or after it is presented for payment or

Bills of Exchange.

on demand. These are negotiable instruments and can be transferred from one person to another.

How international payments are made.

International payments are usually made in this way:—A merchant M, say in India, orders for a consignment of piece-goods from a manufacturer N, say of England. In payment of his goods N draws a bill of exchange on M for the amount. In the meantime, Q a farmer in Bengal sends a quantity of jute to R a gunny manufacturer in Dundee. Now, if the values of the consignments of both countries are equal the transaction should thus equate themselves. The gunny manufacturer R, the debtor of Q, would buy the draft which N has drawn on M and send it to his creditor Q in India, who will present it to M and will be paid for his sale. When this is the case a bill of exchange for £ 100 would be sold for Rs 1500, i. e., Re. 1 for 1s. 4d. and the exchange may be said to be at *par*. If, on the other hand, the imports of England be greater, the demand for bills in England would be consequently more, and the importers being eager to buy bills will begin to raise its price to make purchases. But this rise will not go higher than the specie point, i.e, the cost of transhipping gold to the exporter country. So for a credit of Rs 1500 they will be willing to pay an amount more than £100. That is to say, more home money will equate the debt of a lesser foreign money. For example, 1s. 4d. will be of less worth than a rupee and the British exchange may be said to have fallen.

Exchange at par.

Fall in Exchange.

Similarly, the rate of Indian exchange would be said to have fallen when our imports are greater than our exports (of course, we do not here take into account her other obligations). So, we may provisionally conclude

that a favourable balance of trade presupposes a rising exchange and *vice versa*. When the balance of trade is favourable it is the exporters who lose, their bills having fallen in value as their number is greater than there is demand for them from the importers. In foreign payments, however, we should always note that all *public* and *private* transactions are taken into account, i.e., the whole *debits* are balanced against the whole *credits*

Net exports of India in 1910-11

In the case of India the net exports excluding the treasure (gold and silver) and Government stores amounted in the year 1910-11 to 79½ crores. This debt to India was discharged by the following means: (1) Net imports of gold and silver, 24 crores and 8½ crores, respectively; (2) private remittances: through banks and the post office; (3) Council Bills, 40 crores; (4) Transfer of Government Securities from England to India; (5) the cost of transportation of goods i.e., shipping charges. The amount of each under the second, fourth, and fifth heading can not be accurately determined.

How India settles her foreign obligations.

We have seen that India exports much more than she imports, and also she has to send money to England to pay for her political relations. Under the circumstances it becomes apparent that she should receive in gold and silver the balance that falls in her favour, and also she should send money to close her political debt. To obviate this double transfer of money from one country to the other the following contrivances have been adopted to settle the foreign payments:—

The Government of India draws upon

(1) The Government of India according to the Act of 1898 every year realises a huge profit from the coinage of rupees. Nearly the whole of these gains have been constituted into a separate fund, known as the Gold Standard Reserve, formerly known as the Gold Reserve

Fund. Nearly the whole of this fund is entrusted to the Secretary of State for India. By him a portion of the money has been invested in the British Consuls, and the rest kept with the Bank of England. When the balance of trade is against India owing to the falling off in exports, and Indian merchants owing money abroad cannot get gold wherewith to make remittances, the Government steps in to assist them. By the payment of rupees in India, Indian merchants can buy from the Government treasuries *drafts* or sterling bills on the Secretary of State for India, the transaction being effected at the legal rate of Rs. 15 per £1. Now the Indian merchant instead of remitting money sends over to his creditors in Europe or America, this draft. The draft, better known as the *Sterling draft*, when presented to the India Office entitles the creditor to the money owing to him. Even when the debt is not in England, very little difficuly is experienced, for London is the great monetary centre of the world and a draft on London would be gladly accepted by any merchant in the civilised world. All these drafts are met from the Gold Standard Reserve.

the Gold Standard Reserve in London.

How the transaction takes place.

(2) To obviate the difficulty with regard to Home Charges (comprising also all our foreign dues) another simple contrivance is adopted. Many English and continental capitalists every year invest money in India and merchants who have imported goods from India have to make remittances to India also. Now, sending money is a troublesome operation and they would gladly get rid of this difficulty. It was accordingly decided that the Secretary of State should sell *council bills* on the Indian treasury *irrespective* of his own requirements and receive, in exchange for them in London, the gold which would

Sale of Council Bills by the Secretary of State

against the India Government.

otherwise have been imported into India. These council bills are orders on the Government of India to pay money in India in rupees. When the European capitalists or British merchants send money to India they know that it will be employed in India only after being exchanged into rupees. So an order on the Indian Government to pay in rupees is in no way inconvenient to him. He therefore buys these Council Bills with gold at the rate of Rs. 15 per £1 and sends these bills to his agents in India to be cashed at the Indian treasuries. This sort of transaction is based on the principle that "as gold do not circulate freely in India, it would have been wasteful to force the public to import gold into India to be exchanged for rupees, when the gold could only be utilised by being transmitted to London."

How the transaction takes place.

The basis of the practice.

The *Indian rate of exchange*, Re. 1 at 1*s.* 4*d.*, *is thus maintained.* It cannot rise above 16d. for long because 'if it rises above the specie importing point (1*s.* $4\frac{1}{32}d$) gold will begin to flow into the country. Prices will rise and exports will fall. The quantity theory of money will begin to operate. Subsequently, the exchange also will fall. On the other hand, the exchange cannot fall below 16*d.* per rupee because of the *joint effect* of the *balance of trade* and of the *restriction of the rupee currency.* We have seen that usually India's credit is more heavy than her debit after making all provisions for her home charges, freight charges, etc. Consequently foreign demand for Indian bills is greater than the supply. The greater the demand for remittees for bills on India the more they will be willing to pay for each rupee, and thus the Indian exchange will rise. But the *rise will go only up to the export specie point* and when that stage is reached shipments of gold will take place. On the other hand *it may happen*

How the rate of exchange is maintained.

Why the exchange can not rise for long.

Why the exchange can not fall.

that the export trade has fallen due to famines, etc., causing a fall in the rate of exchange. Now, in this contingency the Secretary of State can regulate the exchange by contracting or withholding the sale of *council bills* in the London money market. But he has also to meet his expenses and the home charges. To supply this money a portion of the *Indian Paper Currency Reserve has been held in London either in gold or in sterling securities.* He appropriates from this fund when thus in need and intimate the fact to the Government of India who simultaneously withdraws a corresponding amount from circulation and deposit them in the Indian portion of the Reserve. *Thus the practice avoids the necessity of selling council bills below par.* Similarly, the Government of India do sell bills (sterling) on the *Gold Standard Reserve in London* when the exchange is found falling and when there is a slack demand for Secretary of State's bills (council) in London. The Government of India *place the proceeds* in the India portion of the Gold Standard Reserve and *inform* the Secretary of State who thereupon *withdraws* the amount of *gold from the London portion* of the Gold Standard Reserve. The proceeds of the sale being usually in rupees, the depositing of the same in the reserve withdraws from the circulation a heavy amount of rupees. The reduction in the medium of exchange *causes the prices to fall and stimulates exports.* Ultimately trade flourishes and the demand for council bills rises again. Another reason why exchange cannot rise above 16*d.* is that the Government of India is not prepared to pay less than Rs. 15 for a sovereign, otherwise exchange would have risen above 16*d.*

How the Secretary of State interferes with the fall in exchange.

How the India Government supply bills when the exports fall.

The economic effect.

The crisis of 1907.

There was a great *crisis* in 1907 due to a severe scarcity in Northern India and a great financial and commercial crisis developing in the United States. Exports declined heavily without any corresponding decline in the imports, the *balance of trade* in favour of India was *reversed, exchange fell*, the Secretary of State stopped selling bills, and there was a large demand for gold in India for export abroad. The Gold Reserve in India *was soon practically exhausted* and the Government of India decided in March 1908 to sell *sterling drafts* on London at a fixed rate of 1*s.* $3\frac{29}{32}$*d.* During the five months, April to August 1908, sterling bills were sold to the total amount of £$8\frac{1}{8}$ *millions*. The sale proceeds of the bills in rupees was withdrawn from circulation and was paid into the silver branch of the Gold Standard Reserve in India, the Secretary of State making correspondieg withdrawals of gold from the reserves in London. *No less than* 12 *crores of rupees were thus withdrawn from circulation* in India and paid to the Gold Standard Reserve while *securities in the Gold Standard Reserve* in England to the value of £$8\frac{1}{2}$ millions were sold. The *Currency Reserve in gold in England was also reduced* from £7 millions to £$1\frac{1}{2}$ millions, chiefly to meet the requirements of the Secretary of State. The crisis passed away in September in 1908 but the gold assets reached their lowest point in *January 1909*, when they amounted to about £9 millions only, the total drain in gold having amounted to no less than £$17\frac{1}{4}$ millions. There was of course a correspondingly large accumulation of silver rupees in the reserves in India, and since then for more than three years the Government of India was able to meet the trade demands for rupees *without any new coinage* until in 1912 when 12,43 lakhs of new rupees have been coined in the mints.

The exchange fell due to falling in of exports.

Government sold sterling drafts.

Rupee accumulation in the India branch of the Gold Standard Reserve.

The crisis passed away.

Draining of the gold reserves.

Strengthening of the Silver Reserves.

How the Currency moves to finance trade.

In this connection it seems desirable to give an account as to how the currency requirements of the country are supplied and their interconnection. Government takes the chief part in distributing the currency from the centres of trade to the interior; it possesses numerous treasuries, sub-treasuries and currency agencies, and, except where treasuries are managed by the Presidency Banks, it keeps its own cash balances. At each harvest lakhs and lakhs of rupees are sent up-country from the seaboard to finance the jute harvests in Bengal, the rice harvests in Burma, the cotton harvests of Bombay and the Central Provinces, the cotton and groundnut harvests of Southern India, or the wheat and seed harvests of Northern India. Some portion of these rupees are put away by the peasant in good years or converted into ornaments (seldom after the closing of the mint), while the portion which is not absorded finds its way back to Government treasuries in payment of revenue, to tills of railway stations or the branch banks in inland towns. From these the currency flows back to the ports of Calcutta, Bombay, Madras, Karachi, and Rangoon. Government plays no small part in the ebb and flow of currency. The revenue is collected at the treasuries of each of the 253 districts into which India is divided and the surplus, after local demands have been met, is withdrawn to reserve treasuries at the head-quarters to meet trade demands in the shape of council bills. During harvest, a considerable part of the surplus of the treasuries is made over to banks, merchants and others who are glad to take it over by paying the equivalent with a nominal premium at the head-quarters. It may be interesting to note in this

How the Government supplies the currency in the interior.

The ebb and flow of the currency.

connection that a great deal of currency stops up-country, not that it cannot easily get down but because it is needed where it is. Some portion of the treasury surplus is also transferred to the local currency chests, a correponding amount being transferred at the head-quarters from the Currency Reserve to Government cash balances. In this way the necessity of sending remittances in coin to head-quarters is largely avoided and as much silver as possible is retained up-country until it is possible to be absorbed by trade. The law relating to the Paper Currency Reserve requires that the whole of the value of notes issued, less a fixed sum of 14 crores of rupees which is invested, to be maintained as a metallic reserve, but there is no limitation as regards its locale. It is scattered all over the country in Currency chests, and transfers through the Currency Department are the recognised means of supplying the requirements both of Government itself and of trade. A merchant, for instance, requirng funds at Mymensing, can obtain it from the currency chest there by paying the equivalent with a small premium into the Currency Reserve at Calcutta. Thus the Currency Reserve though it is not available for the general purpose of the Government, being the deposit held against the note circulation, plays a very important part in the distribution of the circulating medium between the different parts of the country, and to a considerable extent obviates the necessity of frequent remittances of coin.

The role played by the Paper Currency Reserve.

Then there is the Gold Standard Reserve. A portion of this reserve is held in India amounting ordinarily to 6 crores of rupees as a reserve to meet a sudden demand for increased coinage.

The Indian portion of the Gold Standard Reserve.

A great economy in the use of currency is possible in

India in consequence of the trade demands for currency in different parts of the country falling in different parts of the year, and also because the trade demands coincide to some extent with the collection of Government revenue in treasuries. (Report of the High Price Commission).

Economy of the currency how possible.

One peculiarity of the trade demand for currency in India is that quite unlike in other countries the demand for coins increases heavily in busy seasons and notes and cheques are made very little use of. The reason of all this is that payments that are to be made are generally small.

Conditions peculiar to India.

§ Gold Exchange Standard.

The present currency of India is neither based upon a silver standard, nor upon a gold standard but upon what has been termed, *Gold Exchange Standard.* A new type of monetary system is thus grown up which gave the silver-using country like India the opportunity to discharge its international money obligations without adopting a gold currency. Mr. Keynes thus describes the system, "the Gold Exchange Standard may be said to exist when gold does not *circulate* in a country to an appreciable extent, when the local currency is not *necessarily redeemable* in gold, but when the Government or the Central bank makes arrangements for the *provision* of foreign remittances in gold at a fixed maximum rate, in terms of local currency, the *reserves* necessary to promote these remittances, being kept to a *considerable extent abroad.* The Gold Exchange Standard arises out of the discovery that so long as gold is *available for payments* of international indebtedness at an approximately

The essentials of a Gold Exchange Standard.

constant rate in terms of national currency, it is a matter of comparative indifference whether it forms the national currency." In India we find gold not to circulate appreciably, the local currency (rupee) is not redeemable in gold, and the Government issues council bills and sterling drafts at a fixed ratio, £ 1 to Rs. 15, and holds substantial reserves in London.

Lindsay's scheme ultimately succeeds.

India was the first to adopt this system of currency in a *complete* form. It was modelled according to the plan of Mr. A. M. Lindsay, Deputy-Secretary of the Bank of Bengal, who advocated it against the adverse opinions of expert financiers and continued the agitation in its favour since 1876 until it was finally adopted by the currency legislation of 1898. The success of the policy in India led many countries to adopt the system. Phillipines, Mexico, Panama, Siam and many other countries have adopted it with profit and success. 'It may fairly be said that in the last decade the Gold Exchange Standard has become the prevailing monetary system of India.'

On what depends the stability of the system.

The stability of the Indian system depends upon two things. *First*, upon the Government *keeping sufficient reserve of coined rupees* to enable them at all times to exchange international currency for local currency. *Secondly*, upon the government keeping sufficient *liquid resources* of gold (international money) to enable them to change the local currency whenever they are required to do so.

§ The position of the rupee before and after the Act of 1893.

Rupee before 1893.

The rupee before the currency legislation of 1893 was a standard coin and its face value corresponded to

its bullion value because of the free mintage of silver. So, the value of it depended on the supply and demand of the money metal.

The steady depreciation of the gold price of silver and the consequent loss from falling exchange led to the closure of the mint in 1893 to the free coinage of silver. Thus the value of the rupee was divorced from the value of the metal contained in it. The rupee is now 'the principal medium of exchange and is of unlimited legal tender. There is no legal enactment compelling any authority, to redeem rupees with gold.' Moreover, the convertibility of the sovereign into rupees at the rate of Rs. 15 to £ 1 is not laid down in any Act whatever, but depends only on Notifications withdrawable by the executive at will. So, it has been said that the 'rupee coinage of India is now to all intents and purposes a token coinage, merely, inconvertible money printed on silver.'

The present position of the rupee.

It is often asked whether fixing the value of the rupee at 1s. 4d. by regulation does in any way affect the level of prices. Mr. Keynes says in answer, 'so long as the rupee is worth 1s. 4d. in gold, no merchant or manufacturer considers of what material it is made when he fixes the price of his product. The *indirect* effect on prices, due to the rupee's being silver, is similar to the effect of the use of any medium of exchange, such as cheques or notes, which economises the use of gold.' The remark implies that, it is true the rupee is a depreciated currency, and its effect is nothing more or less than what is expected from the introduction of an increased media of exchange. He believes that it has a tendency to inflate prices when it is issued in excess.

How the system affects prices.

§ Paper Currency in India.

Bank notes before 1861.

Under Acts of 1839, 1840, and 1843, the Presidency banks of Bengal, Bombay, and Madras were authorized to issue notes payable on demand, but the circulation of the notes was practically limited to the three Presidency towns. By the Act of 1861 the above Acts were repealed, and it provided for the issue of a paper currency *through a government department* by means of notes of the Government of India payable to bearer on demand. The initiative in this direction was taken by the Rt. Hon. James Wilson. *Since then no banks have been allowed to issue notes in India.* The denominations of the notes are

Note issues.

Rs. 5, 10, 20, 50, 100, 500, 1000, and 10,000. The 10 rupee notes are the most current in the country. Calcutta, Madras, Bombay, and Rangoon are the *head offices of issue*, having subordinate offices of their own at different places, e g. Allahabad and Lahore to Calcutta, Calicut to Madras, and Karachi to Bombay. Notes are issued in exchange for silver coin from every paper currency office and in exchange for gold bullion and gold coin from the head offices in Calcutta and Bombay, on the requisition of the Comptroller-General. Notes may also be issued on the security of gold deposited in England. Every office of issue is the centre of a circle within the limits of which its notes are legal tender. Notes of higher value

How the notes are cashed.

than Rs. 5 are payable only at the office of issue, save that the notes of subordinate offices have hitherto been payable also at the corresponding head office. Beyond this the law imposes *no obligation to pay;* but, for the accommodation of the public, notes of other circles are cashed at any paper currency office to such an extent as the convenience of each office will permit. In ordinary

circumstances, too, every Government treasury cashes or exchanges notes if it can do so without inconvenience; and when this cannot be done for large sums, small sums can generally be exchanged for travellers. The gold and silver received for currency notes is retained and secured as a reserve for payment of notes issued, with the exception of a fixed sum which is invested in Government securities as representing a safe proportion of the notes not likely to be presented for encashment. (Indian Empire Vol. IV). Every year a statement is published showing the amount of currency notes in circulation and the reserve in gold and silver coin or bullion and securities of the Government of India or of the United Kingdom held against it. The amount of this reserve has been gradually raised. In 1890, the Government was empowered to raise the portion of the reserve which may be invested in securities to Rs. 8 crores. In 1896 the limit was further raised and in 1905 it was raised to Rs. 12 crores, a part not exceeding Rs. 2 crores being allowed to be invested in sterling securities. In 1911, the limit was further raised to Rs. 14 crores, of which not more than Rs. 4 crores was to be held in London invested in sterling securities. The interest accruing on the invested reserve is entered in a separate account and paid to the credit of the Government of India. The other changes in connection with the issue of Currency Notes in India since 1890 have been as follows:—

The Reserve and the publication of accounts.

The amount of the Reserve to be invested.

In 1893, when the Indian mints were closed to the unrestricted coinage of silver, the currency department was authorised to issue currency notes in exchange for gold coin or bulllon to any amount, the law until then having provided only for the issue of notes against silver. In 1898 Government was authorised, as a

The arrangements from 1893-1912.

temporary measure, to issue currency notes on the security of gold deposited in England. This authority was extended for another term of two years in 1900 and the Secretary of State was also authorised to expend the gold so deposited on the purchase of silver for remittance to India for coinage. These arrangements were made permanent in 1902.

The Gold Note Acts, of 1898 and 1900, authorised the Government of India to hold a part of the metallic portion of the Currency Reserve in gold coin or temporaily in silver bullion in London instead of in India. This authority, was not however, availed of to any large extent until 1915, when a currency chest was opend in London and a sum of £6 millions was remitted from India, and a further sum of £1½ millions was transferred to the chest during the year from the proceeds of Council bills. Act II of 1910, gives Government full power to hold the metallic portion of the Reserve or any part of it either in London or in India subject only to the condition that rupees should be kept only in India and not in London. On the 31st of December 1912, the London Currency chest held £ 7½ millions on behalf of the Currency Reserve.

§ Reserves and Cash balances.

1. Paper Currency Reserve. When in 1862 the power of the Presidency banks to issue notes were withdrawn the Government understood to issue a paper currency payable to bearer on demand. There is no limit to the amount of the issues, but it is provided by law that the whole amount of currency notes at any time in circulation shall be secured by a reserve of gold.

The Reserve.

and silver coin or bullion and securities of the Government of India or of the United Kingdom. The Act of 1911 has fixed the limit at Rs. 14 crores, of which not more than Rs. 4 crores may be in sterling securities. A statement of the circulation and of the *reserves* is published weekly, and a well-known Indian banker recently wrote, "it is difficult to conceive a more perfect, more public, and more automatic system, one which bears constant evidence of redemption at call, and which contracts and expands exactly according to the requirements of the community, no more and no less."

Paper Currency is automatic.

The importance of this reserve lies in the fact that the gold when required could not legitimately be obtained by borrowing, nor it could be *procured* and *paid* for with the rupees in the general treasury balances or with those held in the Paper Currency Reserve. In the Treasury balances gold, as a matter of fact, can be held only to a limited extent. But the number of rupees which can be held in the Paper Currency Reserve is largely in excess of the amount required for the purpose of meeting ordinary current payments. Some of the surplus rupees can therefore safely be replaced by gold, which can of course be ultimately converted into rupees by the purchase and coinage of silver should emergency arise."

Gold when required can be obtained from this Reserve.

After the exchange became steady at 1s. 4d. per rupee, gold began to pour into India. These gold began to be exchanged for notes according to law, which (notes) again was convertible in rupees on the demand of the bearer. Thus the Government was practically forced into accepting the obligation to supply rupees on demand as part of the note system. Gradually, the gold began to accumulate at the Paper Currency Reserve

to a tremendoous magnitude as there was no demand for gold as a circulating medium in India. So, it was thought prudent that the Secretary of State should sell more council bills to avoid this import of gold. Because the conversion of gold into rupees meant the re-shipment of the excess gold to England for the purchase of silver at the expense of the Government of India. Moreover, the restriction of council bills and telegraphic transfers disorganizes trade and merely *defers* the demand for rupees. To avoid this result, the policy was adopted of selling council bills *freely* in order to supply the trade demand as fully as possible. Notwithstanding this, gold began to accumulate in the Currency Reserve. So, in 1905, the Paper Currency chest in London was instituted and in 1906 two-thirds of the accumulated gold reserve (£6 millions) was remitted to London. The main reason assigned for the arrangement is that as gold in the reserve should be utilised in buying silver to coin rupees for supplying the currency demand, it is expedient to hold the reserve in London as silver can be procured in Europe and not in India. 'Thus it enables the Secretary of State to effect his purchases promptly and without the publicity attendant on the shipment of gold from India. It also adds *elasticity* to other transactions as between England and India in as much as—

How and why the import of gold is discouraged.

The reason for opening a Paper Currency Chest in London.

(*a*) In the event of the demand for Council bills being insufficient to supply the Secretary of State's current requirements, he can transfer the currency gold to Treasury account, a corresponding transfer of either rupees or gold being simultaneously made in India in the other direction ;

To pay the Secretary of State's requirements.

(*b*) conversely, it affords a means of giving relief to

the India Treasury balance when the trade demand for Council drafts is too heavy for them to meet. In such a case the sale proceeds of the Councils can be paid into the Secretary of State's currency chest, thereby setting free an equivalent amount of rupees in India; and

To give relief to the India Treasury balances when the trade is brisk.

(*c*) when profits on coinage accrue in India, the Secretary of State can at any moment draw the equivalent amount from his currency chest for investment, an equivalent adjustment being made in India as between the Gold Reserve Fund and the Currency Reserve. (Howard, *India and the Gold Standard*).

For investment.

Mr. Keynes sums up the arrangements thus, 'the paper currency reserve is now utilised for holding gold by means of which the Secretary of State can support exchange in times of depression and maintain at par the gold value of the rupee.'

Keynes' view.

Mr. Webb and others criticise the location of the reserve on the following grounds, (1) the argument, that if the Gold Standard Reserve be inadequate to satisfy India's balance of trade then the portion of the Paper Currency Reserve would be applied to support exchange, is particularly suspicious; (2) the Paper Currency Reserve lying in London was not utilised at the recent large purchases of silver although there was nearly £7 milions lying in London for this purpose; (3) that the Indian Paper Currency is purely a local concern, the benefits of which should be entirely confined to India and not stand with London financiers.

Criticism for the location of the Reserve in London.

At the close of the financial years, 31st March 1914, the actual state of the reserve was as follows :—

The position of the Reserve in 1914.

	Rs.
Total Circulation	66, 11, 75, 935
Silver Coin in India	20, 53, 47, 916
Gold coin and bullion in India	22, 43, 53, 073
Gold coin and bullion in England	9, 15, 00, 000
Securities held in India	9, 99, 99, 946
Securities held in England	4, 00, 00, 000
Total Reserve	6, 12, 00, 935

The interest accruing on the invested reserve is entered in a separate account, and paid to the credit of the Government of India, under the head "Profits of Note Circulation."

§ The Gold Standard Reserve.

The Reserve was started in 1901.

The Gold Standard Reserve was first started in 1901 from the profits of the coinage of rupees. In 1900 it was decided that, (1) the net profit on the coinage of silver should not be treated as revenue but should be paid to a special reserve (now called the Gold Standard Reserve); (2) and that the reserve should be held mainly in sterling securities, the interest being added to the reserve. From 1900-1907 there was a heavy coinage of rupees because of the trade demand. In these years the reserve increased. But in 1907 it was decided that half of the net profit from coinage should be available for capital expenditure on railways. Thus one million pounds was diverted from the reserve. But this decision was abandoned from the next year. In 1914 the Gold Standard Reserve stood at £25¾ millions. Of these £6¼ millions are held in gold in India, £2⅝ millions in gold at the Bank of England, £1 million as cash held

It is utilised in other ways.

The position of the Reserve in 1914.

with cash balance at the Bank of England, £12½ millions in British and Colonial Government Securities and Birmingham Corporation Bills, £25 thousands on book credit in India treasury accounts, and £3 millions in temporary loan to India Treasury balances.

The object of the Reserve is to maintain the *exchange value of the rupee* which may fall due to (*a*) keen demand for gold in the international market, or (*b*) when the exports from India are temporarily reduced. This is effected by the sale of sterling bills on London to be paid out of the Gold Standard Reserve when exchange is likely to fall below 1s. $3\frac{29}{32}$d.

The object of the Reserve.

The location of a greater part of this Reserve in London has evoked criticism from some quarters. Sir Vithaldas Thakersay pointed out in the Viceregal Council that "while to-day India clamours for money and while the bank rate of interest on the security of Government paper rules at 8 per cent., while the industry and commerce of the country suffer by the high rate of interest and sometimes find difficulty in getting money at all, the Secretary of State has millions and millions of our cash invested by him at a nominal rate of interest with the London bankers and financiers. If even a portion of it had been available, the present stringency of the money market would not have arisen." Under the circumstances he moved that a 'substantial portion of the Reserve be held in India.' In answer the Government said that the gold has been kept where it was most wanted. It is kept in London to maintain the exchange value of the rupee. Now, if private persons could remit gold when it was needed for export then only the gold would have been kept in India. Mr.

Criticism of the location of the Reserve.

Government's answer.

Keynes' compromise view.

Keynes proposes a compromise. When the gold in the Gold Standard Reserve should be kept in London the Gold in the Paper Currency Reserve should be retained in India and should be lent to the banks. Again, it has been pointed out by some that when the Reserve is meant for emergency then how is it that most portion of the fund has been invested in securities. In answer it is said by the Government that the proportion held in gold is increasing largely than before, and moreover, the investments are bringing in interest which is substantially strengthening the Reserve daily.

Other criticisms.

Further, Mr. Webb advanced the following criticism against the management of the Reserve :—

Mr. Webb's criticism.

(*a*) instead of using the whole profit from coinage to build up the reserve some part has been diverted to other purposes; (*b*) instead of the Reserve being held in gold, a great part is held in securities, while a substantial portion is held in silver and an appreciable amount lent out to private borrowers in London; (3) instead of the Reserve being kept apart, the ordinary Treasury balances are constantly intermingled at the option of the India Office, so that no body knows from month to month the exact nature of the Reserve.

§ Government Cash Balances.

Government Cash Balances how kept.

These fluctuate according to the volume of taxes coming in and of loans which have been received. These balances are held partly in England and partly in India. The part held in India is thus sub-divided, some of the balances are held in district treasuries, some are held in reserve treasuries, and some are deposited in the Presidency Banks. The part held in England is either lent out or deposited in the Bank of England.

The privileges of the Presidency Banks.

In 1862 when the power of issuing notes was withdrawn from the Presidency Banks they were offered the privilege of keeping the Government Cash Balances *to be invested in authorised securities.* But subsequently the Banks found that this would sometimes mean the sale of the securities at a loss. Therefore in 1866 the Banks were allowed to use the money for banking *purposes.* But in 1874 the Government found that the Bank of Bombay was unable to return the money when wanted. Therefore the Government retained the larger part of the balances in their own Treasury while a certain minimum was left with the Presidency Banks without interest and occasionally loans were given to help the banks.

The later arrangement.

At present there are *four forms* in which assistance is given to the Presidency Banks out of Government Cash balances :—

Four ways in which assistance is given to the Presidency Banks.

(1) By an agreement made in 1898 the banks are allowed a certain remuneration per annum for the service which they render by transacting general business for the Government at their head offices and certain branches ; (2) Loans are given to the Presidency Banks by the Government at times of great stringency in the money market at a rate of interest not below the bank rate ; (3) As an encouragement to open new branches a minimum balance is guaranteed at such branches for a number of years ; (4) The Government has agreed to leave to the Presidency banks without interest a minimum balance and if at any time the balance falls below this minimum Government pays interest to the Banks. As a matter of fact, however, the Government balances have much exceeded this minimum.

Mr. Keynes' views.

Mr. Keynes is of opinion that the Government should give loans to the Banks more freely because the capital

and the reserves of the banks have doubled. Since 1870 the strength of the banks has increased as public deposits in these banks have grown enormously. On the other hand, it is argued by Mr. Abrahams that not much more out of cash balances could be given to the Presidency Banks because since ordinarily the cash balances of the Government is not very large such assistance would be merely spasmodic, and again the security of the Presidency Banks is not very great since they have no uncalled capital like the European banks. This argument, however, does not apply to loans given from the Paper Currency Reserves which is an excess of what is wanted to ensure convertibility of the notes.

Abraham's contention.

Here we may note some accusations against the India Office for *lending money at low rates while borrowing at higher rates.*

Mr. Webb's accusations against the India Office.

M. Webb attacks the financial organisation of the India Office thus :—(*a*) *As to procedure.* He says that (i) a grossly swollen cash balances are held in London amounting to £ 18 millions while a floating balance of £ 3 millions would be sufficient for legitimate purposes ; (ii) Council-drafts should be rigidly confined to the sum required for the Home Charges and should be alloted to at a fixed rate of exchange in India's interest ; (iii) it is no part of the Secretary of State's function to withdraw colossal sums of State money from India to London only to find himself lending money out to private borrowers in London in profusion. He also holds that instead of giving loans in London to approved borrowers for a period of two to three weeks the period can be enlarged and thus a fair rate of interest can be derived. Mr. Keynes joins with him but he accuses not the India Government.

In answer to this the Government points out that experience has shown that the disbursements in each year consist of large payments which are made within short periods and at a very short notice and on dates that cannot be exactly foreseen. Consequently, on the one hand the money for these payments have to be borrowed at a high rate of interest and on the other hand the proceeds of Council bills have to be accumulated ready for use when the money is required. This money is lent at call and so cannot command a very high rate of interest. The India Office lends its money to two kinds of people :—(*a*) on good security on first class stocks to a number of banks and stock-brokers who are on its approved list ; and (*b*) short loans are also made to seven of the best London banks. These rates of interest naturally cannot be very high. The Secretary of State borrows when necessary in the form of permanent stock and therefore he has to pay a high rate of interest and he lends only in the form of short loans or loans at call and so he cannot get high rates of interest.

Government's answer.

To whom the money is lent.

§ Council Bills.

We have seen how the Secretary of State sells council bills and why he does so, i. e., how he serves the purposes of a banker on both financial and administrative account So there is a misunderstanding in some quarters that by doing so he injures the interests of the banks. But, however, he does not compete with banks. He sells exchange in one direction only and the exchange is sold not to the public but to the exchange banks and financial houses.

Does selling of Council Bills injure the Banks.

The actual amount drawn by the Secretary of State on India by means of Council bills in any year is not,

however, determined solely by the net expenditure incurred in England chargeable to the revenues; and apart from other considerations the sale of bills at any time necessarily depends upon the existence of a demand for them, generally upon the balance of trade. Every Wednesday the Secretary of State invites tender for the purchase of those bills and generally there is a minimum reserve price. But this reserve price is not often operative. Those who want earlier payments in India do not buy Council bills but telegraphic transfers, so that they might get their rupee a fortnight earlier in India. But they have to pay $\frac{1}{32}$d. per rupee higher than the rate for bills. The amount drawn on Calcutta is the largest, viz., 45 per cent. of the total bills.

Does the Secretary of State sell Bills too lavishly.

The Secretary of State is accused for selling Council bills somewhat more lavishly. But his defences are, (*a*) that he should sell it to meet the *requirements of trade*; (*b*) that he should sell them to *avoid the double transportation* of gold, as the gold that should flow into India in the course of trade would when offered for conversion into rupees cannot but deplete the stock of the latter necessitating the coinage of rupees for which again gold should be transported to London to buy the white metal; (*c*) that it is the best possible device to sell the bills when there is necessity to transfer money from India to London.

Why does he sell Bills.

It does not hinder the importation of Gold.

The selling of bills does not in any way prejudice the flowing in of Gold to India. The practice is not to sell bills so freely as to prevent the importation into India of such amounts of gold as the public appears likely to be able to absorb. The Secretary of State sells bills at too high a price which more than coincide with the cost of remitting gold. His rate is 1s. $4\frac{1}{8}$d. for every rupee value

to be transferred. Consequently, gold is proffered for being sent to India. Other causes for the gold being sent out to India are :—(*a*) variations in the rate of freight and insurance charges; (*b*) it is cheaper from such countries like Egypt or Australia where gold is lying useless and so cheap, to send it to India direct ; (*c*) higher discount rate in India also draw gold from abroad.

Other ways in which Gold comes to India.

§ Gold in India.

Up to 1870 the excellencies and the supposed absolute stability of the English currency system made a strong prejudice in Europe in favour of gold. But in recent years it has been found that the expense to be undergone for it is insupportable and 'gold in the pocket of the people is not in the least available at a time of crisis or to meet a foreign drain.' So a Gold Standard with a cheaper substitute for gold as currency is the rule now.

Why Gold so much favoured.

Since 1864 there was a clamour for gold currency in India pioneered by the various Chambers of Commerce. In 1893 the Herschell Committee spoke of familiarising gold in India, and in 1898 the Fowler Committee declared, "we are in favour of making the British sovereign a legal tender and a current coin in India." Following this declaration in 1900 the Government of India attempted to push gold into circulation as a matter of experiment. The currency officers, the post offices and the Presidency Banks were asked to issue sovereigns in payments. In this way about £1 million was distributed. But the result was that a part of the amount was exported, another part was melted and one-half was returned to the Government. In short, 'the experiment failed.' The reasons attributed

Movement for a gold currency.

Government experiment to push gold into circulation.

Why the attempt failed.

to this failure were, (a) that the Indian public is accustomed to the use of silver, and (2) that a coin of high value like the sovereign is unsuited for a poor country. Coupled with this failure were a number of technical and other difficulties raised by the Royal Mint, against gold coinage which ultimately wore out the patience of Lord Curzon's Government. In the meantime the Kolar gold mining companies had mostly entered into agreements for the sale of their produce in England; and so the prospect of bringing their gold to be refined and coined in the Bombay mint had to be deferred. Under the circumstances it was decided in 1902 to drop the project, and to wait until a stronger demand for a local gold coinage should arise.' Mr. Keynes says, "the account of the matter scarcely does justice to the part played by the British Treasury in defeating the project of gold coinage in India." From 1903 up to 1910 the agitation for a gold currency subsided totally excepting a mention of it by the Financial Secretary to the Government in a budget debate in 1910. The question reached its present dimensions in 1912 when Sir Vithaldas Thakersay moved a resolution to the effect 'that this council recommends to the Governor-General-in-Council that the Indian mints be now thrown open to the free coinage of gold coins of suitable denominations.' His arguments in favour of a gold currency may be thus summarised :—(a) the people are *not so poor as to* be unable to avail themselves of a gold currency. If they are rich enough for a Gold Standard, they cannot be too poor for its normal adjunct, a gold currency. (b) A gold currency in India *does never mean demonetisation of gold*; the rupees will remain as they are now, and whoever requires them will get them as at present. (c) India *produces £3 millions of gold every*

The agitation begins afresh.

Thakersay's Resolution. His arguments in favour of a gold currency.

year from her mines, and these are transported to England to be coined into sovereigns and then are imported into India, thus paying the double cost of carriage and loss in interest during the interval of transhipment. (d) India is perhaps the only country barring China where the management of the currency is completely in the hands of the Government. (e) To avoid the technical difficulties it would be better to coin ten-rupee gold coin. (f) The coinage of gold would enable large quantities of bullion, which are now in the country to be converted into legel tender money. (g) The sovereigns would pass more freely into active circulation with greater familiarity.

G. F. Wilson's answer.

In answer to Sir Vithaldas, Sir Guy Fleetwood Wilson, the then Finance Member, pointed out that the "resolution is in conformity with the recommendations of the Currency Commission of 1898 The Government of India, however, cordially accepted the recommendations but for some indefinite and technical reasons the idea of a gold currency was abandoned in 1902. Since then, however, the position in India has greatly changed. Gold is being more freely taken in payment of agricultural produce. Our note circulation has also made great strides since notes of lower denominations have been made universal. All this indicate that the people are willing for a more handy form of currency than a rupee. These changes justify that the question should be opened again. It would be better, however, to prefer the sovereign than a ten-rupee gold coin, as the former was the cement of the Empire and because it immensely simplified transactions in international trade."

The question requires to be opened again.

He then weighed the arguments in favour as well as against the institution of a gold currency. The argu-

ments urged against the proposal were these :—(a) that gold coinage in India is *unnecessary* because gold comes in India freely from Australia, Egypt, and other countries. (b) That it would be *ineffective in maintaining the exchange* at a time of crisis, because the sovereigns would then disappear into hoards. (c) That such an innovation would be *wasteful, expensive,* and *harmful.* It would be wasteful because it will be melted and hoarded as soon as it will be issued, it will be expensive because no profit can be gained out of it as is received from rupees and have to be borne the loss of wear and tear, and it would be harmful in as much as it would make gold dear in the gold using countries and thus depress business and trade.

Objections against the gold currency.

As a result of this discussion in the Imperial Council a Despatch was sent to the Secretary of State for India by the India Government on May 16th 1912 on the subject of establishing a gold mint in Bombay for the coinage of sovereigns. The Despatch thus begun, 'as the logical and rational sequence of the closing of the mints to silver, and as the necessary accompaniment of the establishment of a gold standard, the establishment of a gold currency is indispensable.' The Despatch then mentioned the recommendations of the Currency Commissions of 1893 and 1898, and finally referred to the resolution of Sir Vithaldas. It then went on weighing the arguments in favour and againt the question at issue, and ultimately decided in its favour. The Despatch then put forward the following line of action :—One of the Indian mints (preferably that at Bombay) be opened to the free coinage of sovereigns under the control of the Royal Mint and a gold refinery for dealing with gold ornaments and alloyed gold to be attached to it. The

The Despatch to the Secretary of State recommended for a gold currency.

The line of action therein proposed.

mint should be at first on a small scale and opened to any one who brings gold bullions, and they are to be received, at the same rate as the Royal Mint pays, no seigniorage being charged for the coinage. The worn and clipped coins should be withdrawn from circulation and recoined in accordance with regulations similar to those in force in the United Kingdom.

The conclusion of the Despatch.

The Despatch then added, 'the scheme involves neither the raising of a loan, nor the purchase of an ounce of gold, nor the coining of a single sovereign except from bullion that is voluntarily brought to the mint for the purpose. It also does not mean the forcing of gold into circulation, or the withdrawal of silver from circulation or the disturbance of the ordinary course of our recognised and established currency procedure.'

Lord Crewe's answer.

In reply to this Despatch, Lord Crewe sent a Despatch to the Government of India on October 18th 1912 declaring that 'the experiment is worth trying, if it can be done at a moderate expense or on a self-supporting basis. But the Despatch continued, 'the Lord Commissioners of the Treasury are unable to accept my proposal. They offer two alternatives:—(1) that a branch mint be established at Bombay solely for coinage of gold under the supervision of the Royal Mint and His Majesty's Treasury; (2) that the control of the whole of the existing mint at Bombay be taken over by His Majesty's government which would accept, at the expense of India, the responsibility for an establishment producing not only British gold coins but also silver and nickel coins for circulation in India. I believe that either of these alternatives will not commend itself to your Excellency's government. Under the circumstances if ten-rupee gold coins be

Two alternatives proposed by the British Treasury.

issued, it would be inexpensive, avoid any technical difficulties and satisfy the currency requirements. I am prepared, if you so desire, to sanction the issue of such a coin, subject to the settlement of such details as the design, the charge of seigniorage, and the other miscellaneous expenditures."

Lord Crewe's suggestions.

The gold currency question still stands there and no step has yet been taken by the India Government to show its intention as to the propriety of the grant offered to them by the Secretary of State.

Mr. Keynes in discussing whether the gold currency will *make the present system more stable* thus goes on to say, "the gold currency will have the opposite effect. Suppose, gold replace notes, then the Currency Reserve will be weakened. Similarly, if gold replaced rupees the Gold Standard Reserve will be weakened. The Currency Reserve and the Gold Standard Reserve are the chief supports of the Gold Exchange Standard. Again, in a crisis the people will not part with gold but with rupees. The fact is that there are two ways of maintaining stability—either the currency must be entirely gold or a sufficient reserve must be concentrated in the hands of the Government." Finally, he remarks that the increased circulation of gold is in some part of India at least (Punjub) takes place at the expense of note circulation, which is dangerous.

opposition to a gold currency in India.

The Royal Commission on Indian Currency and Finance, better known as the Chamberlain Commission, made the following recommendations about the gold currency in India, in 1914. "The time has now arrived for a reconsideration of the ultimate goal of the Indian Currency system. The belief of the Committee of 1898 was that a gold currency in active circulation is an

essential condition of the maintenance of the Gold Standard in India, but the history of the last 15 years shows that the Gold Standard has been firmly secured without this condition. It would not be to India's advantage to encourage an increased use of gold in the internal circulation. The people of India neither desire nor need any considerable amount of gold for circulation as currency, and the currency most generally suitable for the internal needs of India consist of rupees and notes. A mint for the coinage of gold is not needed for purposes of currency or exchange, but if Indian sentiment genuinely demands it and the Government of India are prepared to incur the expense, there is no objection in principle to its establishment either from the Indian or from the Imperial standpoint: provided that the coin minted is the sovereign (or the half-sovereign); and it is pre-eminently a question in which Indian sentiment should prevail. If a mint for the coinage of gold is not established, refined gold should be received at the Bombay mint in exchange for currency. The Govenment should continue to aim at giving the people the form of currency which they demand whether rupees, notes or gold, but the use of notes should be encouraged. The essential point is that this internal currency should be supported for exchange purposes by a thoroughly adequate reserve of gold and sterling."

Views of the Royal Commission of 1914 on Indian Currency and Finance.

CHAPTER III.

BANKING AND HIGH PRICES.

Banking in India.

Government's share in Banking.

The Government of India may itself be regarded under the present circumstances as being in fact the great banker of the country, since it holds the greater part of its own cash balances, has the sole control of the paper currency and controls exchange by its transactions with the Secretary of State. But the great *Money Market of India* comprises of the following constituents. They may be classed into four classes:—(i) The Presidency Banks; (ii) The European Exchange Banks; (iii) The Indian Joint Stock Banks; (iv) the Shroffs, Marwaris and other private bankers and money-lenders. Mr. Keynes says, the first two of these constitute what may be called the *European money-market* and the rest, the *Indian money-market*,—up-country banks such as the Allahabad Bank and the Alliance Bank of Simla, which are Indian Joint-stock Banks under European management, occupying perhaps, *an intermediate position*. The two main markets for money are, however, *sympathetic*. Mr. Keynes says that the evidence before the Fowler Committee as to the fact that the rate charged by the two markets differ greatly is not true of present times. The local money markets in the interior which perform the bulk of the financial transactions of the country are entirely in the hands of the Indians. The rates charged in these markets cannot but throb with the variations in the European market as the latter supply the former with the additional demand for cash.

Money market in India.

Two divisions suggested.

Their relation.

Presidency Banks.

The Presidency Banks:—Of the three Presidency Banks, the Bank of Bengal which commenced business in the year 1806 is by far the oldest. It was followed by the Bank of Bombay in 1840 and by the Bank of Madras in 1843, but the latter was wound up in the year 1867 and the present Bank dates from the year 1868. For a considerable time the Government did hold shares in these banks, and so had the right to nominate some directors. But in 1876, however, the shares were realised and the right of electing directors was given up. The Government at present is still entitled to some privileges, the chief of them being, (*a*) auditing of accounts, (*b*) calling for any information touching the Banks, (*c*) and asking for the publication of statements relating to their assets and liabilities. The management of the Government Savings Bank has been transferred from these Banks to the Post Office in 1896. The Presidency Banks, in accordance with the provisions of agreements into which the Government of India has entered with them, act as bankers for the Government of India, paying and receiving money on its behalf and managing the public debt; they receive in return a fixed annual payment, and a commission on the amount of the public debt which they manage. The Government also undertakes to keep a minimum balance at each Bank, or, failing this, to pay interest on the deficiency.

Government connections.

Control of the Government.

Briefly stated the *main classes of business which the Banks may engage in* are as follows:—(1) Investing of money in any securities of the Government of India or of the United Kingdom of Great Britain and Ireland, the stock or debentures of, or shares in railways bearing a Government guarantee in respect of interest and the debentures and securities of any Municipal body or Port

Main classes of businesses they transact.

Trust in India or of the Bombay Improvement Trust and the altering, converting and transposing of such investments; (2) advancing of money against any of the securities specified above, or against bullion or other goods which or the documents of title to which are deposited with or assigned to the Bank as security; (3) advancing of money against accepted bills of exchange and promissory notes; (4) drawing, discounting, buying and selling of bills of exchange and other negotiable securities payable in India or Ceylon; (5) receiving deposits; (6) receiving securities for safe custody and realisation of interest, etc, from constituents of the Bank; (7) buying and selling of gold and silver whether coined or uncoined; (8) transacting pecuniary agency business on commission.

Restrictions upon the Banks.

The principle *restrictions placed on the business of the Banks* are as follows:—(1) The drawing, discounting, buying and selling of bills of exchange and other negotiable securities is *confined* to bills and securities payable in India and Ceylon: (2) they are prevented from raising funds in England or in any foreign country for use in India; (3) loans or advances cannot be granted for a longer period than six months at a time; (4) loans or advances cannot be granted upon the security of immoveable property, nor upon personal security, nor upon promissory notes bearing less than two names. The amount that can be advanced is also limited subject to the approval of the Government. The privilege to issue currency notes by the Presidency Banks was withdrawn in the year 1862. Though at present these Banks have lost their official character are distinct from other banks, because they are governed by a special *Charter Act.*

The above restrictions have contributed to the stability of the Banks and inspite of them they have shown great vitality and a power of expansion. But their constitutions have become out of date. Formerly, as the deposits of the Government formed a larger proportion of the total deposits and the rate of exchange was unsteady, anything in the nature of exchange business and the power of having access to the London money-market for borrowing purposes, was forbidden. But since the rate of exchange has become steady, and the strength of the Banks has increased enormously, such restrictions should be withdrawn. Though the Government of India approved of the former contentions, the Secretary of State finally negatived them in 1906. It is to be noticed that the Presidency Banks are to a certain extent *Banker's Bank* like the Bank of England, because other banks deposit their reserves in the Presidency Banks.

Some restrictions ought to be withdrawn.

Banker's Bank.

The Exchange Banks :—The Banks carrying on exchange business in India are merely branch agencies of Banks having their head offices in London, on the Continent, or in the Far East and the United States. Originally their business was confined almost exclusively to the financing of the *external trade* of India; but in recent years most of them have *also* taken an active part in the financing of the *internal trade*, at the places where their branches are situated. At one time the Banks carried on their operations in India almost entirely with money borrowed elsewhere, but within recent years a large proportion of the financing done by the Exchange Banks is carried with money borrowed in India. One noticeable feature about these Banks is that between 1864 and 1910, no bank has been founded in India that survives to-day. The reasons attributable to this fact are,

Exchange Banks.

Their function and funds.

Why new Banks are not in the increase.

(*a*) that these banks are not of a speculative nature, (*b*) that they passed through keen struggle for existence, (*c*) that reputation and long establishment generally do much for their successes. These Banks seem to attract funds by receiving deposits and to attract these they offer a better rate of interest then even the English Banks. Part of these funds are employed in making loans; but the rest is employed in buying and discounting bills. The Exchange Banks buy a lot of bills on England in India. To purchase these bills the banks want rupees in India. Therefore these banks buy Council Bills. Consequently, the demand for Council Bills depends on how much business the Exchange Banks are doing in India. Now we understand in what sense the Secretary of State would inconvenience Indian trade if he refused to sell Council Bills. Mr. Keynes is of opinion that the Exchange Banks should keep more reserve against their deposits in India, otherwise that will constitute a danger to the trade finance of the country.

How they influence the sale of Council Bills.

Mr. Keynes' suggestions.

§ Joint Stock Banks.

Joint Stock Banks.

Previous to 1904 there were few Banks of this description operating in India, and such as were then in existence were of comparatively small importance and had their business confined to a very restricted area. The rapid development of recent years had its origin in Bombay and set in with the establishment of the Bank of India and the Indian Specie Bank in 1906. These banks are much smaller than the previous two classes discussed. Though many of the new flotations confine themselves to legitimate banking most of them are of a speculative nature. This class attract capital by declaring a high rate of interest (*e.g.* 6½ per cent on fixed deposit) some-

Their speculative nature.

times and their cash reserves stand so much low as to reach in some cases only 10 per cent. Mr. Keynes has shown that when in 1890 the proportion of reserves to the deposits was 68 per cent., it fell in 1900 to 23 per cent., and in 1910 it fell still lower to 22 per cent. Percentage o cash reserves

In informed circles there were much misgivings as to the result of this banking development, the truth of which was substantiated by the fall of the People's Bank of India and its cumulative effect on Indian banking as a whole. The loss of this public confidence has, it is feared, driven a large proportion of money back into hoards and has affected the older banks. During the year 1914, 43 banks failed with an aggregate paid-up capital of Rs. $1\frac{1}{10}$ crores as against 14 banks with an aggregate paid-up capital of Rs. $35\frac{1}{4}$ lakhs during the year 1913. An unhealthy growth.

To combat the evils described above the following *suggestions* have been put forward :—(1) No bank should be allowed to combine banking operations with other business; (2) greater publicity and audit of accounts should be scrupulously observed; (3) the great disproportion between nominal and paid up capital should be discouraged by levying a stamp duty on registration proportioned to the nominal capital. Precautions suggested against such a development.

Some notable features in Indian Banking.

In addition to the three Presidency Banks, there are in India, 12 Exchange Banks and 17 Indian Joint-stock Banks (with capital and reserve Rs. 5 lakhs and over).

The total *paid-up capital* and reserve of all these banks have risen from Rs. 41,48 lakhs in 1905 to Rs. 67,03 lakhs in 1914, or by 60 per cent., the respective shares being as follows :—Presidency Banks, from Rs. Increase of *paid-up* capital: 1905-14.

6,23 lakhs to Rs. 7,64 or an increase of 23 per cent., Exchange Banks, from Rs. 33,63 lakhs to Rs. 55,46 or an increase of 65 per cent., and Indian Joint-stock Banks, from Rs. 1,62 lakhs to 3,93 or an increase of 142 per cent.

Increase of *deposits*.

The total *deposits* in all the three kinds of Banks have also increased by 71 per cent., the respective shares beings as follows:—Presidency Banks 80 per cent., Exchange Banks 77 per cent., and principal Indian Joint-stock Banks 43 per cent.

Proportion of the *reserves*.

The proportion of the *reserves* to the liabilities was 46 per cent., in the Presidency Banks, 21 per cent. in the Indian Joint-stock Banks, and 28 per cent. in the Exchange Banks doing considerable business in India.

The shroffs, Marwaris, etc, See pp 142-143.

State Bank or a Central Bank in India, See my "Study of Economics," and the *Appendix*.

§ High Prices in India.

High Prices.

The problem of the rise of prices in India may be divided into two parts according as it is affected by the two factors, factors operating from outside the country and factors operating within the country.

Outside influences.

Factors operating from outside:—These factors may be called causes affecting the whole commercial world, or world factors. The *first* of these causes may be enumerated as *an increase in the demand for staple commodities in the world's market.* This increased demand for more commodities may be attributed to the following reasons:—(1) Rise in the *standard of living* consequent upon the general prosperity of the world; (2) increased *use of food grains* in the manufacture; (3)

(1) Increase in demand for staple commodities.

investment of large amounts of capital on the *construction of new railways* and on *other* industrial enterprises; (4) opening up of new lands in all parts of the world; (5) *transfer* of a large amount *of labour* from areas of low standard of consumption to industrial countries with a higher standard of consumption; (6) *great wars*, that have taken place in quick succession since 1898; (7) and the cost of armaments incurred by the civilised nations of Europe during long years of armed peace. The *second cause* is the *increased supply of gold from the world's mines*. Out of 30 writers investigating about the rise of prices, not less than seventeen came to the conclusion that it is chiefly attributable to the increased supply of gold. The third cause is the *development of credit*. There can be no doubt that in the world of business the organisation of credit has been greatly increased and perfected in recent years. 'The substantial economic resources of a country, its rich and fertile lands, its houses, factories and other buildings, its machinery and plants, the materials, finished commodities and the good will which form the marketable wealth of a community, constitute the chief basis of the credit which bankers and others create and supply.' Lastly, *the great wars have contributed largely to the rise of prices*. In times of war a large part of the supplies of capital and labour are directed to unproductive purposes and at the same time consumption is stimulated by the expenditure involved by the wars. Other *less important* world-factors are, (1) influence of industrial and commercial combinations, such as, Trusts, Cartels, Pools, etc; (2) struggle to market goods which involves a great waste, such as advertising agencies, etc; (3) expenditure on luxuries which absorb an increasing share

Why the demand has increased.

(2) Increased supply of gold.

(3) Development of credit.

(4) The great Wars.

Other less important causes.

of the general income in the richest countries; (4) sinking of capital and labour in new countries; (5) emigration from Europe to North and South America and the consequent growth of the standard of living in those countries; and the construction of railways and the consequent growth of towns and habitations.

Influences from within.

Factors operating within the country:—The *first* cause that may be attributed to the rise of prices is the shortage in the supply of food grains, that is to say, *growth of cultivation not commensurate with the growth of population.* The index number of the total cultivated area in British India fell to 98 i.e. 2 per cent. lower in the quinquennium 1895-1900, while it rose to 103 in the next quinquennium and to 107 in the third next. In 1910-11 it rose to to 112, but again fell to 109 in 1911-12. The index number for food-grains have not risen even so high. But population has increased by a larger percentage in the period under enquiry than either the total area under cultivation, or the area under food grains, or the total production of food-grains; or, in other words, the requirements of food-grains for internal consumption has increased in larger proportion than the total production of food grains. The following table shows the relative increase.

(1) Shortage in the supply of food grains.

Population has increased.

	Average of the four quinquenniums.					
	1890-95	1895-1900	1900-05	1905-10	1911	1912
Population	100	101·6	103·7	105·7	107·8	108·4
Total area cultivated	100	98	103	105	108	106
Area under foodgrains	100	96	101	102	106	103

Export of food grains increased considerably.

The external demands for Indian foodgrains have also increased considerably. The index number has risen from 100 in 1890-95 to 222 in 1911-12. The foodgrains that we import from Burma is almost negligible to make up for this drain. The total available supply of foodgrains in India in 1911 was 1526 million cwts.

(2) Unseasonable rainfall.

The second cause that is attributed to the rise is *unseasonable rainfall.* India is pre-eminently an agricultural country, and has to depend almost entirely on rainfall, for its prosperity or otherwise. Mr. Walker, Director-General of Observatories says, 'no country has a rainfall so precarious as India.' In our survey of Indian famines we have seen how frequent the famines are and how they are mainly the offsprings of the caprices of Nature.

(3) Non-food crops substituting food-crops.

The third cause is the *substitution of non-food crops for food crops.* The gradual extension of the cultivation of commercial crops, such as jute, cotton, and oilseeds, has led to a contraction of the area under foodgrains and of their out-turn, resulting in a rise in the prices of the latter. But though the area displaced is not great, the difficulty is that the best lands available are now transferred to the cultivation of the commercial crops.

(4) Inferiority of new lands taken up for cultivation.

The fourth cause attributed is the *inferiority of new lands taken up for cultivation.* 'In the more populous tracts which constitute by far the bulk of the total area, all lands that were good had already been taken up, and whatever new lands were brought under cultivation were necessarily of an inferior quality. The produce of this inferior land cannot be as good as that of the richer soils, and consequently the addition by these poorer lands has diminished, to some extent, the average yield

Two other causes.

per acre for India as a whole.' Two other causes attributed to the rise of prices are *inefficient tillage* and *decrease in the productive power of the soil.*

Other causes peculiar to India.

The other causes for the rise of prices peculiar to India are:—(1) There can be no doubt that there has been a *large increase in the demand for all kinds of commodities* on the part of consumers in India; (2) *higher standard of living* amongst all classes; a noticeable 'change has taken place in the style of living of all classes of society, upper, middle and lower, and the demand for all kinds of the necessaries of civilised existence in regard to food, clothing, housing, education and society has increased;' (3) the *cost of production* i. e. of cultivation has increased in India owing to an increase in the cost of seeds and manure, in the cost and maintenance of plough-cattle and in wages, etc; (4) *expansion of communications* has linked India into one great market, thus raising the general level of prices; (5) the *lowering of the direct and indirect cost of transport:* this lowering of the cost of transport in India itself and between the Indian ports and foreign countries, the lowering of the rate varying from 20 to 40 per cent, has linked the Indian market with the world, so prices (as they concern mostly raw products) approximate to the high level prevailing in the manufacturing countries; (6) *improvement in general monetary and banking facilities and an increase in credit* made money more cheap and thus raised the prices; *increase in the circulating medium* has not raised prices so much so as it is apprehended, because the volume of business has also increased proportionate to the increase in the circulating medium; *import of capital* as a cause of the rise of prices is not so very convincing, as the fresh capital that is coming

(1) Increased demand for commodities.

(2) Higher standard of living.

(3) Increase in the cost of production.

(4) Expansion of communications.

(5) Lowering of the cost of transport.

(6) Monetary and Banking facilities.

Increase in the circulating medium.

(7) Import of capital.

now-a-days to India is nothing but the profits of earlier investments and the savings of Europeans working in India only re-invested. *Imposition of an export duty on foodgrains* would not and should not divert the export to home consumption as the stock that is exported is finer enough for consumption by a large majority of the people, while in exchange for it much more quantity of coarse articles can be purchased.

Export duty on foodgrains is no solution of the problem.

The effect of the rise of prices in India has been summarized thus:—"There has undoubtedly been a real progress, an increase of wealth and a general diffusion of it, in consequence of an increase in the profits of agriculture, and a remarkable increase in wages greater than the cost of living in almost all parts of India during the period of rising prices. There has indeed been a very marked increase in the annual income of India. Dr. Marshall defines a country's income as "the net aggregate of commodities and capital, material and immaterial, including services, produced annually by the labour of the country acting upon its natural resources." A noticeable sign of this improvement in income is the enormous increase in India's power of absorbing the precious metals and the large expansion of her import trade, all of which are paid for by her produce. The total amount of gold and silver absorbed in the country during the twelve years ending in 1911 amounted to £ 116 millions of gold and 1600 million tolas of silver. Her import trade in merchandise has also grown from an average of Rs. 62 crores in the five years 1890-95, to Rs 130 crores in 1911-12. Material welfare depends, as is well known, on many factors such as, quantity of food consumed, clothing, housing, accommodation, facilities for travel, and on other comforts of life and on

Mr. K. L Dutt's estimate of the effect of the rise of prices in India.

The sign of progress.

Indications of India's material welfare.

the equitable distribution of such means of enjoyment. From this point of view also, the material welfare of the country, as a whole, has increased remarkably, especially during the last 20 years.

Her exports of raw materials are less as they increased in value.

India has now to part with much less of her produce than formerly to meet her foreign obligations. The surplus of her produce available for export has become very much more valuable owing to the rise of prices, and only a part of this increase goes towards meeting the increased cost of her imports. There has also been a considerable increase in the volume of the imports of almost all classes of goods required for consumption, and the increase in the imports of many classes of goods which were formerly considered as luxuries, bear eloquent testimony to a standard of living which is rising higher and higher with the rise of prices and the material prosperity of the country." (*Enquiry into High Prices*)

Imports of luxury show her prosperity.

Those who have benefited.

Effect on the different sections of the community:—*Those who have benefited. Cultivators* and all *producers of commodities* which have risen in price faster than the cost of production are mainly benefited. Also the landowning classes including the *proprietary brotherhoods* of Northern India and the *petty proprietary of the raiyatwary* provinces have benefited, for the profits of agriculture are greater than they were. In every province the price of land has increased; and in many parts this increase has been considerable. The *labouring classes* are better off everywhere, wages having risen much more than the cost of living and in times of scarcity labour being much more mobile than formerly.

Small landowning classes.

Labouring classes.

Those who have been adversely affected.

Those who have been adversely affected:—The great Zamindars and other landlords of Bengal, Oudh and other parts of India, who can enhance their tenant's rents

only at considerable intervals and thus cannot adjust their rent to meet the changes in prices have been adversely affected. *Holders of Government and other securities* and debentures carrying fixed rates of interest, *producers* who cannot charge higher prices but whose expenses have increased with the rise of prices, *lawyers, medical practitioners and other professional classes* whose income depends on customary fees, *employees in Government and private service* on fixed salaries or salaries on a graded scale, *persons engaged in small industries*, such as weavers, rice huskers, etc, who are unable to compete with imported articles and manufactures from Indian mills driven by machinery—these classes have been disadvantageously placed by a rise of prices. *Priestly classes, scions of old families, and others* who, from religious and caste motives, have been unable to accommodate themselves to the changing order of things have also suffered from the rise of prices. Among the wage-earning class it is the domestic servant in cities and other urban areas that are adversely affected. Wages have not risen in proportion to the rise in the cost of living in the following cases, (a) labourers employed in cotton mills in Bombay, Madras and Gujerat, (b) labourers engaged in breweries in the Punjab, (c) persons employed in the tea-gardens in Assam, (d) and those employed in the paper mills in Bengal. In the concluding portion of the Report Mr. Dutta thus observes :—

Big proprietors of land.

Security holders, Lawyers, Doctors, Government servants, petty manufacturers.

Some others are affected.

Domestic servants.

Labourers in cotton mills, breweries, tea-gardens, and paper mills.

"In summing up the general conclusion of the effects of the rise of prices on the country, as a whole, we may agree with Jevons when he says, "I cannot but agree with MacCulloch, that, putting out of sight individual cases of hardship, if such exist, a fall in the value of gold must have a most powerfully beneficial effect. It loosens

Mr. K. L. Datt's conclusion.

the country as nothing else could, from its old bonds of debt and habit. It throws increased rewards before all who are making and acquiring wealth, somewhat at the expense of those who are enjoying acquired wealth. It excites the active and skilful classes of the community to new exertions and is, to some extent, like what a discharge from his debts is to the bankrupt long struggling against his burdens. All this is effected without a breach of national good faith, which nothing could compensate." (Report of the *Enquiry into the Rise of Prices in India*).

The rate of increase in prices.

The rise of prices in rupee in the last quinquennium 1908-12, was greatest in the case of hides and skins (159), oil seeds and oils (145), food grains—pulses (143), food grains—cereals (142), and building materials (142), above the level of prices of the basic period 1890-95.

Where it is highest and where lowest.

The rise of prices has been greatest generally in areas which have suffered from famine and least in the circles which are practically immune from that calamity (notably Assam), and in the important ports excepting Karachi.

The rise is a permanent one.

So far as India is concerned, the rise of prices is likely to continue for some time to come. An analysis of the factors affecting prices would lead one to believe that, if exceptional movements in times of famine and commercial crisis be left out of account, the present high price level will be maintained, if not raised, for some time to come.

How to prepare an index number to measure price-levels in India:—See my "*Study of Economics.*"

High Prices and Currency.

Some great authorities on Indian finance are of opinion that inflated currency in India is to some extent responsible for the recent rise in prices. Mr. Gokhale said that the large quantities of rupees (about 204 crores in 1908) in circulation and the heavy mintage of silver in the last few years are mainly responsible for the rise in prices. In answer to the argument that the augmentation of the currency was necessitated by the *requirements of trade*, he says:—"What is probably happening is this. The rupees issued by the Government in response to the demands of trade go into the interior and spread themselves among those from whom purchases are made. But owing to various circumstances, they do not flow back quickly to centres of trade or to banks and thus new rupees have to be obtained for transactions for which old rupees might have sufficed. Meanwhile, the melting back of rupees into silver having ceased (due to its fall in intrinsic value since 1893) every issue becomes a net addition to the volume of the currency." So also the Hon'ble Mr. Webb says, "millions after millions sterling worth of new silver were purchased and coined till a climax was reached in the years 1905-07 when no less than £ 42 millions worth of new rupees were launched upon the Indian public—far and away the heaviest coinage of silver ever known in the history of the world. Thus the rise in prices in progress throughout the Western World was perceptibly stimulated in India." Prof. Keynes says:—"The Indian authorities commit a mistake in thinking that because there was a heavy demand for currency for a successive number of years, the heavy demand will persist in the year following. They framed their policy, that is to say, as though a

Rise in prices is attributed to an inflated currency.

Mr. Gokhale's view.

Mr. Webb's view.

community consumed currency with the same steady appetite with which some communities consume beer."

Automatic nature criticised. Prof. Kale's views.

Criticising the *automatic nature* of Indian rupee currency, Prof. V. G. Kale says thus, "the Secretary of State sells Council Bills far above his demands in lieu of Home Charges, and Indian mints have to be set working to pay off the bills. This is what is called the 'requirement of trade.' To satisfy them 75 crores of rupees were coined within a period of five years. Many of these coins do return from circulation but a large quantity remains fluid in the country. The transactions did not surely suddenly multiply to require such large quantities of the circulating medium. No wonder the inflated currency, composed entirely of token coins, became redundant and sent up prices. There is no reason why, after provision has been made for the Home Charges in London annually, the balance of trade in India's favour should not be left to be adjusted in exactly the same way as in the case of every other country in the world. It is true that the total seaborne trade of India has shown a remarkable expansion within recent years but the last figures of rupee coinage is out of all proportion to that increase. The increase of *rupees* amounts to one of 60 per cent. in nine years while *population* has only increased 7 per cent. and *trade* a little higher percentage. Again, within the first decade of the Twentieth century the increase in note circulation reaches 75 per cent. All this lead us irresistibly to the conclusion that the inflation of currency was to a certain extent responsible for the high prices which commenced in 1904." Mr. Howard and others, however, declare, the high prices as being the result of economic changes. So also is the opinion of Mr. K. L. Dutta, who conducted with Prof. F. Shirras (now Director

Balance of trade need not be adjusted by Council bills.

Trade and population have increased by a lower percentage.

Note circulation has increased.

Mr. Howard and K. L. Dutta's answer to the above contention.

of Statistics) an "Enquiry into the causes of High Prices in India." Mr. Dutta argued that in finding out the relation between currency and high prices, Mill's simple proposition—'that an increase of the quantity of money raises prices and a diminution lowers them'—is true only after considerable qualification and elaboration. The influence of credit, the rapidity of circulation of the currency, the exchange by barter, the increase of population, the growth of the volume of business, the use of gold for hoarding and for arts, are factors which affect the above proposition. In India population and business (1890 : 100 : : 1911 : 222) has increased and the increase of currency is only keeping pace with the work for which it is required. Further, this automacy of the Indian currency is proved by the fact that coinage of new rupees are only compulsorily undertaken. When the amount of rupees in the silver portion of the Paper Currency Reserve falls below the margin of safety, the Government of India take the warning. And when the percentage of the rupee reserve in the currency to the total circulation becomes very low, coinage is undertaken by Government. The Report also goes on to say, "throughout the period under enquiry, there were also no signs of a time, as it would have led to the export of gold in the form of currency or bullion and to a continued fall in exchange."

Quantity theory explained.

Rupee coinage is only automatic.

No sign of redundancy.

CHAPTER IV

COMMERCIAL LEGISLATION.

Indian Tariff History (1858-1915).

1858. In *1858* the import duties consisted of 3½ per cent. *ad valorem* upon cotton twist and yarns, and 5 per cent. on other articles of British produce and manufacture including cotton piece-goods. The duties were double on foreign articles.

1859. In 1859 the cost of the Mutiny compelled the hands of Government to abolish all differential tariffs; duties on all articles of *luxury* were raised to 20 per cent. *ad valorem*; duties on other articles, including cotton piece-goods, were raised to 10 per cent.; and those on cotton twist and yarn to 5 per cent.

1860. In 1860, Mr. James Wilson, the first Finance Member of India, reduced the 20 per cent. duty on luxuries to 10 per cent., and raised the 5 per cent. duty on cotton twist and yarn to 10 per cent., 'so that the import tariff consisted of a uniform rate of 10 per cent. *ad valorem*, with special rates upon beer, wine, spirit and tobacco.

1861. In 1861, the duty on cotton twist and yarn was reduced to 5 per cent.

1862. In 1862, the duty on cotton twist and yarn was further reduced to 3½ per cent., and the duty on cotton and other manufactures was reduced to 5 per cent. They were maintained, like other import duties, merely as a source of revenue and did not operate as a protection to the infant cotton industry of India.

In 1867, a great number of articles were added to the free list, export duties were abolished from time to time, the only increase being that the duty on grain was raised. 1867.

By this time the newly established cotton mills of Bombay were making steady progress, constantly engaging the attention of the Lancashire manufacturers. In 1874 the Manchester Chamber of Commerce represented the moderate revenue duties ($3\frac{1}{2}$ per cent. on twist and yarn, and 5 per cent on cotton goods) to be protective and the time chosen was opportune. Mr. Gladstone's unpopular Government resigned and a general election in which the Lancashire vote counted for much was imminent. They thus argued their cause :—(*a*) British cotton manufactures were assessed on old tariff rate, when values ruled much higher than at present, so that the duties thus levied actually amounted to 4 per cent. on the actual price of yarn in India, and nearly 6 per cent. on cloth; (*b*) the tax is prohibitory as regards yarn and cloth of the coarse and low-priced sorts; (*c*) that by importing duty free Egyptian and American fine raw cotton India may successfully compete with Lancashire; (*d*) that the duties increased the cost to the native population of their articles of clothing and thereby interfered with their health, comfort, and general well-being. The Government of India in answer said that in 1869 the tariff has been carefully revised and the valuations of cotton yarns and cloths were largely reduced, but gave assurance for making a further revision. But the unsatisfied Manchester Chamber reminded the Secretary of State that the question of valuation, was only incidental in their memorial, their main object being the total and immediate repeal of the cotton duties. In accordance

Representations of the Manchester Chamber of Commerce.

Government of India's answer.

with their promise the Government of India appointed a Committee in 1874 (composed of English merchants and officials) with a view to the revision of tariff valuations. The committee differed in their opinions in some points but unanimously rejected the Manchester demand. In 1875, a new Tariff Act was passed which abolished all export duties except on indigo, rice and lac. It retained the import duties on cotton twist and goods, being of opinion "that a duty of 5 per cent. *ad valorem* upon cotton goods cannot practically operate as a protection to native manufacture." The Act imposed a 5 per cent. duty on the import of long staple cotton to prevent Indian mills competing at an advantage in the production of the finer goods. The Act largely reduced valuations and reduced the general rate of import duties to 5 per cent, but it raised the duties on spirits and wines. The total loss effected to the Indian revenues by the Act amounted to £308,000, but by retaining the duties on cotton it saved the revenue from the further loss of £800,000. Lord Salisbury who succeeded the then Secretary of State, pressed the Government of India for the repeal of the cotton import duies. An unpleasant correspondence then ensued with Lord Northbrook, the then Viceroy of India, who urged for the retention of the duty. Lord Northbrook defended the cotton duties on the following grounds:—(1) the abolition of the duties means a loss of £800,000; (2) there was no precedent for a Home Government pressing for the abolition of a prospective tax bringing in so much money; (3) that the finances do not permit the abolition; (4) that the interests of Indians can not be sacrificed deliberately by the Government of India; and (5) that imposition of new taxes in substitution would

Committee of 1874.

1875.

Controversy with Lord Northbrook.

create serious discontent. Ultimately, Lord Northbrook, unable to comply with the Frontier policy urged by the Conservative Government and the fiscal policy dictated by Lancashire, resigned. Lord Lytton who succeeded him was nothing loath to comply. When it was settled to abolish the tax the terrible famine of Madras broke out, and made the Indian authorities pause. Sir John Strachey, the then finance member, thus spoke in 1877, 'the financial difficulties caused by the famine are so serious that we cannot sacrifice any source of income.'

Madras famine postponed the repeal of cotton duties.

But Lancashire was getting impatient and no political party in Great Britain could afford to neglect the Lancashire vote. In 1877, when a terrible famine was raging in Madras, the British House of Commons passed the following Resolution:—"That in the opinion of this House, the duties now levied upon cotton manufactures imported into India, being protective in their nature, are contrary to sound commercial policy, and ought to be repealed without delay, so soon as the *financial condition* of India will permit." Lord Salisbury forwarded the Resolution to the Government of India and referred therein with something like alarm, "that five mills were about to begin work in India." Accordingly, in 1878, the Government of India exempted from duty some cotton imports with which Indian manufactures were supposed to compete. But this reduction would not satisfy Manchester and further reductions were demanded. Lord Lytton was ready to submit to every proposal. But be it said to the honour of the Indian Civil Service that a majority of the members of his Council protested against being thus bullied into submission, and compelled to sacrifice Indian revenues in a year of famine, war, and increasing taxation. Mr.

Resolution of the House of Commons.

1878.

Protestations of the Indian Civil Service.

Whitby Stokes thus objected to the remission ; *first*, because the financial condition of India was deplorably bad ; *secondly*, because the proposed surrender would eventually lead to the surrender of the import duty on all cotton goods ; *thirdly*, because the proposed repeal would be a relinquishment of the contribution which Native States made towards the revenues of British India : *fourthly*, because no one complained against the duties except the manufacturers of Manchester ; *fifthly*, because, by the proposed repeal, "the Manchester manufacturers would practically compel the people of India to buy cotton clothes adulterated, if possible, more shamefully than such goods are at present, thus raising rather than lessening the cost of the clothing of the people ; *sixthly*, because Indian newspapers will proclaim in every bazaar that the repeal was made "solely in the interest of Manchester, and for the benefit of the Conservative party who are anxious to obtain the Lancashire vote at the coming elections." But all this came to nothing and Lord Lytton in 1879 exempted from import duty "all imported cotton goods containing no yarn finer than 30 counts." (R. C. Dutta). But this view of Mr. Dutta has been described by Prof. Lees Smith and others as one-sided and worthless.

1879 ; cotton goods of 30 counts and below were exempted from duty.

1882. In 1882 Sir Evelyn Baring, now Lord Cromer, the Finance Minister of Lord Ripon's Government, abolished the remaining Import Duties, excepting those on salt and liquors.

1882-94. No fresh import duties were levied for *twelve years*, 1882-94, except a small duty on petroleum imposed in 1888.

In 1894, however, the Indian Government found itself face to face with a deficit of over two millions, due to,

it is alleged, the increasing military expenditure and the fall in the value of the rupee. Lord Herschell's Committee recommended that customs duties would be more popular, excepting cotton, than any fresh taxation. Accordingly, in 1894 duties were re-imposed on articles imported into India, other than cotton. A duty 5 per cent. *ad valorem* was imposed generally on all articles with a few exceptions. Iron and steel paid 1 per cent.; petroleum, paid 1d. per gallon; and railway materials, industrial and agricultural machinery, coal, raw materials, grains, books, and miscellaneous articles were duty free. This Tariff Act of March 1894 was vigorously opposed in the council for omission of the cotton duty but it was hinted that it was not a final measure. The alarming financial situation forced the Government, however, to pass another Tariff Act in the December of 1894. The Act levied an *ad valorem* duty on cotton fabrics and yarns at 5 per cent., and to propitiate Manchester a countervailing Excise Duty of 5 per cent. was levied upon yarns produced in Indian mills of 20 counts and above. The Lancashire merchants represented (1) that they export to Burma yarns of low counts which has to pay a duty of 5 per cent., while yarns of 20 counts and under, from Calcutta and Bombay pay no duty on entering Burma; (2) that Indian goods pay 5 per cent. excise duty only on the grey yarns from which they are made, but the British articles are charged on the value as completed, thus affording fiscal advantage to the bleached, dyed, woven, and printed Indian goods.

Import duties preferred to taxation.

1894.

Countervailing Cotton Excise duty of 1894.

To meet these objections a Cotton Duties Act was passed in the Governor-General's Council in 1896. The Act levied a duty at the rate of 3½ per cent., on all *woven goods* of all counts, whether *imported* or *manufactured*

Cotton Duties Act of 1896.

at home. The Act provided that no attempt should be made to obtain any duty from *yarns* whether imported or locally produced. Excise goods exported out of India were entitled to *refunds of duty* already paid and certain *concessions* were made in the matter of import duty on Mill stores. The critics of this Act urge the following points:—that this fiscal policy coupled with the currency legislation has handicapped Indian industry; (2) that the recent enhancement of the silver duty add greater injuries to the above Act and throttle India's cotton trade with China; (3) that the duty gives no benefit to Lancashire competitors because it cannot in any sense be said a countervailing duty as production in India is confined to coarser goods while that of Lancashire to finer ones; (4) that the reduction of the 5 per cent. duty to $3\frac{1}{2}$ per cent. only benefits the richer classes who use finer Lancashire goods, but adversely tax the poorer classes who use coarser indigenous goods which were not previously taxed. So, it is said that the Act in no way benefits Lancashire, while it only handicaps Indian cotton industry. The Government's attitude towards cotton duties is firmly based on the position that the excise duties stand and fall with the import duties. So, against such an attitude all arguments based either on the advantages of a protectionist policy or on the handicap to which the present system exposes the millowners can, of course, make no headway. If excise duty is to be abolished, first of all the Government has to abandon the cotton import duties, which forms some 15 per cent. of the entire Indian revenue. So the present attitude of the critics is to keep the excise duty as it is, while to raise the import duty. This proposal, however, requires a special consideration as England's

Criticism of the Act.

Government attitude.

A new proposal of the critics.

share in the cotton import trade has fallen from 98 to 91 per cent. by the competition of Japan.

In 1896 the exemption of machinery from duty was restricted to machinery required for certain specified industry and from time to time additions were made to the list of such industries. 1895.

In 1899 this restriction was removed and all machinery were exempted without reference to industries for which it was required. In the same year a countervailing sugar duties Act was passed, by which, in addition to the ordinary duty, a special duty was imposed in the case of bounty-fed sugar of the same amount as the bounty. But the imports, as a result, instead of decreasing rather went on increasing in a far more rapid pace. When the value of imports of sugar, in 1899-1900, was £2½ millions (countervailing duties imposed); value of imports of sugar, in 1900-1, rose to £3¼, and in 1901-2 to £3⅝ millions. The explanation of the anomaly was found in the fact that foreign manufacturers were now bringing into play cartel bounties, by which the advantage secured to them in their home markets by their high import duties was used for assisting the sale of the sugar abroad. So the Government in 1902 passed an Act imposing further countervailing duties. Nevertheless, imports of sugar went on advancing. The causes of this increase are attributed to the (1) want of *enterprise* among Indians, (2) and the better scientific process of production. Further Acts, passed in 1903 and 1904, made permanent the provisions of the Act of 1902, which, as passed, had force for one year only. Special Duties were imposed under these Acts on sugar produced in a number of countries, but orders were issued in 1903, remitting, subject to certain, the countevailing duties

1899.

Countervailing sugar Duties Act.

Act of 1902.

Acts of 1903, and 1904.

chargeable on sugar produced in countries which were parties to the Brussels Sugar Convention of 1902. A similar exemption was extended to Russian sugar in 1988, and the last remaining countervailing duties, on sugar from Denmark and the Argentine Republic, were withdrawn in 1912. The duties were not imposed for revenue purposes, and their yield was after 1902 very small.

1906. In 1906 the rates of duty on Ale, liqueurs and spirits were increased, and in 1908 they were increased from anna one to two annas per imperial gallon.

1910-11. In 1910-11 a duty on manufactured tobacoo was imposed to meet a threatening deficit in the finance. In 1910 silver bullion or coin and petroleum was increasingly taxed.

Articles that are in the free list. At preasent the most important items on the free list are machinery (excludiug tools and implements to be worked by manual or animal labour), railway materials, gold, living animals, grain and pulse, coal, raw cotton, raw wool, cotton twist and yarn and sewing and darning threads, printing materials, and books (but not paper).

Articles subject to special rates. Articles subject to special rates of duty include manufactured cotton goods, which pay 3½ per cent. *ad valorem*, vinegar and copperas which pay 2½ per cent., and iron and steel, which pay generally 1 per cent. Special import

Other duties. duties are imposed on arms and ammunition, alcoholic liquors, opium (the duty on which is intended to be, and is practically, prohibitive), petroleum and salt, and, since 1910 on silver and tobacco and on sugar referred

Export Duties. to above. The only general *export duty* of any importance for many years past has been on rice and rice-flour, which is at the rate of 3 as. per maund, or abou 4d. per cwt. Since 1903 a trifling duty of ¼ pie

per lb has also been levied on tea produced in India and exported therefrom. This duty was imposed at the request of the tea industry and the proceeds are being applied to increasing the consumption and sale of Indian teas. Salt has also to pay import duty.

§ Protection or Free Trade

India being mainly an agricultural country failure of the rains often precipitate famine; so diversification of industry is always called for. The natural resources of India, also seem to be sufficient enough to transform her into a manufacturing country. She has abundant coal and iron ores, petroleum and manganese, mica and saltpetre, copper and other minerals, which are sufficient for the industrialization of a country, though they may not actually prove to be as numerous and equally rich as that possessed by Great Britain. So she can hope 'to secure a reasonable diversity of industries and a large enough manufacturing population to form a fertile soil for new ideas without becoming so entirely urbanised as Great Britian."

India can become a manufacturing country.

A survey of the chief Indian industries, however, (handicrafts, highly organised, and those connected with agriculture), fully bring home to us that most of them are decaying, the rest tottering, and only a very few are holding their position or slowly gaining in strength. Their deplorable condition naturally make the *public opinion in India overwhelmingly protectionist.* Prof. Lees Smith says that this is the view of all shades of political opinion, "of the business community consisting of non-political men, and even by the Government. This latent love for protection became patent during the *Swadeshi.* Swadeshi was meant to do what Mr. Chamberlain

Decaying nature of her industries induce her to adopt protection.

'within their limits a distinctly protective effect.' As to the effect of the second principle on Indian industries he says that the protective duties are not feasible for the development of the chief mineral resources of India, e. g. on coal, salpetre, mica, graphite, iron and steel (1 per cent.), salt, tin, petroleum, etc., as some of them are important ingredients for productive purposes in the industries, and others are too insignificant to be taken notice of. Protection is also scarcely needed for the factory industries; though protection to the cotton trade may increase its output to a great extent; in jute, protective help is scarcely needed: while leather and tanning should be passed over as they possess enormous natural advantages. Similarly, in woollens and paper a species of protection is already given, as they are largely dependent upon Government support, and their unsuccesses are due mainly to unprogressive productive methods. Such also may be said of silk. Lastly, of the third group of industries, i. e. those connected with agriculture, indigo and coffee, seem at first sight to have the strongest claim to protection. But the examination of their daily declining imports proves that tariffs will be practically productive of no great good. Again, sugar demands protection but the previous countervailing duties have shown that it is productive processes that hinder the expansion of the industry. In tea we see the improved scientific methods have ousted China in competition at abroad and the home market is daily expanding. If some protection be given, tobacco can thrive a little. From this survey, Prof. Lees Smith concludes that while protection is beneficial to some it cannot be extended to cotton, petroleum, sugar and tea as they are no more infant industries; while tanned hides

Minerals need no protection.

Protection to factory industries.

Protection to industries connected with agriculture.

Prof. Lees Smith's estimate of

and skins, leather, silk and woollen manufactures, paper, tobacco, and perhaps iron and steel may claim protection as being nascent industries, but the first two should be excluded as they are kept back from developing by their own inertia, while the third and the fourth should be excluded as they only suffer from the conservatism of their productive methods, and it is only tobacco and perhaps iron and steel too, that may legitimately claim protection.' So, a theory of general protection will merely pander to the existing weaknesses and only runs the risk which a protective policy always entails. Under the circumstances, Mr. Lees Smith concludes that 'India needs a strong free trade school, among her thinkers and administrators'.

Indian protection.

But against this free trade view of Prof. Lees Smith, the Indian opinion holds that protection can never fructify its evils greatly because, (1) India being a continent *internal competition* will largely operate what external competition does in the way of increased efficiency; (2) by protection *more capital will be available* as the present unenterprising character of the Indian capital is mainly due to the fear that when goods have been produced after overcoming the initial difficulties *they fail to secure the market* as it is already stocked with European goods of a similar nature; (3) *retaliation* by foreign countries is highly difficult as nearly the whole of our exports are either articles of food or the raw materials of industry; *a retaliation on India is a weapon which cuts both ways*; (4) again, provision is already needed against the *dumping* of foreign goods in India; (5) also, decrease in Indian exports means less exportation of materials of industry, *i. e.* low prices of them at home; (6) protection will also increase the Indian revenue and thus save the people from fresh taxations.

The grounds on which India claims protection.

The extent of protection that appears to be suitable to India :—In asking protection for Indian industries no one means out and out protection, nor a very high rate of protective duties. The protection must be such as will not altogether eliminate foreign competition. A moderately high protective tariff will give enough protection to our industries, while if the methods of manufacture are hopelessly inefficient, foreign goods will come into effective competition inspite of the tariff. European goods can compete in the markets of Australia, Canada, and the United States, notwithstanding a high tariff in those countries, and there is no reason why they will be unable to compete in the Indian market only for a moderate tariff if our productive processes are very inefficient.

Some protection in India is not objectionable.

As we do not want a great deal of protection, so again we do not want it for all industries alike. We want it only for those industries for which we have exceptional facilities, which have not yet developed and in which the initial difficulties to be overcome are very great. Specially do we require protection in those industries where a very great deal of capital must be tempted into the field, and in which there is risk of unfair dumping. If this principle is adhered to, the cotton and jute industries will be seen not to require any protection now. It has long passed the stage of an infant industry. To protect it now would be to hinder its vigorous growth. The iron and the sugar industry are the two which require protection most urgently.

The industries in which we want protection.

§ The Imperial Preferential Tariff Scheme and India.

Imperial preference scheme.

England being a free-trading country her tariff policy never countenance any duty other than for revenue

purposes only; while her neighbours and competitiors on the Continent and in America levy high duties on her goods. This unequal treatment led to the formulation of a Scheme of Imperial Preference in England. According to this Scheme an Inter-Imperial Free Trade is to be established within the British Empire, and duties to be levied on foreign goods.

Sir Roper Lethbridge's proposal.

Sir Roper Lethbridge, in his book on *India and the Imperial Preference*, states that such a scheme should be very advantageous to India as it will revive her dying industries, protect and stimulate the infant ones, improve her finance, insure her position against famines, and raise her political status. In his statement of Imperial Preference he proposes protection for five Indian Industries, such as tea, coffee, cocoa, indigo, and tobacco. We thoroughly accept the principle of proctetion as promulgated by Sir Roper, but it should be noted, however, that Sir Lethbridge's proposal ensures no great future for the above industries as most of them require almost no protection, and they form a very little proportion of the entire Indian industries.

The position of India in the Scheme.

Now if India is included in the Imperial Preference Scheme her position will be changed only in the following two ways:—(*a*) She shall have to levy duties on goods from all countries not included in the British Empire while continuing to admit goods from within the Empire as free of duties as now; (*b*) her export to the British Isles only will experience less competition, because our competitors from outside the British Empire will have an import duty put upon their exports to England. It is possible that like advantages will be given to Indian goods in the Colonies too, but on that score we are not absolutely sure.

Now let us reckon our gains and losses:—*Gains.*

Our gains if we join.

About 57 per cent. of our exports go to foreign countries, therefore the preference will act on only 43 per cent. of our goods. But of these 43 per cent., in some industries we have a practical monopoly, as in tea, jute, lac, etc., so that the preference will not act on these. As regards the rest the largest portion of our exports consists of cotton, hides, wool, and food grains. In these commodities the Colonies,—Canada and Australia, will be our most serious competitors. So the advantage from this preference is minimised. If all the figures are duly considered, it will be found that the preference will act only on about 20 per cent. of our exports. The gain from this preference certainly will not be very large.

How the gain is minimised.

Losses.

Losses:—In the *first* place, the price of all those commodities which we purchase from foreigners will be raised and this will mean hardship to the people of India. *Secondly*, there is the risk that foreign countries may retaliate by temporarily refusing to take our goods. They would be losers no doubt, but it is a sacrifice they will accept willingly in the hope that India may be forced to revert to her previous tariff policy. Both parties will be losers, but the loss on such a poor country as India will cause the greater hardship. An incidental advantage would no doubt be that the petroleum industry would get an effective protection. But if this is counted as an advantage, the principle of protection is adopted and the logical conclusion becomes the adoption of protection for several other Indian industries too. Moreover, if protection is thought to be beneficial for the petroleum industry it can be given without entering into the preferential scheme. Our gains and losses therefore seem to be almost even in the balance. India has not

Rise in price of imports.

Retaliation is apprehended.

Preference is replaced by protection.

much to gain, the apprehended losses too need not be very severe. *Thirdly*, there will be a loss of a very large portion of our customs revenue. Nearly three-fourths of our imports come from England, and according to the scheme the revenue from these import duties will be lost. The remaining one-fourth should be severely taxed, so a portion of the trade may be usurped by the British manufacturers causing further loss of revenue.

Loss of Customs Revenue.

Prof. Lees Smith says that Great Britain cannot offer any reciprocal advantage to India by levying import duties on foreign goods which are likely to compete with Indian goods. Those goods generally being raw material of industries, England cannot give any advantage to India by taxing them. The British public would not tolerate such a tax. India can't gain by any preference (1) in *jute*, *tea*, and *lac* because no other countries produce them and compete with India ; (2) *Hides and skins*, *oilseeds*, and *cotton* and *wool* (raw) of other countries cannot be taxed as it will increase the cost of production in England ; (3) *rice* and *wheat* cannot also be taxed as it would raise the cost of living.

England can't give any preference to India.

The Government of India refused to join the Imperial Preference Scheme in 1903, on the following grounds :—(1) It does not appear probable that materially important advantages could be offered to India under a system of preferential tariffs ; (2) If by the adoption of preference Indian export trade with foreign countries be in any way seriously prejudiced, she should run a very grave risk of disturbing the present favourable balance of trade, and she might find herself once more plunged into the deep sea of trouble arising from a depreciation of the exchange value of her rupee currency ; (3) moderate tariff preference

Why Indian Government refused to join the Scheme.

may provoke retaliation while it will in no way benefit the British manufactures; (4) The scheme would entail a great loss on Indian revenue; (5) While England would tax India, of course at a comparatively low rate than she would tax the foreigners, she would not brook India to levy any tax, whatever preferential rate India might concede to her.

In 1903, again, the Hon. Sir Gangadhar Chitnabis moved the following Resolution in the Imperial Legislative Council :—

"That this Council recommends to the Governor General in Council the desira bility, in view of the loss of opium revenue, of considering financial measures for strengthening the resources of the Government, with special reference to the possibility of increasing the revenue under a system of Preferential Tariffs with the United Kingdom and the Colonies."

The mover urged that India will derive well worth for benefits for the price she might have to pay. Sir Guy Fleetwood Wilson sympathetically reviewed the whole question but suggested that before committing the Imperial Council to such a recommendation further consideration of the intricate and delicate issues involved are necessary. The resolution was withdrawn.

The present trade policy.

The present tariff policy of the Indian Government is absolute free trade, its distinctive features are, (1) a low scale or moderation of the rates of general import duties; and (2) the absence of any discrimination or preferential treatment as between British and foreign goods. The duties that are leived are purely revenue duties in no way conceived to protect any industry.

PUBLIC FINANCE.

Public Finance.

The financial administration of India, and the collection and expenditure of the revenues, are, in common with other branches of the Government of India subject to the control of the Secretary of State, acting in association with the Council of India in the manner provided by the Government of India Act, 1858, and further special provision is made for the control of expenditure by a section of the Act which lays down that no grant or appropriation of any part of the revenues (more than £640 a year) of India may be made without the concurrence of majority of votes at a meeting of the Council. In practice the Government of India and the Local Governments are respectively authorised to sanction new items of expenditure of an ordinary description within limits laid down in each case in standing rules approved by the Secretary of State in Council.

Secretary of State's control.

Provincial Finance.

Development of Provincial Finance.

Formerly, the whole administration of the finances of India was vested in the Government of India, a task which became increasingly difficult and inefficient with the growing resources of the country. In those days the whole of the public expenditure was centralised in the supreme Government, by whom grants were made from time to time to the Provincial Governments on detailed estimates of requirement for the different branches of administration. The effect was demoralising and a loud and presistent clamour often carried the largest slice. Thus while the finance degenerated

into a matter of scramble, the Provincial Governments took no care about economy, and supervision by the Imperial Government became day by day impossible.

Decentralisation in 1871.

So in 1871 Lord Mayo decentralised revenue by making over to the Local Governments certain heads of expenditure—of which the more important were police, education, jails, medical services (in part), roads, and civil buildings. To meet these charges, there were assigned to the local Governments the departmental receipts under the corresponding heads, and also a *fixed grant*, the local Governments being left to provide for any additional expenditure by the exercise of economy and the imposition, where necessary, of local taxes. Thus the local taxation and expenditure was divided into two classes, (1) *provincial funds* which included the assignment of the Imperial Government, and (2) the *local funds* which included all revenues raised by the povincial Government.

1877-82.

But as the heads transferred, afforded little room for development, in 1877-82 further heads of expenditure, including (in most of the provinces) land revenue, general administration, and law and justice, were transferred to provincial management, and a share in growing revenues was given in addition to a fixed grant, thus allowing a margin, which might be increased by careful management, with which to meet growing expenditure. The settlements then made were subject to revision once in five years.

Objects aimed at.

The objects aimed at were to give the local Governments a strong inducement to develop their revenues and practice economy in their expenditure, to obviate the need for interference on the part of the supreme Government in the details of provincial administration and at the same time to maintain the unity of the

finances in such a manner that all parts of the administration should receive a due share of growing revenues required to meet growing needs, and should bear in one proportion the burden of financial difficulties.

The quasi-permanent settlements for five years had the drawback of provoking periodical controversies between the Governments, of India and the local Governments, and of stimulating hasty and possibly wasteful expenditure by the latter during the closing years of settlement. It was accordingly decided in 1904 to assign to the local Governments more permanent shares in the divisible revenues raised in their territories, and settlements on this basis were effected in the years 1904 to 1907. In 1911 the settlements were revised, and put on a basis intended to be in the fullest practicable degree permanent.

Settlement made practically permanent in 1911.

But the *permanent settlements*, we do not believe, carry in them the nature of finality. The present constitution of the provincial councils, which consist of a non-official majority, does not carry into effect the principles of decentralization to their fullest measure. Some of the Provincial Governments think that the share of the revenue assigned to them is inadequate, while all of them are destitute of the power of *levying* new taxes or *borrowing* for necessary expenditure. Nor the system allows any *elasticity* in the arrangements. Two-thirds of the Provincial revenue is derived from the three main heads, land revenue, excise and assessed taxes, but these are divided heads, and the 'Provincial Governments cannot themselves adjust the revenue according to the fluctuating needs of their total expenditure. The present system under which the Imperial Government makes grants to Local Governments

The new settlement need not be final.

earmarked for specific purposes is not approved of by the latter who complain that these 'doles' upset their programmes and force them to move through a particular groove when they would have liked to lay down and follow their own lines of development in consonance with their peculiar provincial needs.' The present policy of the Government is to place a greater responsibility on Local Governments for the stability of their provincial finances while at the same time investing them with wide independence.

Heads of revenue at the disposal of the Government of India.

Now-a-days, certain heads of revenue and expenditure have remained in the hands of the Central Government. The revenue retained by the Government of India for its own purposes and for meeting the expenditure incurred by the Secretary of State in England is described in the accounts as *Imperial* while that assigned to the local Governments is described as *Provincial*. The expenditure is also similarly classified. As matters now stand, the Government of India receives the whole of the revenue under the heads—Opium, Salt, Customs, Tributes from Native States, Post Office, Telegraph, Railways, Mint and Military Receipts and are responsible for the expenditure under the corresponding heads, as well as for Home changes and the bulk of the expenditure under the head Interest on Debt. Revenue and expenditure under other heads are divided between Imperial and Provincial, or wholly Provincial. Forests are entirely Provincial: Land Revenue. Excise, Stamps and Assessed Taxes are shared between Imperial and Provincial, generally in equal proportions.

The nature of provincial finance.

The Local Governments have to a large extent a free hand in regard to their shares of the revenues; but, as has already been indicated, their financial administration

is subject to the general supervision of the Supreme Government, and they are bound by a large number of specific restrictions on expenditure. They have no borrowing powers, nor can they impose additional taxation without the sanction of the Government of India.

Indian Budget.

Indian Budget.

The Budget, ordinarily speaking, is an account of the finances of the State presented by the executive to the legislature. The *first stage* is the presentation of the *Financial Statement* (*i. e.*, the preliminary financial estimates for the next year), with an explanatory memorandum to the Legislative Council. On a subsequent day this is taken up for consideration, and any member may move a resolution regarding any alteration in taxation, any new loan, or any additional grant to local Governments proposed. The *second stage* is the discussion of the Statement by heads or groups of heads. A resolution may be moved with reference to any question covered by a head as it comes under discussion. Certain subjects (including foreign relations and relations with Native States and matters under adjudication by a court of law) and certain heads of revenue and expenditure, (including under revenue, customs and assessed taxes, and, under expenditure, interest on debt, political, state railways, and army) are excluded from discussion. Finally, the "Budget" (*i. e.*, the financial statement as finally settled by the Governor-General in Council) is presented to the Council by the finance member, who, if any resolution passed in council has not been accepted explains the reasons why it was rejected. The Budget is subsequently discussed, but resolutions are not at that stage permitted, nor is the budget put to the vote. The Indian Legislature possesses no statutary powers for

The way of procedure.

The scope of the debate.

Power of the Legislature.

voting, much less for vetoing, a Budget. Their functions have been confined to discussing the Budget and criticising the general administration. This right was conceded to them during the Viceroyalty of Lord Mayo.

Control of Parliament.

The control of Parliament over Indian finance is absolutely limited. The control is mainly confined to two matters, (1) to control the expenditure of Indian revenues for military purposes beyond the Indian frontiers; (2) and annually to lay the Indian budget before the British Parliament to enable its members to offer suggestions, ask for information and generally criticise the policy of the Government in relation to India. Sir John Strachey says that 'so far as India's public finances are concerned she has practically no dependence on Great Britain. Financially this country contributes nothing to the maintenance of her Indian Empire. For all the work that she undertakes for India, whether it be for the British army by which India is garrisoned, the charges for the India Office at home, or for any other services, great or small, she receives full payment'.

§ Chief heads of Revenue and Expenditure.

The chief heads of Revenue in 1911-12 were the following :—

		£
I	Land Revenue, etc.	
	Land Revenue	20 Millions
	Forests	2 Millions
	Tributes from Native States ...	½ Million
II	Opium	5¼ Millions

Chief heads of Revenue.

III	Taxation :	
	Salt	3 Millions
	Stamps	$4\frac{1}{3}$ Millions
	Excise	$7\frac{1}{2}$ Millions
	Provincial Rates	$\frac{1}{2}$ Million
	Customs	$6\frac{1}{4}$ Millions
	Assessed Taxes	$1\frac{2}{3}$ Millions
	Registration	$\frac{1}{3}$ Million
IV	Commercial Undertakings	
	Post office	$\frac{1}{8}$ Million
	Telegraph	$6\frac{1}{2}$ Thousands
	Railways	$3\frac{3}{4}$ Millions
	Irrigation	$\frac{3}{4}$ Million
V	Mint	$\frac{1}{4}$ Million
VI	Exchange	$\frac{1}{10}$ Million
	Total Net Revenue ...	£ 57 Millions

The chief heads of Expenditure in 1911-12 were the following :—

		£
I	Debt Services : Net interest payments other than those charged to railways and irrigation	$\frac{1}{2}$ Million
II	Military Service :	
	Army	$18\frac{1}{3}$ Millions
	Marine	$\frac{1}{3}$ Million
	Military works ...	$\frac{3}{4}$ Million
	Special defences ...	$4\frac{3}{4}$ Thousands
III	Collection of Revenue ...	$6\frac{1}{3}$ Millions
IV	Civil Service :	
	Civil departments ...	$15\frac{1}{4}$ Millions
	Miscellaneous civil charges	4 Millions
	Civil works (including construction of railways charged to provincial revenues.) ...	$5\frac{1}{3}$ Millions

Chief heads of Expenditure.

V	Famine Relief and Insurance ...	£1	Million
VI	Provincial Adjustments :—		
	Add—Increase of provincial balances by unspent grants. ...	£1	Million
	Deduct—Portion of provincial expenditure defrayed from provincial balances.		
	Total Net Expenditure ...	£53	Millions
	Surplus	£ 4	Millions

The rate of increase of revenue.

Between 1901-02 and 1911-12 the total Revenue increased by 31·08 per cent as compared with 15 per cent. between 1881 and 1901, and 10 per cent. between 1881 and 1891.

The figures for total *net* revenue and expenditure differ from the total *gross* revenue and expenditure in that the latter include 'the net receipts of railways without any deduction on account of interest charges, the total receipts (without any deduction on account of interest charges, working expenses, etc.,) derived from the other commercial undertakings of the Government of India, e.g. Irrigation works, Post Office and Telegraphs and from the sale of opium, and the receipts of certain spending departments ; while the figures of gross expenditure include refunds and assignments, the interest charges of railways, the working expenses and interest charges of other commercial undertakings and the cost of cultivation and manufacture of opium. We give below a table showing our gross revenue and expenditure for the last few years :—

	Revenues.	Expenditure.	Deficit or Surplus.
	£ millions.	£ millions.	£ millions.
1903-04 · ·	71	68	+3
1907-08 · ·	$71\frac{9}{10}$	$70\frac{2}{3}$	$+1\frac{7}{30}$
1911-12 · ·	$82\frac{4}{5}$	$78\frac{4}{5}$	+4
1913-14 · ·	$84\frac{1}{4}$	$83\frac{3}{4}$	$+\frac{7}{12}$
1914-15 · ·	80	$82\frac{4}{5}$	$-2\frac{4}{5}$
1915-16 · ·	$80\frac{1}{3}$	83	$-2\frac{1}{3}$

1. **The Sources of Indian Revenue**:—The *land revenue*, which is by far the largest item on revenue side, accounting for more than a third of the net revenue is fixed by either permanent or temporary settlements subject to revision only at long intervals. So, expansion under this head is slow. The present dimension has not, however, been reached by increased taxation. Sir John Strachey says, that the 'land revenue, measuring it by its incidence on the area assessed is everywhere lighter than it was. The *forest revenue* is derived almost entirely from the sale of timber and other forest produce. The forest department looks more to the preservation and improvement of this valuable property for the benefit of the people than for any immediate and maximum gain. However, of late the profit from this source is increasing. "Tributes and Contributions from Natives States" constitute a comparatively small, and practically stationary, head of revenue.

Sources of Revenue.

Land Revenue.

2. **Opium**:—The Government of India has a monopoly of the sale of opium and the net revenue

Opium.

shown under this head is that arising from the export trade, the revenue derived from opium consumed in India being credited to excise. The revenue is, in normal circumstances, subject to great fluctuations arising from variations in price and in the character of the seasons; during the latter part of the decade it was governed by the altogether abnormal conditions accompanying the progressive diminution of the export to China that began in 1908. But though the export has diminished it is more than counterbalanced by a great rise in prices, coupled with a reduction of expenditure resulting from the contraction of cultivation.

3. **Taxation**:—*Salt.* From time immemorial a tax on salt has been a source of revenue in India. At the beginning of the century it stood easily first among the heads of taxation but due to reduction of duty it has greatly fallen. All salt consumed in British India is subject to duty, the duty on imported salt being at the same rate as the excise duty on salt manufactured at home, and the receipts under both heads being included in the salt revenue. Of the total amount consumed in India from a quarter to a third is imported by sea. The general rate of duty, which stood at Rs 2½ per maund from 1883 to 1903, was reduced to Rs 2 in 1903, to Rs 1½ in 1905, and finally to R 1 in 1907. In 1916, it is again raised to Rs. 1½. The average consumption of salt per head rose from a little over 10 lbs. in 1901-02 to about 12½ lbs. in 1911-12, while the incidence of duty per head fell from 4·9 annas to 2·4 annas.

Salt.

Stamps:—The stamp revenue is derived from judicial or court-fee stamps and non-judicial or revenue stamps. The judicial stamp revenue, which constitutes more than two-thirds of the whole, may be regarded in the light of

Stamps.

a payment for service rendered by the costly judicial establishment rather than as a tax in the proper sense of the word. This head of revenue shows a steady and continuous advance.

Excise:—The Excise revenue is derived from intoxicating liquors, hemp drugs, and opium consumed in the country, and is levied in the form of duty on manufacture and fees for sale licences. The bulk of the revenue is derived from spirits. The excise systems and rates of duty vary from province to province. The large increase in revenue is due not only to the expansion of consumption but also to the imposition of progressively higher rates of duty and the increasingly effective control of the excise administration leading to a substitution of licit for illicit consumption. Excise.

The Excise policy of the Indian Government:—The policy of the government in regard to excise administration is to minimise the temptation to persons who do not drink and to discourage excess among those who do drink The means by which this is effected is to make the tax upon liquor as high as possible *without stimulating illicit production.* The provision of shops which gives *facilities for drinking* is another factor to determine the policy. The general policy of the government has been to restrict the number of liquor shops as far as possible and to subject their location to strict periodical examination with a view to minimise the temptation to drink and to *conform as far as reasonable* to public opinion. The Excise policy of the Government.

Provincial Rates:—Under this head were formerly included, among other items, district local fund cesses, provincial cesses for expenditure on roads, schools, etc., and cesses for village services and *patwaris*. Provincial Rates.

rates, which exclude municipal taxes, are levied chiefly for the construction and repair of roads, the up-keep of schools and dispensaries, village sanitation, and other local expenditure. They are generally assessed on the annual "assets" or rent value of land. Between 1865 and 1871 Acts authorising the levy of land cesses on the land rental were passed in all the provinces, some of which, however, were abolished in 1905 and 1906 owing to the financial prosperity of the Government. At the present time a general cess on the annual value of land is levied throughout British India for local purposes at a rate which is in general equal or nearly equal, to one anna in the rupee. It is usually collected with the land revenue, and the proceeds are administered partially or wholly by district boards and other local authorities. In 1871 the existing Bengal *District Road Cess Act* was passed. It imposed, (1) a rate not exceeding ½ anna in the rupee on the annual value of all lands, and on the annual profits of every mine, quarry, tramway and other removable property; (2) a cess on the present value of all dwelling houses and of shops and buildings used for the purposes of trade. The cess was increased to one anna in the rupee on the establishment of the Famine Insurance Grant. The principle of levying local taxes, as defined by the Secretary of State, is that the benefits to be derived from the rates should be brought home to the doors of the rate-payers and that these benefits should be *palpable, direct,* and *immediate.*

Bengal District Road Cess Act.

Customs.

Customs:—We have already discussed in detail the tariff history of India. (See *ante*) The principles on which they are based may be summarized as follows:—

1. That no duty should exist *which affords protection* to native industry, *and* when such a duty is imposed a correspond-

ing equivalent *countervailing excise duty* is to be levied on home production : also, no duty should be levied *except for purely fiscal* purposes.

2. That, as far as possible, the *raw materials* of industry and articles contributing to production *should be exempt* from customs taxation.

3. That duties should be applied only to articles which *yield a revenue of sufficient importance* to justify the interference with trade involved by the machinery of collection.

4. *As regards exports* : That duties should be levied on those commodities only in which the exporting country has practically a monopoly of production.

Judging by these canons Sir John Strachey supports the cotton duties. So far as the Indian import duties are concerned, he feels himself satisfied. But as regards the export duty on rice, he is quite charry to defend it on economic grounds.

Assessed Taxes

Assessed Taxes :—Formerly this head included, Income tax, License tax, and Local rates, such as, education cess , etc. But now the only tax included under this head is Income tax. The Income tax was first levied in 1860 by James Wilson to rehabilitate the finances but in 1865 the tax was abolished. Two years later a License tax was imposed on trades and professions. The License tax, at present existing in India differs from the Income tax in that the former has no relation to the income of the assessee but is paid as a fee for permission to carry on certain trades and professions. The tax was finally abolished in 1872-73, only to be levied again by Sir John Strachey in 1877. Finally, the Income Tax Act of 1886 took the place of the above Act and of various other local Acts. By the Act of 1886 all sources of non-agricultural income was taxed. They were divided into (i) salaries and pensions : (ii) profits of companies ; (iii) interest on

Income Tax Act of 1886.

securities; (iv) and other sources. A general rate of 5 pies in the rupee was levied on all incomes over Rs. 2,000 a year and on the whole of the profits of companies; incomes between Rs. 500 and Rs. 2000 derived from salaries and interests on securities were taxed at the rate of 4 pies in the rupee, and incomes of similar amount derived from other sources at fixed rates approximating to 4 pies in the rupee, according to classes. Incomes below Rs. 500 were exempt from taxation, as were incomes derived from land and agriculture. By the Income Tax Act of 1903 the taxable minimum of income was raised from Rs. 500 to Rs. 1,000 a year. Charities and religious endowments, and soldiers whose pay is less than Rs. 500 a month are free from the tax, and there are some other minor exemptions. Incomes above Rs 2,000 constitute little more than a third of the total number of persons taxed.

The Act of 1903.

Registration.

Registration:—Fees for the registration of instruments, principally deeds of mortgage, make a comparatively small contribution to the revenues. The tendency is steadily upwards.

Commercial undertakings.

4. **Commercial undertakings**:—The subject has been treated before. The services, which, taken together, were up to 1899 a constant and frequently very heavy charge on Government, are now making a substantial and growing contribution to the revenues.

Mint.

5. **Mint**:—The profits on the coinage of rupees, which are transferred to the Gold Standard Reserve, *are not credited to revenue.* The mint receipts include a percentage on the value of new rupees coined, to cover cost of minting, also the profits on the circulation of bronze and nickel coinage, and fees received from various colonies for undertaking coinage. The expenditure

being comparatively steady, the net revenue, varies with the magnitude of the year's operation.

Exchange.

6. **Exchange**:—In every year, except 1908-09, the average rate of exchange was something over 16d. to the rupee, and the balance is entered under this head in the form of a net receipt. Since 1898 the annual charges or receipts due to the fluctuations of exchange have become comparatively insignificant.

§ Local Finance.

Local Finance.

Rudimentary institutions for the conduct of local affairs have existed in India from time immemorial, in the village communities, and trade guilds in towns. The present village *Panchayets*, an institution recommended to be developed in India by the Decentralization Commission, is a relic of the old and links the past with the present. The present day municipalities and local boards, however, differ widely from them and are not a historical growth out of the former.

Municipalities.

The present Local Governments in India may be roughly classed under three heads: Municipalities, District and Local Boards, and Port Trusts. In 1911-12 the number of *municipalities* were 714, comprising a population of a crore and 71 lakhs, and with an income of about 7½ crores. The main *sources of their revenue* are, octroi (abolished in some provinces), taxes on houses and lands, water rate, other rates, taxes and tolls from their own property and powers apart from taxation, grants and contributions from Government, local funds, etc. The main *heads of their expenditure* are general administration and collection charges, public safety (lighting, fire, etc.), public health and convenience, water supply, drainage, conservancy, other heads (roads, hospitals, etc.),

Their sources of Revenue, and Expenditure.

public instruction, contributions and miscellaneous, etc. The incidence of municipal taxation *per head* is above Rs. 3.

District and Local Boards.

The duties and functions that are assigned to the municipalities in urban areas are in rural areas entrusted to *District and Local Boards*. The greater part of their revenue is derived from a cess which they are empowered to levy on the land, and which does not usually exceed one anna in the rupee on the annual rent value. This cess is collected by the Government with the land revenue. Since 1905 Government contributes an amount equal to 25 per cent. of the above income. Apart from receipts in connection with their educational and medical institutions and markets, the only other important sources of independent revenue are pounds and ferries, and, in Madras, road tolls. The main heads of expenditure are education, medical, building, communications, water supply and water works, drainage works, general administration, cattle-pounds, veterinary, public gardens, exhibitions and fairs, and famine relief. The incidence of taxation is $3\frac{3}{4}$*as* per head of the population.

Their sources of Revenue and Expenditure.

Port Trusts.

The administration of larger ports is placed by various Acts in the hands of Port Commissioners, who are charged with the provision of suitable dock accommodation and other necessary services to shipping. The revenues that the port trust administer are mainly derived from dues on shipping and goods, and from fees for services rendered. The trusts are empowered to raise funds by loan to meet Capital expenditure. They have wide powers, but their proceedings are subject in a greater degree than those of municipal bodies to the control of Government.

Their Revenue and Capital Expenditure.

§ Incidence of taxation in India.

As to the incidence of taxation on the people, it may be said that the receipts from land revenue and taxation in 1901-02 (leaving out of account the local rates, etc., now excluded from the accounts of the Government of India, and deducting refunds and assignments) were a little over £37 millions, while the population of British India was 334⅓ millions, giving an incidence per head of about 3s. 3½d; in 1911-12 the revenue was £44⅓ millions, and the population was 244¼ millions giving an incidence of about 3s. 7½*d.* per head. It is to be noted here, that in the above estimate no allowance is made for salt and other taxation ultimately borne by subjects of native states.

Incidence of taxation.

§ Nature of Land Revenue in India.

For the nature of the Indian Land Revenue, see *ante*. The following are some of the economic advantages of the Indian systems of land revenue:—(1) It is based on the immemorial right of the Crown in India to a share of the produce of all land in the State; it is therefore accepted by the people and causes no grumbling. (2) It is the only considerable class of the State revenue which can be raised without enhancing prices or diminishing consumption, obtained as it is from profits of the staple industry of the country. (3) It falls on that part of the produce which goes not to the cultivator but to the intermediary rent receiver; even in respect of the latter it is, when permanently fixed or fixed for long terms, a charge the burden of which has long been discounted. (4) It approximates more than most forms of taxation to the *single tax* advocated by some econo-

Economic advantages of the Indian systems of land revenue.

mists. (5) It effects in a measure that 'nationalisation of the land' which has so many strenuous supporters among the economists.

Direct and Indirect Taxes:—Taxes are either direct or indirect. When taxes are levied with no expectation or intention that they shall be shifted to any other persons than those first called on to pay them, it is a *direct tax*. Taxes on property, inheritance, income, etc, are spoken of as direct taxes. Indirect taxes, on the other hand, are 'levied on the supposition that the persons first called on will transfer the burden to others and will transfer it with tolerable ease and certainty.' The salt tax in India is an example of indirect taxes. This kind of tax has the advantage of not being readily felt as they are paid in small portions and at the time of consumption. But it has also its disadvantages. Indirect taxes are generally levied on commodities which are produced and consumed in greatest quantities. Now the mass being the consumer of such articles, it is the poor who bear the burden of such a tax. Moreover, the manufacturer of such commodities increases the price of the article by far more the amount of the tax. The taxation of salt has always been vehemently opposed by the people of India, on the ground that the general mass is so poor that such an imposition would tell upon the consumption of a necessary of life. This is an example of the fact that taxation in India is not guided by the principle that it should be justly distributed. (See my *Study of Economics*).

Direct and indirect taxes.

APPENDIX A.

THE GROWTH OF INDIAN INDUSTRIES.

A careful study of Indian Economics thoroughly convinces us of the fact that India is doomed unless she be economically active. Mr. Monohar Lal, M. A. (Cantab), one of the greatest economist of India, says, "Unless India puts forth her best energy and thought to face the industrial problem, her position will be pitiable in the great industrial conflict which must follow with unprecedented rigour and severity on the conclusion of peace It is a grim fact that in the midst of a rich world which is fast advancing, India stands as one of the most poverty-stricken countries with stationary or decaying earning power. Poverty, grinding poverty, is a tremendous fact of our economic and therefore national position. It exposes us to the havocs of disease and pestilence, famine and plague. It makes advance at every step difficult." Such is the note of warning announced by a high authority of the day. When India believes it, what is she doing. "Our task," Mr. Lal says, "if we wish to live in the great world of competition, is to change this situation and to become an economically active from an economically *passive* country. It is a great task, but it is a necessary task,—and both thoughtful and practical India must strain every nerve to it, for the forces of competition are relentless."

Monohor Lal's warning.

Poverty of India.

Our great task.

The question now arises whether India should remain mainly an agricultural country or take to manufactures as well. We have already (pp. 278-92) shown the

Should India remain an agricultural country.

disadvantages of an agricultural country, and how it is specially advantageous for India to develop her organised industries. We may add here the opinion of Mr. Monohar Lal bearing on the point. He says :—"Agricultural economy is consistent with prosperity only in the case of new communities freshly establishing on large undeveloped parts of the world, in the early stages of their nation-building. That India with a population of over 300 millions should be now at the *primitive* stage of agricultural economy is a unique fact in world history, specially when it was a most flourishing industrial country for hundreds of years." Again, on strict economic principles, Prof. C. J. Hamilton says that *capital* does not accumulate in an agricultural country, all that is produced is consumed as *wealth* and both the productive and prospective aspects of it are extinguished.

Monohor Lal's view.

Prof. Hamilton's view.

Now we come to discuss the conditions that may lead to the growth of industries. Of the productive factors, *land* comes under the first head. We shall here confine our discussion to, *mines*, *forestry* and *fishery*.

Conditions of growth.

(*a*) *Mines and minerals* :—Of the mineral substances, *coal* and *iron* are the two bases of modern economic strength. 'The story of economic rivalry between nations, during the last half of a century or more, is the story of the rate at which these two fundamental basic factors of industry have been discovered and utilized.' Moreover, to be of any importance these two things must be found together, as the transportation cost of them are necessarily heavy. It is a sad fact that the output of Indian coal does not exceed *one* per cent. of the world's total out-put, while that of iron ore barely reaches a two-hundredth part. These facts show what more mining activity is needed

Growth depends on the production of iron and coal.

Poor out-turn of India.

on that score. We hope, however, that Tata's electric supply scheme may greatly add to the present available strength supplied by coal. As for other minerals, Dr. H. H. Hayden, Director, Geological Survey of India, in his evidence before the Industrial Commission, says:— Among the subjects which call for investigation as regards the feasibility of establishing new mineral industries, I would mention, aluminium, artificial fertilisers, sulphuric acid, Alkalis, ferro manganese, ferro tungsten, &c. For all these industries we have raw materials in the Indian Empire and the aspect which seems to me to require special investigation is the financial one in each case. I would not recommend that they should be developed at the expense of the State, except in cases in which there was small prospect of their being developed by private enterprise, *e. g.*, the radio-active minerals." He said that the primary object of Geological survey is the completion of the geological map of India but the ultimate aim is the development of the mineral resources of the country. He acknowledged that the chemical work of the Department is now conducted by a *single* chemist He suggested for the creation of a separate Chemical Department, with a host of specialists, acting in co-operation with the Geological survey. His evidence also brings home to us the fact as to how German firms, under assumed names, acquired many important mineral resources. Again, Mr. Ironside pointed to the fact that mineral rights having been in private hands, the economic consequence is that those who work the mines try to get as much as they can by the cheapest and most wasteful way. He suggests that minerals should belong to Government and 'should never have been relinquished.' The suggestion amounts to a seizure of private property.

Hayden's evidence.

Possibilities of new mineral industries.

Where the State is to undertake.

Poor provision for chemical work.

His suggestion.

A German move.

Mr. Ironside suggests the State appropriation of minerals.

Forests.

Forests :—But for the fore-sight of Lord Dalhousie the forests would long ago have disappeared in the smoke of village fires. It now covers 240,000 sq. miles and yield annually 4½ million tons of timber. There is a net financial profit of 113 lakhs. (For Mr. R. S. Pearson's (Forest Economist) remark, see pp 87-8.) Mr. C. T. Allen of Cawnpur remarked 'that until the enormous unused products of the forests of India have been fully opened up and placed at the disposal of the country, it should be made penal for that department either provincial or imperial to show a surplus in the annual budget. All returns should be sunk in the development of and opening-up of forest resources in conjunction with private enterprise."

The present position.

Pearson.

Allen's summary proposal.

Fishery.

Fishery :—Prof. S. C. Roy, writing in the Bengal Co-operative Journal remarks that the extension of co-operative fisheries in Bengal will solve the triple problem of fish supply, water supply and malaria We may also suggest that if the Railway Board makes it a provision that ditches dug on both sides of a railway line in order to construct it should be dug on one side only and it is to be let on long leases to professional fish dealers, then the supply of fish may increase greatly and malaria may disappear.

Roy's suggestion.

Another proposal.

Labour.

Next we ceme to the question of *labour*. We have already (pp. 260-65) dealt with it in detail. But the labours of the Industrial Commission have brought to light new phenomena. Sir Thomas Holland, the President, is not only convinced that the materials of industries exist in abundance here but also that the labour difficulties can be solved. Having been impressed by what he saw in the Tata Iron and Steel Works, he said :— "Any one who had ever visited the Tata Iron and Steel

Works would come away convinced that with Indian labour they could tackle any industry to which the country was suitable. I have seen labourers at Sakchi, who only a few years ago were in the jungles without any education, now handling red-hot steel billets, turning out rails, wheels, etc., as efficiently as they could get it done by any English labourer." Similarly, in his evidence before the Commission, Mr. Tutwiler, the General Manager of the Tata Iron and Steel Company, said ;—

Holland's optimistic remark.

"My opinion of the Indian workmen taken as a whole is that they are very intelligent and quick to learn, and they generally shape well when they are trained properly. Indians, given every facility and encouragement, just as industrially apply themselves to this particular kind of work as Europeans, possibly more so during the hot weather, as the tropical conditions are less irksome to them. In my opinion, Indians will be able to replace Europeans up to a certain extent. As a rule, the Indian is more amenable to discipline than a foreigner. My opinion is that the main things to be done to improve the Indian workmen's efficiency and skill can be summed up in a few words ;— (a) Pay them sufficient wages to enable them to provide nourishing food ; (2) see that they are well housed and that their living quarters are sanitary ; (3) see that the men who are brought out from foreign countries to train the unskilled workmen are thoroughly competent to guide the unskilled men ; (4) provide sufficient innocent amusements for the workmen ; (5) when any workman shows an aptitude for any special subject, give him every facility for developing it." Here we see the reasons why the workmen are efficient. (see pp. 261-62).

Tutwiler's praise of Indian labour.

More efficient than Europeans.

How to improve the quality of labour.

Next we come to the supply of capital. We have already said that it is scanty and it is better that our resources should remain undeveloped if the investment of foreign capital be associated with foreign enterprise at this stage of our industrial growth (see pp. 281-87). We have also suggested how capital can be drawn into enter-

Capital.

State aid necessary.

prises. State aid, we think, is absolutely essential for some time to come on this score. Witnesses before the Commission have suggested various schemes for the purpose. We may divide them into *directly or indirectly financial*, *pioneering*, and *moral* aids.

Direct financial aid.

Those who are for direct financial aid, urge that 'joint-stock enterprize being new in the country and many not having done well, mutual distrust and want of confidence seem to be the prevailing difficulties, specially in Bengal. Under the circumstances, the Government ought to come to the rescue of the people by helping nascent and struggling industries with either long-term loans of money on merely nominal interest or some sort of subsidy or bounty or guaranteed interest *as exist in the case of railways*.' (Maharaja, Manindra Chandra Nandi). The view is particularly applicable to some industries where the raw materials are only obtainable locally and the size of the enterprize is small but expansive. Moreover, the idea is not a novel one. In 1915 Government lent £ 4 millions to the Presidency Banks with the same purpose in view. Of the indirect financial aids, banking facilities comes first in order of importance. Lala Sultan Singh, Banker, Delhi opines :—

Maharaja of Cossimbazar's view.

Why they are to be given.

Indirect financial aid.

Banking facilities.

'That next to education the thing that was most needed for the progress of the country was a well organised system of banking. There ought to be a great industrial bank in every province which should receive full support from the Government and should have its operations supervised by experts appointed by the Government. This bank should have a branch in every district in each province. Among others it should be the business of this bank to advance loans on the security of industrial plant and on stocks and shares. The number and scope of co-operative credit banks should also be increased. The Government of the province should co-operate with the people in maintaining

The proposed industrial bank and its functions.

the banks at the right standard by depositing a portion of the public money in them and by a system of Government audit of accounts.'

Government pioneering of industries.

The Government is also to pioneer some industries which can be profitably started in face of foreign competition and others which are totally new but have been found by Government departmental experts to be ultimately prosperous, e g., some forest industries. In these cases Governmental control should be confined to a general audit of accounts and they are to be handed over to private capitalists or companies as soon as there is reason to believe that they have reached a profit-earning stage.

The industries and Government functions.

Moral aids.

To draw capital the moral aids that may prove successful may be summed up as follows :—(i) Indian capitalists may be interested by printed propaganda and advertisement through unofficial media which in turn would be recognised and assisted by the Government and its officers ; (2) by the systematic introduction in any form of advertisements for the subscription of capital, in the name of one or other of the sound banking institutions of this country ; (3) by allaying the public fear that by investments no one incurs the displeasure of the Government. It has been suggested that if a joint-stock company with Rs. 10 lakhs of capital be formed under the direct protection of the Commerce and Industries Department, and a pioneer can get loans from it when he can fully convince the Director that his enterprize will be successful, then a good many industries can be profitably started. We do also suggest that an Economic Council, as exists in Prussia, in every province represented equally by Indian and European interests, may further greatly the growth of industries.

The different ways.

A financing bank in co-operation.

An economic council.

Organisation.

Next we come to the last factor, *organization*. We have already discussed it fully. (See pp. 268-72). Under the present circumstances, importation of entrepreneurs seems to be a necessity. But unless they are hired at a heavy pay, the men we get are either those who know not what is business, or they are failures in the trades. It is very difficult to get well trained men, because they have greater opportunities at home than in India. In the way of organization, Government help is also needed. The Government 'should establish an Imperial Research Institute. It must be equipped with the best brains that can be found, and one of its functions will be to "give sound practical advice to private enterprises." The Government is to lend experts to private firms when so asked at a nominal charge.

The difficulty of importing higher grade entrepreneurs.

Government help by propagating knowledge.

By lending experts.

States duties to grow industries.

Then we come to the *duties* of the State towards industrial enterprise. Some of them are:—(*a*) the spread of commercial education ; (*b*) establishment of technical institutions and commercial colleges; (*c*) protection of industries against dumping and bounty policy ; (*d*) patronage of the State to home made goods. It should be the duty of the Government to give a guarantee to purchase home goods under certain specification, as it has been done in the case of Tata Iron and Steel Company.

Various forms.

Lists of the articles imported by Government should be published and samples made readily available at such centres as may be considered most convenient for the inspection of likely manufactures. Government should know what the country can produce and the manufacturers should be aware what the Government requires. The superintendents and assistants of all Government buying departments should visit periodically all factories producing goods of the nature of those now purchased

from abroad, and learn something not only of the goods that are actually being manufactured but of the possibilities of the industries visited. The policy can very materially reduce Home indents and by doing so encourage and develop local industries to a marked extent within a very short time ;' (*e*) the universities, and research and manufacture can be allied with profit as in Germany ; (*f*) in addition to an Imperial Research Institute, Boards of Industries are to be instituted in every province under an Imperial Board of industries. One thing that the Government should do is to advertise substantial prizes to be awarded to him who can invent, manufacture, discover or improve a particular branch of trade together with the assurance that Government would finance him in the initial stage of the undertaking.

Marketing and distributing.

Next we come to marketing and distributing of the goods. The first thing that confronts us is the *cost of transport.* Government should take special care that railway charges be so fixed as to encourage the transportation of goods. Discrimination in railway charges are not uncommon in India. But transport by water is more cheap. Special care should be taken that the waterways are kept open. "River transit, the cheapest and most popular means of carrying goods, is now getting impossible, as many of the waterways are practically silted up and are not navigable for the greater part of the year. The Bhagirathi near Berhampore, the Buriganga and the Dhaleswari in Dacca, the Brahmaputra near Mymensing, the Bhairab and the Kapotakha in Jessore, and the Nadia rivers in Bengal need to be opened up for navigation throughout the year." The defective method of *advertising* hampers the growth of markets badly. Our sympathetic Governor, Lord

Transport.

Railways.

Water transport.

Rivers silting up.

Scientific advertising necessary.

Carmichael, once told us how he to get his handkerchief searched from continent to continent, country to country, and province to province, only to find that the manufacturer was not far away from the honoured consumer. Moreover, *foreign agencies* are to be established all over the world and it is possible that an Indian staff should be attached to the consular offices, to study foreign market, to find outlet of home made goods, to learn foreign ways of business, etc.

Consular agencies.

We have discussed beforehand (see pp. 287-88) the causes as to why Indian industries decayed and why they are still in a precarious position. (See pp. 292-94). We have also discussed the future of domestic and organised industries. We know that the volume of our trade has expanded enormously and the growth, though not on the best possible line, cannot be called unhealthy. (See pp. 398-400). The trade has increased our wealth, but it should produce several times over. We have progressed materially, but we are still distressingly poor.

The causes of decay and a stagnant state.

The growth of trade.

Finally, the question that confronts us is our fiscal policy. The trade policy of India and England is the same—absolute free trade. The other parts of the Great Empire, Canada, Australia, New Zealand, etc., have fiscal autonomy. They can and do often levy high import duties on British goods but the destiny of India is chained with that of the sovereign country. Under the circumstances, we can not accuse England for levying excise duties on cotton. But should India like to remain so. Indian opinion regrets to answer the querry in the negative. The policy that England might adopt after the war must be either protection, imperial preference, or free trade as it is held now. England would not adopt protection as it would in no way further her interests.

Fiscal policy.

England's position.

Should India remain satisfied.

Why England would not

for in such a case, India would become a protectionist, the largest of England's markets, and when the latter might be able to reduce her imports, expansion of exports cannot be achieved in other markets. Then would she advocate an imperial preference? Possibly, she may. The main clauses of the Paris Economic Conference that touch the trade policy were these :—

revert to protection? Should England adopt the policy of preference? Possibly she may.

Paris Economic Conference and future trade policy.

(1) "To secure to themselves and for the whole of the markets of neutral countries full economic independence and respect for sound commercial practice, and on the other hand to facilitate the organisation on a permanent basis of their economic alliance ; (2) the liberty of none of the Allies should be hampered by any claim put forward by the Enemy Powers to most-favoured-nation treatment during a number of years to be fixed by mutual agreement among themselves ; (3) to conserve during the period of reconstruction their *natural resources* and to facilitate the interchange of these resources ; (4) to defend against dumping or any other unfair competition, the Enemy Powers should be submitted for a fixed period of time to special treatment, and their goods shall be submitted either to prohibitions, or to a special regime of an effective character ; (5) the enemy subjects are to be prevented from exercising in the territories of Allied Powers, certain industries or professions which concern national defence or economic dependence ; (6) necessary steps should be taken to render themselves independent of the enemy countries of the supply of raw or manufactured articles essential to the normal development of their economic activities ; (7) the allies would adopt measures *having regard to the principles which govern their economic policy* ; (8) to permit the interchange of their products the Allies undertake to adopt measures for facilitating their mutual trade relations both by the establishment of direct and rapid land and sea transport services at low rates, and by the extension and improvement of hospital, telegraphic, and other communications."

All the above facts do not in the least prove that the inclination of England is towards protection. Now, she might adopt the policy of imperial preference. Would

India would not like preference.

She longs for fiscal autonomy.

India also prefer it. She cannot, as has been pointed out before. (See pp. 499-503). Then can she not claim fiscal autonomy like the self-governing countries. Prof. Hamilton, most sympathetically says, she might claim it.

Our national backwardness.

Before we conclude our essay on the *Growth of Indian Industries* we must remind ourselves of the remarks made by two eminent economists. They emphasise the drawbacks that affect our national character. Prof. Hamilton, the Minto Professor of Economics, says, 'the Indian character is imitative without being inquisitive. He is conservative and little alive to new impressions.' Prof. Monohar Lal, the late Minto Professor of Economics, says, "As a people, we are lacking in self-confidence and the dash and audacity that are necessary for, and ensure success. We want in effective action and decision. Our racial characteristics spell failure in the present-day-world economy based on competitive strife and go-aheadness. There are, however, signs that *India is recognising the meaning of national manhood.*"

APPENDIX B.

Summary of the Roport of the Royal Commission on Indian Finance and Currency.

Summary of the Report.

The Commissioners thus summarized their report :—(i) The establishment of the exchange valve of the rupee on a stable basis has been and is of the first importance to India (Par. 8)

Exchange.

(ii) The measures adopted for the maintenance of the exchange value of the rupee have been necessarily and rightly rather supplementary to than in all respects directly in pursuance of the recommendations of the Committee of 1898 (Paras 7 and 44 to 46).

(iii) These measures worked well in the crisis of 1907-8, the only occasion upon which they have been severely tested hitherto. (Paras. 48, 49). (Also during the War).

(iv) The time has now arrived for a reconsideration of the ultimate goal of the Indian Currency System. The belief of the Committee of 1898 was that a Gold Currency in active circulation is an essential condition of the maintenance of the Gold Standard in India, but the history of the last 15 years shows that the Gold Standard has been firmly secured without this condition (Paras. 47, 50).

Gold Currency.

(v) It would not be to India's advantage to enconrage an increased use of gold in the internal circulation (Par. 64)

(vi) The people of India neither desire nor need any considerable amount of gold for circulation as currency, and the currency most generally suitable for the internal needs of India consists of rupees and notes (Paras. 50, 76).

(vii) A mint for the coinage of gold is not needed for purposes of currency or exchange, but if Indian sentiment genuinely demands it and the Government of India is

prepared to incur the expense, there is no objection in principle to its establishment either from the Indian or from the Imperial standpoint; provided that the coin minted is the sovereign (or the half-sovereign) and it is pre-eminently a question in which Indian sentiment should prevail (Para. 69, 73.)

(viii) If a mint for the coinage of gold is not established, refined gold should be received at the Bombay mint in exchange for currency (Par. 5).

(ix) The Government should continue to aim at giving the people the form of currency which they demand, whether rupees, notes, or gold, but the use of notes should be encouraged (Par. 76).

(x) The essential point is that this internal currency should be supported for exchange purposes by a thoroughly adequate reserve of gold and sterling (Par. 76).

The Gold Standard Reserve.

(xi) No limit can at present be fixed to the amount up to which the Gold Standard Reserve should be accumulated (Par. 86).

(xii) The profits on coinage of rupees should for the present continue to be credited exclusively to the Reserve (par. 89).

(xiii) A much larger proportion of the Reserve should be held in actual gold. By an exchange of assets between this Reserve and the Paper Currency Reserve a total of about £10,000,000 in gold can be at once secured. This total should be raised as opportunity offers to £15,000,000, and thereafter the authorities should aim at keeping one-half of the total Reserve in actual gold (paras. 93 to 100).

(xiv) The Indian branch of the Gold Standard Reserve in which rupees are now held should be abolished, the rupees being handed over to the Paper Currency Reserve in exchange for gold (par. 98).

(xv) The proper place for the location of the whole of the Gold Standard Reserve is London (paras. 90 and 100).

(xvi) The Government should definitely undertake to sell bills in India on London at the rate of 1*s.* 3-29/32*d.* per rupee whenever called upon to do so (par. 101).

Paper Currency.

(xvii) The Paper Currency system of India should be made more elastic. The fiduciary portion of the note issue should be increased at once from 14 crores to 20 crores, and thereafter fixed at a maximum of the amount of notes held by Government in the Reserve Treasuries *plus* one-third of the net circulation, and the Government should take power to make temporary investments or loans from the fiduciary portion within this maximum in India and in London, as an alternative to investment in permanent securities (paras. 112 and 113).

(xviii) We recommend the immediate universalisation of the 500-rupee note and the increase of the facilities for the encashment of notes (paras. 115).

Balances.

(xix) The aggregate balances in India and London in recent years have been unusually large. This has been due mainly, though not entirely, to accidental causes and to the exceptional prosperity of India (paras. 125, 126).

(xx) Caution is justifiable in framing Budgets in India but has been carried rather further than was necessary in recent years (paras. 126 and 128).

Proposed Change of Date for the Budget.

(xxi) A change in the date of the commencement of the financial year from the 1st April to November or the 1st January would probably enable the Government of India to frame more accurate Budgets. Such a change would also enable the India Office to fix the amount of their borrowings in London with closer regard to immediate needs. We commend this proposal for favourable consideration (paras. 128 and 190).

Surplus balances.

(xxii) The practice of transferring revenue surpluses to London to be used in avoiding or reducing fresh borrowings for capital expenditure has been thoroughly justified in the interests of India, and the Secretary of State has made good use for this purpose or for actual reduction of debt, of the

balances from time to time accumulated in his hands (paras. 130 to 133 and 179).

(xxiii) But the recommendations which we make as regards loans by Government in India may lead to a revision of the occasions, though not of the extent, of transfers of money to London (par. 133).

(xxiv) The independent Treasury system of the Indian Government is not an ideal one. It is partly responsible for the stringency which recurs annually in the Indian Money Markets (paras. 137 to 143).

(xxv) We recommend that the Government of India should make a regular practice of granting loans to the Presidency Banks from their surplus balances in India against security on terms to be negotiated with the Presidency Banks (paras. 150 163, 164).

(xxvi) In deciding upon the location of surplus balances the Government of India and the Secretary of State should act in consultation, and while the transmission of the necessary funds to London at favourable rates of exchange is the first consideration, the authorities should have regard to all the factors, including the possibility of utilising surplus balances for loans in India (pars. 159 to 161).

(xxvii) In carrying out these recommendations the authorities should proceed tentatively and with caution (par. 165).

(xxviii) We recommend that the amount of the annual rupee loans in India should be increased as much as possible. The figures of recent loans appear to have been somewhat over cautious. We call attention to the questions of relaxing present regulations in regard to endorsements on rupee paper and of creating new forms of securities (pars. 167 to 169).

Council Drafts not sold as a Convenience to Trade.

(xxix) The Secretary of State sells Council Drafts, not for the convenience of trade, but to provide the funds needed in London to meet the requirements of the Secretary of State on India's behalf (par. 186).

(xxx) The India Office perhaps sold Council Drafts unnecessarily at very low rates on occasions when the London balance was in no need of recoupment ; but we do not recommend any restrictions upon the absolute discretion of the Secretary of State as to the amount of drafts sold or the rate at which they are sold, provided that it is within gold points. The amount and occasion of sales should be fixed with reference to the urgency of the Government's requirements and the rate of exchange obtainable, whether the drafts are against treasury balances or against the reserves (pars. 181 to 185.)

(xxxi) There has been some excess of caution in the renewal of debt by the India Office during recent years (par. 192).

Loans to Borrowers in the city.

(xxxii) The system of placing portions of the India Office balance out on short loan with approved borrowers in the City of London is, on the whole, well managed ; but we draw attention to—

(*a*) The term for which loans are made.

(*b*) The desirability of giving greater publicity to the methods by which admission is gained to the list of approved borrowers.

(*c*) Some defects in the list of approved securities and especially its narrow range (paras. 196 to 200).

(xxxiii) There is no ground for the suggestion that the City members of the Secretary of State's Council showed any kind of favouritism in placing on deposit with certain banks with the directorates of which they were connected, a part of the India Office balance at a time when it was too large to be placed entirely with approved borrowers. But we call the attention of the Secretary of State to the desirability of avoiding as far as possible all occasion for such criticism, though it may be founded on prejudice and ignorance of the facts (par. 202).

(xxxiv) We observe that in our opinion the time has

come for a general review the relations of the India Office to the Bank of England (par. 203).

(xxxv) The working of the present arrangements for the remuneration of the Secretary of State's broker should be watched and, if necessary, they would be revised (par. 204).

(xxxvi) We record our high opinion of the way in which the permanent staff, both in India and in London, have performed the complicated and difficult financial duties placed on them (par. 7).

Constitution of Finance Committee.

(xxxvii) We recommend a continuance of a Finance Committee of Council as providing the machinery most suitable for the work required (par. 208).

(xxxviii) The Finance Committee should, if possible contain three members with financial experience, representing—

(*a*) Indian Official Finance.

(*b*) Indian Banking and Commerce.

(*c*) The London Money Market.

In any case there should be at least one member with Indian financial experience. The absence of any representative of Indian finance on the Committee since 1911 has resulted in giving undue prominence to the representation of London City experience (par. 210.)

(xxxix) While we suggest that the changes recently proposed, and now under discussion, in the constitution of the India Council may require some modification in order to provide for the continuance of a Finance Committee of Council, we are in sympathy with the desire for expediting financial business, which is one of the objects in view (par. 214).

(xl) The present arrangement under which the Assistant Under Secretary of State, having financial experience, is able to share with the Financial Secretary the responsibility for financial business in the India Office has many advantages. For the future we recommend that either—(1) the Under

Secretary or Assistant Under Secretary of State should have financial experience as at present, or (2) there should be two Assistant Under Secretaries of whom one should have financial experience (par. 216).

(xli) We are not in a position to report either for or against the establishment of a State or Central Bank, but we regard the subject as one which deserves early and careful consideration, and suggest the appointment of a small expert Committee to examine the whole question in India and either to pronounce against the proposal or to work out in full detail a concrete scheme capable of immediate adoption (par. 221. 222).

Here is an extract from Mr. S. V. Doraiswami's book on Indian Currency and Finance.

Views of Sir James Begbie.

"Although Sir James Begbie is sufficiently in accord with the report as a whole to be able to sign it, his "note," almost amounts to a minority report on currency policy. Sir James *disapproves strongly of the further extension of the circulation of rupees as being "undesirable for a country which absorbs gold on a large scale."* Moreover, he is not satisfied that a good case has been made out for keeping the metallic portion of the Gold Standard Reserve in London. He thinks the Coin Reserve of the Paper Currency Department should be held exclusively in India, and that no portion of this Reserve should be employed in London in temporary investments.

A State Bank.

It will be seen that the Commissioners preserve an open mind on the question of a State or Central bank, but they are so much impressed with the evidence and subjects, among others by Mr. Stanly Reed, that they are strongly of opinion that the matter should not be allowed to rest but should at once be carefully gone into by an expert committee. No doubt they adopted this attitude largely in consequence of the very able memorandum drawn up by Mr. J. M. Keynes in collaboration with Sir Earnest Cable which is printed as an anaexe to the report. Mr. Keynes's brief summary of his scheme is as follows :—

(1) The Indian Offices of the State Bank shall be permitted to supply their own customers with sterling remittance, but in the purchase of sterling trade bills they shall be confined to the re-discount of such bills for other banks.

(2) The London office of the State bank shall have no direct dealings as a banker with the general public. Its business shall be confined to :—

(a) The sale of other banks (including certain large firms) drafts and telegraphic transfers payable at its Indian offices.

(b) The re-discount of sterling bills at the Bank of England.

(c) Borrowing for short periods from the Bank of England.

(d) The loan of funds on the London Money Market.

(e) The replenishment of the Secretary of State's funds at the Bank of England.

(f) The flotation of sterling loans on behalf of the Secretary of State. (See my *Study of Economics, Second Edition*).

APPENDIX C.

The following is an extract from the Report upon the operations of the Currency Department during the year 1915-16 :—

"I explained in my last report that, after the first shock of the crisis had passed, confidence and credit in India generally tended to show a steady improvement. This improvement continued during the year under review, and though trade was necessarily hampered by various restriction it showed great elasticity in adopting itself to the abnormal conditions prevailing. Thus, in spite of the various disturbing factors which have directly affected India, it may be claimed that the activity of many branches of her trade, the revival in the demand for money to finance her products, the stability of sterling exchange, and the increasing popularity of currency notes afford gratifying indications not only of the general prosperity of the country but also of confidence in the strength of the currency system and in the adequacy of its resources.

The most striking feature of the statement, however, is the large net balance in favour of India (in 1913-14, Rs. 27,13 and in 1914-15 Rs. 23, 83 lakhs, as against Rs. −3 lakhs, the average of the last five years) which is considerably (+36, 83 lakhs) higher even than the unprecedented figure reached last year.

Articles.	Value in lakhs of rupees.			Increase+ Decrease— in Value in 1915-16.	
	1913-14.	1914-15.	1915-16.	As compared with 1914-15.	As compared with 1913-14.
Rice	26,61	17,16	15,46	−1,70	−11,15
Wheat and wheat flour	14,38	9,24	9,56	+32	−4,82
Barley	1,57	26	1,75	+1,49	+18
Indigo	21	90	2,08	+1,18	+1,87
Hides and skins, raw	11,69	7,79	9,78	+1,19	−1,91
Ditto, tanned or dressed	4,23	4,74	5,61	+87	+1,38
Oil seeds	25,65	14,64	10,12	−4,52	−15,53
Tea	14,98	15,52	19,98	+4,46	+5,00
Raw cotton	41,04	33,48	24,78	−8,70	−16,26
Twist and yarn	9,83	6,29	6,92	+63	−2,91
Cotton piece-goods	2,14	1,59	2,47	+88	+33
Raw jute	30,83	12,91	15,64	+2·73	−15,19
Gunny bags	12,53	12,59	20,15	+7,56	+7,62
Gunny cloth	15,59	13,11	17,67	+4,56	+2,08
Raw wool	2,50	2,97	3,79	+1,42	+1,29

While an increase occurred under the majority of the heads, there was a further falling off in the value of the exports of rice, oil-seeds and raw cotton, following on similar decline under these heads in the preceding year. The curtailment in the demand was no doubt largely due to the war in all the three cases, as large quantities of these commodities are usually shipped to the Continent In the cases, of rice, however, other causes also operated as Bengal, owing to the unsatisfactory character of her own crop, was not only unable to ship rice to the extent possible in normal years but was also compelled to indent heavily for rice on Burma. The Collector of Customs, Rangoon, draws attention to the fact that the share of Burma rice taken by India amounted to over 1¼ million tons, being 56 per cent. of the total exports and the highest figure on record. Shipment to India in 1914-15 were only slightly less than this figure as compared with only about ¼ million tons in 1911-12 and 1912-13. The demand from India has therefore temporarily largely compensated Burma for the loss of some of her important foreign markets.

In the case of wheat, arrangements were made by Government for the purchase and export of the available surplus on account of Government and under Government control.

Some of the larger increases in the export of commodities are to a great extent due to special demand for them set up by the war, *e.g.*, in the case of jute manufactures, tea, hides skins, raw wool, and indigo. It may be mentioned that the exports of raw jute, though higher than in the preceding year, are still considerably below the level reached in 1913 14. The exports of jute manufactures, however, and particularly of gunny bags have been enormous. One incidental result has been that the Indian jute mills have made very large profits.

5. The following statement shows the more important fluctuations on the import side of the account :—

Articles.	VALUE IN LAKHS OF RUPEES.			INCREASE + DECREASE—IN VALUE IN 1915-16	
	1913-14.	1914-15.	1915-16.	As compared with 1914-15.	As compared with 1913-14.
Sugar	14,96	10,53	16,62	+6,09	+1,66
Cotton yarn and piece-goods	66,30	49,00	43,28	-5,72	-23,02
Machinery and millwork	7,76	6,04	4,78	-1,26	-2,98
Iron and steel and manufactures thereof (excluding glavanised sheets and plates)	10,63	6,79	7,87	+1,08	-2,76
Galvanised sheets and plates	5,38	2,99	1,32	-1,67	-4,06
Copper	4,12	2,77	74	-2,03	-3,38
Railway plant and rolling stock	10,03	10,08	4,22	-5,86	-5,81
Silk manufactures	3,10	1,94	2,76	+82	-34
Wool and woollen goods	4,05	2,05	1,19	-86	-2,86
Salt	88	74	1,25	+51	+37

The declines under railway plant and rolling stock, copper, machinery and millwork, and galvanised sheets and plates are obviously due to the war. A few words are, however, necessary in order to explain the position with regard to cotton manufactures. As was stated last year, imports of these for some time past had been greatly in excess of immediate requirements, with the result that a serious congestion of stocks ensued on both sides of India. In fact, it appeared at one time that the holders of these stocks in India were faced with the probability of very heavy losses. Subsequently, however, dealers were helped by the contraction in imports and the rise in prices at home.

The increase in the sugar imports as compared with 1914-15 is partially due to an increase in the amount of sugar imported but mainly to the very high level of prices ruling. Similarly, though the value of the imports was higher than in 1913-14, the actual quantity imported was only about two-thirds of that brought into the country in the former year. Java was as usual the chief supplier, but sugar has also been sent to an increasing extent by China and Japan.

University Questions.

CALCUTTA PAPERS.

1909.

1. Write explanatory notes on—takkavi, abwab, jamabandi, lakhiraj lands, and the Saharanpur rules.

2. Describe briefly the more important land revenue systems of British India.

3. What are peculiarities of the foreign trade of this country ; Account for the permanent excess of exports over imports and indicate the effects of this necessity of increased exports on India's currency policy.

4. What are the "Home charge"? Briefly describe the method by which payments are made by this country to England.

5. Explan the character of Indian famines, and estimate their causes. What are, in your opinion, the most effective remedies to meet this calamity?

6. Give briefly the chief physical features of India, indicating their effect on industries of the land.

7. Describe briefly the various system of irrigation in use in different parts of the country.

8. Analyse the sources of Indian revenue and write a full note on the revenue from opium.

9. Write a critical note on the nature of land revenue in India. What do you know of the controversy regarding land revenue as being of the nature of 'tax' or "rent"?

10. Write notes on :—the Cotton Excise Duty ; the Salt Tax ; the Famine Insurance Fund ; the so called "limping bimetallism" prevailing now in this country ; and Co-operative Credit Societies.

11. State the so-called "Infant industry argument" for protection. Is such protection necessary for the India of to-day? Would you favour the inclusion of India in a system of inter-imperial preferential duties.

the inclusion of India in a system of inter-imperial preferential duties? Give reasons.

1911.

1. *Either*, Give a brief account of the various measures adopted by the Government to relieve agricultural indebtendness in this country. *Or*, Give the chief features of the Co-operative Credit Societies Act of 1904 ; and discuss the limits of government help in the development of rural Co-operative Credit.

2. What do you know of the following schemes and measures :—(*a*) Building grain elevators at the port of Karachi ; (*b*) improvement of Indian cotton ; (*c*) Legislation for our insurance companies ; (*d*) making of Rs. 10 to Rs. 50 notes universal in the country?

3. (*a*) Locate the following crops, and indicate the climatic and other conditions which favour their growth in the particular localities :—wheat, cotton, jute, and rice. (*b*) Locate the following mining industries :—coal, iron, manganese and gold.

4. Estimate the following remedies against famines :—(*a*) increased irrigation ; (*b*) increased transport facilities ; (*c*) increased industrialism.

5. "Public opinion in India is over-whelmingly protectionists" (Lees Smith.) State the chief arguments on which protection is advocated for this country, and attempt a careful examination of Indian Protectionism.

6. You are asked to compare the material prosperity of India of to-day with the India say of forty years ago. What facts and figures will you require, and to what kind of general observation on the part of travellers will you give special weight?

7. Write notes on :—the opium revenue, the cotton excise duty, the silver duty and our revenue, from taxation.

8. "The rupee coinage of India now is to all intents and purposes a token coinage. The rupee is for some purposes a merely inconvertible money printed on silver." Carefully explain :—How does the rupee, though unlimited legal tender, fail to satisfy the full conditions of standard money.

9. What do you know of the following :—

The Punjab Land Alienation Act, the Bengal Tenancy Acts, and the Gold Stadard Reserve Fund?

10. What are the peculiarities of the foreign trade of this country? Account for the permanent excess of expors over imports, and indicate the effects of this necessity of surplus exports on India's currency policy.

1912.

1. Briefly summarize the currency legisation of 1893 and 1899 in India. Indicate the circumstances that led to it and explain the necessity of artificially maintaining the exchange in India's favour. *Or*, "The Rupee coinage of India now is to all intents and purposes a token coinage." "The rupee is for some purposes merely inconvertible money printed on silver." Carefully explain the above statements. How does the Rupee, though unlimited legal tender, fail to satisfy the full conditions of standard money?

2. What are "Home charges?" Briefly describe the method by which payments are made by this country to England.

3. Give some account of India's public debts.

4. Discuss the principles of Co-operative Credit for agricultural communities, and indicate in what directions and why it in now sought to amend the law relating to Co-operative Credit Societies in India?

5. Estimate the following as remedies against famines, (*a*) increased irrigation, (*b*) increased transport facilities, (*c*) increased industrialism.

6. What are the peculiarities of the foreign trade of this country? Account for the permanent excess of exports over imports, and indicate the effects of this necessity of surplus exports on India's currency policy.

7. Write notes on:—the Saharanpur Rules; the Punjab Land Alienation Act; the Railway Guarantee System; the Rent Act of 1859 and takkavi loans.

8. Characterize briefly the economic transition in India.

9. Examine, with reference to India, the soundness and expediency of the following protectionist arguments:—(*a*) the infant industry argument (*b*) the diversification of industry argument.

10. Give an account of the economic geography of the Indo-gangetic plains.

1913.

1. Name the principal agricultural and mineral products of India, giving approximately the value of exports of five of the former and two

of the latter. What are the countries of their importation? What is the necessity of importing coal into India, which produces it in sufficient quantities to satisfy all home requirements?

2. State briefly the arguments against the proposal to withdraw the redundant silver currency with a view to establish stability of exchange between gold and silver. How is a stable exchange said to attract British capital to India?

3. Describe the character of the cesses prevalent in Bengal. What was the original object of their imposition? State briefly the arguments for and against the Permanent Settlement.

4. What are the defects and difficulties of Indian Agriculture? What special measures have been taken, or are yet necessay, for its improvement?

5. Describe the different measures adopted for the production and improvement of Indian forests. What is their economic value in times of famine?

6. Describe the principal causes that have affected wages in Bengal. Enumerate the probable causes of the rent rise in prices.

7. What do the Home charges consist of? How much of them represents interest on capital invested in India? Do the Secretary of State's drawings exactly correspond with the net export of India's merchandise and treasure?

8. Define a 'Zamindari' and 'Raittwari' settlement. Define also 'net assets'. What are values and essentials of the Cadastral Record?

1914.

1. Analyse Home Charges, and explain how they are met through the operations of trade and commerce.

2. Explain the general principles of 'Co-operative Credit Societies.' In what manner can co-operative associations influence beneficially the village government of your province?

3. 'The rate of exchange is kept from falling by the combined effect of the closing of the Mints to the free coinage of silver and the balance of trade in favour of India.' (Explain fully this statement).

4. Write a note on the Chenab Canal Colony, with special reference to the effect of the canal on the trade and agriculture of the Punjab.

5. Describe the present position of the hand-loom industry. To what extent and under what conditions can it compete with the power-loom industry?

6. What are the different classes of irrigation works in India? Explain their relative usefulness in the three province of Madras, Bengal (Old), and the Punjab.

1915.

7. What are the principal articles in which India deals with (*a*) Germany, (*b*) Belgium, (*c*) Austria-Hungary, (*d*) Japan, (*e*) Java, (*f*) Mauritius, and (*g*) the United States? To what countries are Indian rice and wheat exported? What is the approximate annual quantity of export of each?

1. Draw up a rough statement of *debits* and *credits* of India with foreign countries, and explain how they are adjusted. Are there any items on the *debit* side to which you might take exception as constituting a 'drain' on the economic resources of India?

2. Enumerate the *seven* fundamental principles of *Co-operative Credit Societies* in India; and justify the necessity or appropriateness of each principle with reference to Indian conditions.

3. Discuss the respective facilities and difficulties of setting up and working a cotton mill in India and in England.

4. Analyse the arguments *for* and *against* the introduction of a gold currency into India.

5. Discuss the relative values of Railways and Irrigation works in India as Famine Protective works. How are the funds for constructing Railways and Irrigation works ordinarily provided?

6. What are the ordinary limitations on 'Large-Scale Production' in agriculture? Discuss these limitations with special reference to Large Scale agriculture in *Bengal.*

7. Enumerate the various measures which are taken in relieving the affected population (*a*) in the early stages of famine, (*b*) in the midst of a famine, (*c*) after a famine is over. Explain the necessity of each measure at each stage.

8. Explain clearly what are 'Countervailing duties' on sugar and Excise or Countervailing duties on cotton goods. State the circumstances

under which they were imposed; and consider whether they are justifiable.

9. Discuss the relative economic condition of the population in Bengal inhabiting, *(a)* jute-growing districts, *(b)* rice-growing districts, *(c)* mill-towns, *i. e.* towns in which jute, paper, &c., are manufactured.

10. State the principal reasons which induced Lord Cornwallis to introduce the 'Permanent Settlement' into Bengal. Justify or controvert those reasons under present circumstances.

1916.

1. What was the central problem that was considered by the Indian Currency Committee of 1893? What bearing has the Quantity Theory of Money on the solution of this problem?

2. Consider whether (*a*) agriculture, (*b*) large-scale manufacturing industries, or (*c*) small-scale cottage industries, are most suitable for India, having special regard to her social and industrial conditions.

3. Define the *Khas* and the *Zemindari* systems of land settlement.

Lord Cornwallis discarded the *Khas* system in favour of the *Zemindari* system; while the present-day administrators prefer the former to the latter. Give reasons which have led to this change of policy.

4. Enumerate the principal causes of the recent rise of prices in India. Which of these causes do you consider to be peculiar to India?

It is said that the rise of prices has been generally beneficial to the country. Examine this statement.

5. Explain the general principle of *limited* and *unlimited liability* of partners in business. Consider why the *unlimited liability* is appropriate to the Co-operative Credit Societies.

6. Enumerate the chief causes of agricultural indebtedness in this in this country. Give a brief account of the measures taken by Government to provide a remedy for each of these causes.

7. Define the following terms:—*(a)* net assets, *(b)* net produce, *(c)* quit-rents, *(d)* alienation of land, *(e)* rights of pre-emption, and *(f)* record of rights.

Indicate the administrative usefulness of the maintenance of a correct and up-to-date *record of rights.*

8. Explain the necessity and importance of each of the main grounds on which increase of land revenue at the time of re-settlement is generally permitted. Indicate the various steps in the process of land revenue settlement.

9. Elucidate the general principles on which famine relief is administered in India.

ALLAHABAD PAPERS.

1909.

1. Mr. Morrison holds that it is 'the difference in the distribution of economical functions' which essentially distinguishes Indian from western economics'. Explain this view in detail.

2. "The Indian system of land tenure is something intermediate between complete nationalisation of land and absolute private property in land". Justify this characterisation.

3. Give an account of 'agricultural indebtedness' in India. Describe and discuss the value of the principal schemes which have been proposed with a view to relieving the present state of things.

1910.

1. On what grounds does Mr. Morrison make the following statement:— "The rate of wages, which is the paramount question to the vast majority of the people of civilised lands, is a matter of very slight concern to the working class of India.

2. By what facts does Mr. Morrison endeavour to establish the conclusion that Competition is a force of no less importance in Indian than in European Industry?

1911.

1. Explain 'Co-operative Credit.' What are the elementary principles on which co-operative credit societies must be founded? What advantages does co-operative credit offer over (*a*) takavi, (*b*) mahajans' and banias' loans? Illustrate your answer.

2. In what parts of the Indian Empire are grown wheat; cotton; rice? Write short notes on the importance of these crops in international trade. Point out with reasons the fallacy of assuming that high prices for these products involve a universal burden on the inhabitants of India.

3. How do famines arise? Enumerate the chief (*a*) preventive, (*b* remedial, measures now adopted to meet these calamities.

4. Assume that a railway has just been constructed through a previously unopened district. What economic effects may be expected in the near future?

1912.

1. What capital does the Indian agriculturist require for the successful prosecution of his industry, and what assistance does the Government grant him towards procuring it?

2. Describe the canal systems (*a*) of the Punjab and of Sind or (*b*) of the United Provinces and of Madras, distinguishing between the various works in respect of the method of supply and the profits gained or other advantages secured by them.

3. Give a brief account of the mineral wealth of India in coal, iron and manganese. To what extent is the criticism that India is squandering her resources justified in the case of any of these minerals?

4. How are occupancy rights acquired by tenants *either* (*a*) in the province of Agra *or* (*b*) in the Central Provinces? Describe the main privileges of occupancy tenants and discuss the economic effects of the existence of this form of tenure.

5. What are the Home Charges of the Government of India? Describe the working of the system by which these charges are met.

1913.

1. 'India cannot be entirely protected from famine by means of irrigation works.' Examine this statement, and briefly discuss the merits of famine-preventives other than irrigation.

2. In what ways is the farmer's power of mortgage or alienation an evil? How far is this power restrained in the United Provinces?

3. Mention and comment upon some of the salient features in the present position in India with regard to labour.

4. State briefly some of the more important economic effects that have followed from the introduction of railways into India. Mention some of the difficulties that have attended their introduction. Do you regard further extension of the railway system as desirable, and if so, why?

5. How far is it true that India's industrial future depends more on capital than on technical training?

1914.

1. What are Council Bills? Examine the mechanism of the system by which payments are made between England and India.

2. Give a brief description of the development of the Indian Railway system and indicate some of the expedients adopted by Government to secure the investment of capital in the Railway system of this country.

3. In India land yields on an average about twelve bushels of wheat per acre. In England the average is about thirty bushels. How would you account for the difference?

4. Examine the effects of the construction of irrigation canals in India on (*a*) the Revenue of the State, (*b*) the income of the cultivator, (*c*) the wages of the day labourer, (*d*) the receipts of the railways.

5. Discuss the advantages of the Co-operative Credit movement. Illustrate your remarks from the history of any society you are acquinted with. How do you account for the striking success of the movement in some districts and its failure in others?

1915.

1. Is it probable that India will ever become a great manufacturing country such as the United States of America or England? What evidence is necessary in discussing such a problem?

2. How far is the Ricardian theory of rent applicable to India?

3. What is meant by the Drain? Analyse it and say how the payment is effected? Is an excess of exports over imports peculiar to India?

4. Give a short description of the cotton industry in India. What difficulties has the cotton industry of this country to face, and is it probable that they will be solved in the immediate future?

5. To what extent does the success of the Co-operative movement depend upon the action of the Government and to what extent on the people?

1916.

1. Write a note describing the systems of land tenure prevalent in India.

2. 'The natural resources of India are very great; what is chiefly required is their proper conservation, development, and use.' Explain this statement particularly with regard to forests, water-power and the cultivation of cotton, oil-seeds and fruit.

3. At what evils is the Co-operative Credit Societies Act aimed? State the conditions generally assumed essential for the success of a Co-operative Societies.

4. Describe the irrigation systems of the Punjab, the United Provinces, and Central India. How far is it correct to say that canal irrigation depends for its complete success on a corresponding growth of railways?

5. Discuss the position and prospects of the coal and iron industries in India.

6. What are the chief difficulties encountered in the effort to develop industries on modern lines in India?

INDIAN ECONOMICS

(Adapted to the B. A. syllabus of the Calcutta and other Indian Universities.)

BY

H. S. CHATTERJI, M. A.

(Completed in about 600 pages.)

With an elaborate marginal analysis and University Questions.

The book contains all that is required in the University Examinations. It is written in the style an examiner wants and becomes comprehensive to beginners. Works and opinions of well-known authorities on Indian Economics, such as Morrison, Ranade, Howard, Keynes, R. C. Dutta, Lees Smith, Kale, Gokhale, Profs. Monoharlal, Jevons, Hamilton, Coyajee, S. C. Roy and others, and all Government publications, have been freely and thoroughly consulted. The book should be an indispensable *vade mecum* to all intelligent and educated Indians and should adorn all respectable libraries.

Second Edition, thoroughly revised and greatly improved and Enlarged is positively to be out in January, 1917.

Cloth bound—Price Rs. 2-8.

A few of the Opinions of Professors and authorities.

Rt. Honourable Mr. Ameer Ali Syed, M.A., L L.D. Privy Councillor writes :—"I have just glanced through Mr. Chatterji's book on Indian Economics and find it an *instructive* and *interesting* work. It *ought* to have a *good sale* in England."

Prof. J. C. Coyajee, B.A., (Cantab), I E.S. Presidency College, Calcuttta :—"Mr. Chatterjee's book on Indian Economics is a *careful* and *useful* compilation, which will. I hope, be of service in introducing students to the study of the subject with which it deals."

Prof. M. S. Commissariat, M.A., Guzerat College, Ahmedabad :—"I have to thank you for your books on Economics. They show much *patient labour* and I am sure they will *prove very useful* to students, reading for the B.A. degree."

Prof. Probodh Chandra Basu, M.A., St. Columbus College, Hazaribagh :—"I am sure your book will be *liked* by all students of Economics for your *lucid exposition* of the toughest problems of Indian Economics. Your *figures* are all *up-to-date*. You have done well in summarizing the opinions of competent authorities on every difficult question. Not only examinees but *all who are anxious to study the present economic condition of India, should have a copy of your Indian Economics.*"

Principal, R. N. Gilchrist, M.A., I. E. S. Krishnagar College, writes :—"Your book will be *useful* to Calcutta University students."

Prof. J. C. Kydd. M.A., Scottish Churches College, Calcutta :—"* * * I have been interested in the subject matter of your book. You have included a great amount in your four hundred and seventy pages. Students may find in your book something of what they require."

Prof. B. R. Chatterji, M.A., Khalsa College, Amritsar :—"The book is *eminently readable* and quite *up-to-date*. Only when one considers the bulk of the material out of which the handy volume has been distilled, one can really appreciate the labour and dexterity involved in the performance. I have gone through it carefully, and I *believe this is probably the best book of its kind*."

Principal, S. K. Rudra, M.A. St. Stephen's College' Delhi, writes :—"I have looked through your book on Indian Economics. There is a large amount of *useful information* not easily *accessible* to students This makes your book valuable and I have *recommended* it to my students for consultation. I am very *glad* that you have published it."

Dr. Radha Kumud Mookerji, M.A. P.R.S. Ph. D., *Author of Indian Shipping, &c., Manindra Chandra Professor of Ancient Indian History and Culture, Hindu University, Beneras, writes* :—"I have much pleasure in stating that Mr. Harisadhon Chatterjee's book on Indian Economics is a most *exhaustive* and *successful* study of what is admittedly one of the most difficult branches of Applied Economics, trying even to trained minds. Mr. Chatterjee's work is *remarkable* for the wide range of its recorded facts and the soundness of its conclusions, inferences and generalisations which are thus broad-based upon genuinely inductive observation. He has combined in a word both the intensive and extensive methods of study and is a *welcome addition* to the body of few workers who are *exploring* the field of Indian Economics and *extending* the precious inheritance left by that *illustrious trio* of pioneers—Dadabhai Naoroji, Ranada, and Gokhale. Now that Indian Economics is winning its *rightful place* in the University curricula Mr. Chatterjee's book will be an *invaluable guide* to students taking up that subject who will find in it *all the informations* they need in the various topics connected therewith and will be spared the labour of searching for same among its numerous obscure and often inaccessible sources".

Prof. D. C. Dass. M.A., Ravenshaw College :—"I do not know if I can congratulate you adequately on your success in the direction. Your book will *meet a want* that has long existed and has become more pressing during the last few years. The *B. A. candidates will undoubtedly find it indispensably necessary* and what is more is this that even the *M.A. candidates will find it of great use* in their study of the *Administration* paper".

S. K. LAHIRI & CO.

56, COLLEGE STREET, CALCUTTA.

Just out! **Just out!!**

For B. A. Economics Students.

A STUDY OF ECONOMICS

BY

H. S. CHATTERJI, M. A.

SECOND EDITION

The Special Features of the Second Edition :—

1. It has been *adapted* to meet the requirements of the *B.A. Economics Students* of all the Indian Universities.

2. Elaborate *marginal analysis* has been added to help *memory* and *prepare* the subject within a *short* time.

3. All well-known authorities, such as **Marshall, Gide, Ely, Chapman, Walker, Jevons, Kinley, Taussig, Nicholson, Keynes, Pierson, Hadley,** and others have been thoroughly *consulted* and *summarized.*

4. The *language* of the authorities has been *kept intact* as much as possible in order to *avoid* the students being indicted as *crammers.*

5. All *unnecessary details* and *apparent looseness of exposition* have been carefully avoided to guard against *confusion* and *oversight* of the cardinal facts in issue. Nothing has been *re-told twice.*

6. Almost every page has been *re-written*, the *latest* authorities consulted, and all the important topics, specially the chapters based on *Marshall* and the whole of *Descriptive* Economics, have been enlarged and made up-to-date. The book has been enlarged by more than a *hundred* pages (350+104).

7. The *University questions* have been arranged and appended. All *puzzling* and absolutely *useless* questions based on out-of-date books have been carefully avoided.

8. The topics have been so *arranged* as to give a *systematic* idea of the whole subject at a glance.

9. *Unnecessary* portions have been *concised*, while important topics have been **elaborated** particularly.

10 **Concrete** examples *(a special feature of the revised edition)* rom Indian facts have been *profusely* added to clear *intricate* problems.

Compare, and Consult your professor before you are convinced.

University Questions of 1915 and 1916 (Pass & Honours) prove its worth and justify its popularity.

Price Rs. 1-12 Limp Cloth.

A Few of the Opinions of Economics Professors.

Principal, S. K. Rudra, St. Stephen's College, Delhi —"* * * for students preparing for the Degree Examinations it will be very helpful. It seems to be an *excellent digest* of several modern authorities on Economics. I shall look forward to your book on Indian Economics."

Professor, K. C. Bhattacharye, M.A., Rajshahi College :—"In my opinion it is the *very best of all such other things available now.* My students, especially the examinees, are reading it with profit.'

Professor. P. C. Basu, M. A., Hazaribagh College :—"This book removes a great want of students for a reliable helpbook on economics. It exhibits a profound and extensive acquaintance with up-to-date standard works on the subject. The *arrangement* is *methodical*, while treatment is *systematic* and *exhaustive.* It will soon become an indispensable *vade mecum* of every student of Economics."

Professor. Pritam Singh, M.A., (Pb. and Cal) Mahindra College, Patiala :—"I have great pleasure in recommending H. S. Chatterjea's 'Study of Economics' to the B. A., *Students of the Panjab University.* The book contains all that is required by a B. A., student in General Economics. The treatment of Economic problems is very *systematic.*"

Professor, D. N. Mookerji, M. A., Bangabashi College :—"* * * it is above the class of the *wretched notes to be found in the market.* Its *arrangement* is *satisfactory* and the contents *are quite adequate* for the B. A. students. I shall be glad to see your labour crowned with success."

Professor, B. R. Chatterji, M.A., Khalsa College, Amritsar :—"You seem to have taken great pains in the work of compilation and the labour has not been misspent. This handy little book will prove very useful, no doubt, *to teachers and students alike*, and I shall recommend it to my students."

Professor, U. N. Ball, M. A., Canning College, Lucknow :—" * * * I think the book will also suit the Students throughout India. * * I hope the book will have a good circulation among the Students of Economics."

Professor, S. P. Bhargava, M. A., St. John's College, Agra :—I have looked through it and of opinion that it is far above the average book of the same kind to be had in the market. You have evidently taken great pains with it and I hope it will prove helpful to those for whom it is meant. I should also like to see your other books. A book on Indian Economics of the type you are preparing is urgently required.

Professor, M. S. Commissariat, Ahmedabad :—"It shows much patient labour and I am sure it will prove very useful to students reading for the B. A. degree."