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With best regards

B. Rajan

To
The Chief Minister
Hyderabad state
Hyderabad

ECONOMIC PLANNING IN INDIA

By

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BARODA

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TO MY MOTHER

FOREWORD.

National Planning has come into prominence all over the world and in India particularly last year when the National Planning Committee was set up under the auspices of the Indian National Congress. The committee is making good progress under the Chairmanship of Pandit Jawaharlal Nehru. Publications like that of Mr. Sunderarajan are certainly welcome and opportune at the present moment. The author has taken considerable pains to collect material from various sources and has given cogent and valid reasons for a planned economy for India. He has touched, though briefly, problems connected with Agriculture, Industry, Trade and Finance. I am sure the book will receive every support from the enlightened public of this country.

Fort St. George, V. V. Gnu,
M a d r a } , M i n i s t e r f o r I n d u s t r i e s
24th Aug. 1939. } and Labour

INTRODUCTION

THIS treatise does not claim to be strictly original. My object in these pages is to present to the general reader a lucid account of the idea and aims of economic planning. This is an age of *Planning*. We hear of town-planning, we hear of planning of industries and we hear of planning of trade. Planning has become the watchword.

Economic planning is the conscious regulation of the economic life of the community with a view to secure *Maximum social advantage*. Unrestricted private enterprise and production has been severely deprecated. Capitalistic system of production, which led to an unexampled growth of wealth, has been called to account. The policy of non-intervention by the State, in the economic sphere, is dead and gone. And the State to-day is interfering with the economic life of the nation in a thousand ways, in almost all the countries of the world.

India maintains a large population. And that population, in the existing system of production and distribution, lives barely on the margin of subsistence. Our national income is low, our distribution unequal and our financial system inequitable. Raising the national income, by promoting capitalistic agriculture and developing India's industries seems to me to be the only plan by which we can improve the economic condition of the masses. Hence I have argued for *Planned Capitalism*.

I wish to thank the numerous authors whose books I have consulted in the preparation of this short treatise.

I also desire to thank Principal Menon of the Baroda Training College for his untiring criticism and advice. I should also thank the Kamatak Printing Press for readily undertaking to print the book at short notice.

Baroda }
30th July, 1939 }

V. SUNDARA RAJAN

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CHAPTER I

ABOUT INDIA.

Visitors to India, basing their impressions upon the great ports and other great industrial centres of Bombay or Calcutta, are apt to think of this country as mainly industrial. This is far from correct. India is predominantly an agricultural country. The people are still predominantly medieval in outlook. Religion plays a dominant part in every sphere of life. The social stratification is strongly reminiscent of medievalism. The caste system, as one writer says is division of labour gone to seed. And men seek happiness through the 'good' life rather than the 'full' life. The Indian has a fatalistic outlook on life. Hence, the economic condition of the people remains extremely bad. It is exceptionally difficult to improve the same. Customs, superstitions and tradition are deep-rooted in the Indian mind and the scientific spirit is utterly lacking. Men are slow to change. The economic institutions and methods are characteristic of medieval life.

India is a dependency of Great Britain. This is primarily responsible for the arrested economic development of this country. The people have lost all initiative, and are entirely dependent on the foreigner as regards the improvement of their economic condition. They can never set their own house in order. And a process of exploitation has been going on during the past decades of British domination in India.

The total land area of the world is about 51 million square miles and India covers an area 1.8 million square miles. The total population of the country, according to the census of 1931, is 352.8 millions. The population is about 7½ times that of the United Kingdom, and 3 times that of the United States of America. Given the opportunity and environment, the people ought to produce goods and services commensurate, in some measure, with the country's large size and vast resources. But as Mr. Darling says, "The most arresting fact about India is that her soil is rich and her people poor".

The population of India has been growing at a very rapid rate. Since 1872, the year when the first census was taken, and at which date 2061 millions were recorded, the population has mounted up to a total of 352.8 millions in 1931.

The following table shows the figures of the previous decades and the rate of growth:—

Census of	Population	Variations per cent since previous census.
1881	253,896,330	+ 23.2
1891	287,314,671	+13.2
1901	294,361,056	+ 2.5
1911	315,156,396	+ 7.1
1921	318,942,480	+ 1.2
1931	352,837,778	+ 10.6

A more rapid growth was, however, prevented by the operation of 'positive' checks. The present rate of production and the national dividend warrant the conclusion **that** the population in India has outrun the

means of subsistence. And the conditions of health and national welfare are far from satisfactory. India has a high birth-rate, and has the highest death-rate in the civilised world. In the year 1935 it was 35 and 24 respectively per mille of the population. It is staggering to believe that the average expectation of life of an Indian is not more than 26 years.

It is interesting to note that the Malthusian theory of population increasing up to the limit of the means of subsistence is largely true in India to-day. It is expected that in the next census in 1941 the population would be between 380 and 400 millions. Now that the natural checks of war, pestilence and famine are not operating, the present increase will, it is thought, continue, and prevent any rise in the standard of living and in fact may lower it. Dr. Gregory, Economic Adviser to the Government of India, says that the absence of reliable statistics prevents arriving at a satisfactory general conclusion. The annual conference on population problems is a sign that men do some hard thinking on the subject. It is assumed that India is over-populated. By this they mean that there is an excessive pressure of population on the soil, i.e. a tendency for the *per capita* volume of agricultural output, to decline. But India is not over-populated. Our production is low and the resultant low standard of living.

According to the census of 1931 the percentages of urban and rural population were 11 and 89 respectively. The urban population has shown an increase of 1.5 per cent, in 40 years between 1891 and 1931. Compared to this the urban population in France is 49 per cent., in England and Wales 80 per cent., in

U. S. A. 56.2 per cent. and in Canada 53.7 per cent. It is easy to understand that our population remains predominantly rural in character.

Nearly three-fourths of the population in India are dependent upon agricultural and pastural pursuits. The percentage of the same was 72.2 in 1911, 72.98 in 1921, and 67.0 in 1931. Only 97 per cent. of the population is dependent upon industry.

The following table gives an idea of how our people earn their livelihood.

**Distribution of workers according to occupation
or means of livelihood.**

livelihood.	Total following occupation.
A. PRODUCTION OF RAW MATERIALS	111,164,586
I. <i>Exploitation of animals and vegetation</i>	110,760,324
1. Pasture and agriculture	109,730,788
(a) Cultivation	103,438,875
Landowners taking rent ...	4,150,758
Cultivating owners	65,495,244
Estate Agents, Rent collectors, etc. ...	269,450
Agricultural labourers	33,523,423
(b) Forestry, stock raising, cultivation of special crops, etc.	6,291,913
2. Fishing and hunting	1,029,536
II. <i>Exploitation of Minerals</i>	404,262
B. PREPARATION AND SUPPLY OF MATERIAL SUBSTANCES	29,639,471
L <i>Industry</i>	17,523,982
1. Textiles	4,511,520
2. Hides and skins ...	359,863
3. Wood	1,972,565
4. Metals	845,420
5. Ceramics	1,196,437
6. Chemicals	735,207
	...

Occupation or means of livelihood.	Total following occupation.
7. Food industries ...	1,665,447
8. Industries of dress and toilet	3,915,956
9. Building industries	692,932
10. Other industries ...	1,628,635
II. Transport (including postal, telegraph and telephone services)	2,778,520
III. Trade	9,336,969
1. Banks	482,850
2. Trade in textiles	526,690
3. Hotels, etc.	547,226
4. Other trades in food stuffs ...	4,525,554
5. Other trades	3,254,649
C. PUBLIC ADMINISTRATION AND LIBERAL ARTS	4,819,452
I. Public Force	941,323
II. Public Administration	1,153,963
III. Professions and Liberal Arts	2,724,166
D. MISCELLANEOUS	23,203,489
I. Domestic Service	12,674,110
II. Others	10,529,379
	168,830,114

You will see now that agriculture is our main industry. The total number of the population supported by agriculture including forestry, the raising of live stock and excluding non-working dependents, is about 110 millions out of a total population of 353 millions. In spite of the fact that agriculture supports the vast majority of the population, and needs great attention, our main industry is in a deplorable condition. There are grave defects in the operations of agriculture in this country. Indian agriculture is a gambling in rain, because the greater part of the country is dependent upon the monsoon for cultivation. The productive unit in agriculture is very small. The Indian laws of inheritance have

been instrumental in bringing about an endless subdivision and fragmentation of holding. The ryot who is ignorant and illiterate is groaning under a heavy weight of indebtedness. The agriculturist still clings to the small plot of land because he does not find alternative occupations before him. Our agricultural output is extremely low and hence we find an appalling poverty of the masses of the population.

The welfare of society in India as a whole is linked with the economic well-being of the agriculturists who constitute the backbone of the body-politic. This great industry needs greater attention than has been bestowed so far. We shall consider the measures presently.

We live in a changing world. Civilisation implies a capacity for progress which is unrestricted. Progress means a higher level of life for humanity as a whole. All progressive countries in the modern world have undergone a transition from an agricultural economy to a predominantly industrial economy. Industrialisation has led to an unexampled growth of wealth and generally speaking to a betterment in the standard of living of the population in those countries.

India has undergone no such change. On the other hand during the course of the 19th century, the advent of cheap machine-made goods contributed to the decline of the old handicraft industries in India. India changed from an agricultural-industrial economy to a mainly agricultural economy in the 19th century. In 1800, India's export trade consisted of finished goods as calicos, muslins and silks, sugar, indigo and dyes and pepper. But, by 1900, most of those commodities had disappeared, and India exported large

quantities of food grains, cotton, jute, tea, coffee, oil seeds and hides and skins.

India's manufactures declined under the impact of machine-made goods produced on a large scale in modern factories. There was a gap which could not be filled at once. No attempt was made to re-establish the old industries on scientific lines, or, to promote large-scale industries on the lines of the West.

The manufacturing industries in India to-day are few in number and are concentrated in a few districts. The largest is the cotton textile industry in Bombay and other centres at Ahmedabad and Sholapur. Next in importance is the Jute industry concentrated in and near Calcutta. The iron and steel industry is of recent growth and is mainly a home industry though large quantities of pig iron are exported to the Far East. The sugar industry is developing in recent years. But industrial development in India remains unplanned and is largely fortuitous. While India is pre-eminently an agricultural country she ranks at the International Labour Office at Geneva as one of the great industrial countries of the world!

Thus our output from agriculture and industries is very low. India suffers from unequal distribution also. Her consumption is uneconomic. Whilst the world complains of over-production, India loudly protests of under-production. Our production is low our distribution unequal and our consumption poor.

Nine-tenths of the population of this country live in villages. Our national economy, in spite of the

recent progress in organised industry, is a rural economy. Let us consider the income per head of the population. The per capita income is the average obtained by dividing the national income by the total population. It is the average obtained by dividing the total income by the total of men, women and children. The per capita income in India has been estimated from time to time. According to Prof. Findlay Shirras it is said to be Rs. 63. It is interesting to compare this with the figures available for other countries;

	Rs.
Japan	186
Bulgaria	120
Italy	319
Germany	519
France	545
Great Britain	1010
U. S. A.	1184

The above comparison does not claim to be strictly accurate, as the countries taken into consideration are in different stages of economic development, with varying standards of living.

Since the year 1929 a catastrophic fall in the wholesale price level in all countries had occurred. The agricultural countries suffered greatly, as the prices of primary products such as food grains and raw materials registered a greater fall than in the case of manufactured commodities. Since the beginning of the present depression, India's national income has been seriously affected. Prof. Findlay Shirras has estimated as follows:—

ABOUT INDIA

Year	Total national income (crores of rupees)	Income per head rupees
1929-30	2900	109
1930-31	2250	84
1931-32	1700	63—(Dr. Rao's
1932-33	1600	58 estimate is
1933-34	1600	58 Rs. 60)
1934-35	1600	58
1935-36	1700	63

Thus India suffered greatly on account of the depression. But it must be admitted that other agricultural countries which produced only a limited number of commodities for the world market and whose agriculture is mechanised, suffered more than India which has a wide range of commodities chiefly for local consumption.

How shall national income be raised? That is India's biggest economic problem to-day. Can Industrialisation be the panacea? It is agreed that industrialisation of India has to be rapid. "Industrialism has come to be regarded as a necessity and more or less synonymous with civilisation," says Sir M. Visvesvaraya. "Industrial life connotes production, wealth, power, and modernity." India must needs develop her industries and that too rapidly. India must take lessons from the industrial history of Japan or Germany, the two late-comers in the industrial race who have done marvellously well. Mr. G. D. H. Cole says, "There is no reason why industrialisation in undeveloped parts of the world should not proceed at an extraordinarily rapid rate, or, why those countries should not equip themselves within a

small space of years with instruments of production fully equal to those now in use in the developed areas".

But for the fact that India is a dependency of Great Britain, the industrial history of India would have been otherwise. It must be remembered that improvement of the economic life of a nation calls for a good deal of co-operation between the Governed and the governed. Again the State has innumerable ways of improving the economic condition of the people. The policy of non-intervention is dead and gone. And in all the countries to-day we find the State interfering with the economic life of the community, in some form or other. The motto of State activity in the words of Prof. Pigou is "Maximum aggregate welfare." In India too the State does control economic activities i.e. labour legislation, factory legislation and so on. But active interest in the improvement of the economic welfare is unfortunately lacking. The only reason is the absence of full responsible government.

Sir Alfred Watson said "Industrially India was a land of missed opportunities, the blame for it heavily resting on Britain. The mischief had been that Britain did not seriously tackle the problem of developing India's industrial potentialities." Great Britain wants India as a market for manufactured goods, and as an investment market for her capital. No wonder then, that India did not make use of her wonderful riches. That is why, when all the progressive countries of the world are moving towards industrialisation India is moving towards ruralisation. Agriculture has been, and still remains the dominant industry in India.

Our problem then is essentially industrial. Mr Robertson Taylor, speaking at an annual meeting of the Punjab Chamber of Commerce, said, "India possesses in abundance all the conditions natural for a great industrial future, and unless the country, in the years to come, can provide a wholly unprecedented industrial development, the level of subsistence of the country which is now dangerously low will become much worse." Industrialisation is advocated to restore a proper balance between agriculture and industries. India's prosperity in the future is closely bound up with industrialisation.

In my opinion agriculture needs first attention. Remember that 67 per cent of the total population, perhaps a little less now, is dependent on agriculture for livelihood. Our agriculture is not mechanised, our agricultural holdings are uneconomic in size, our ryots are poor, illiterate, and heavily in debts and our people have a listless and fatalistic outlook on life. Does it not stand to reason that agricultural improvement should be our prime consideration, when it is remembered that the vast majority of the population live in the 7,00,000 villages of India? To me, improvement of agriculture seems to be the first real step towards improvement of our economic life. I advocate an agrarian revolution, similar to that which transformed English economic life in the 18th century. An agricultural revolution must needs be the forerunner of an industrial revolution. Increased supply of food grains for the growing industrial population and increased supply of raw materials for the new industries are essential pre-requisites for the building up of industrial life. I shall explain

what I mean by an agricultural revolution in a subsequent chapter.

Our aim is an increase of the national income resulting in a larger per capita income and a betterment of the standard of living in general. An attempt at increasing national income in this country must take cognisance of three factors—Poverty, Ill-health and Illiteracy. "These three factors are really inseparable, as ill-health is mainly the accompaniment of poverty and illiteracy is largely the cause of both poverty and ill-health. All these factors are, however, within the range of human control."

The greatest handicap, as every economist is agreed, is illiteracy. The Royal Commission on Labour in their report, says, "It is impossible to overestimate the consequences of this disability which are obvious in wages, in health, in productivity, in-organisation and in several other directions." The* will to attain a better standard of living is in itself largely the outcome of education. Our primary need, then, is general education, to combat the uneconomic outlook of the people and jerk them out of their old groove.

Public health comes next in importance. The toll of disease is very great in India. It is said that the wastage of efficiency as well as of life, resulting from preventible diseases, costs India hundreds of crores of rupees each year. The Royal Commission on Labour observes, "Even a small step in the prevention of these ills would have an appreciable effect in increasing the wealth of India; a courageous attack on them might produce a revolution in the standards of life and prosperity."

Mr. Harold Buttler in a report on "Problems of Industry in the East" points out that improvement of productive efficiency calls among other things for a direct attack upon illiteracy and disease. "Once a beginning has been made here, experience has shown that productive efficiency progresses rapidly. But to increase output is only one of the elements in the problem."

CHAPTER II.

WHAT IS ECONOMIC PLANNING?

What is Economic Planning ? Economic planning may be defined as the conscious regulation of the economic activities of the members of a community, with a view to secure the best utilisation of the productive resources, and thereby an increase in the economic well-being of the community as a whole. "To plan is to act with purpose". Planning is the means to an end. The problem of planning is the question of the right choice of a particular plan having the attainment of the end in view. A full-fledged planned economy would mean complete control over the entire field of economic activity—production, distribution, consumption, money, trade, transport, etc. It would mean socialism in its complete sense. Planning in Soviet Russia would probably be the nearest approach to this.

Planning is not altogether a new practice. Thrifty housewives have always planned their households. Even in Ancient India some measure of planning was in existence as is evidenced by Kautilya's Artha Shastra. The feeling that planning is a new idea comes from the fact that during the course of the 19th century, 'laissez faire' was the watch-word, and it worked admirably well. It led to an unexampled growth of wealth. It believed, that free competition and unrestricted private enterprise would lead to an automatic adjustment of economic forces, maximising

welfare, individual and social. Hence opposition to governmental interference.

A new situation has arisen in the history of capitalism. The 'invisible hand' which compelled men in serving themselves best to serve the public interest has ceased to guide and hence there is no order. Thanks to the advancement of scientific and technical knowledge our producing power has grown so fast. We hear of surplus produce of wheat or coffee being burnt in America. So the revolving ratios about population and means of subsistence which worried Malthus need no longer haunt us.

Why then do we need a plan? Our economic system suffers from a new disease—the disease of maldistribution and under-consumption. Consumption has not kept pace with production. The physical power to produce goods has outrun the ability to provide for their consumption. Hence the paradox of poverty in the midst of plenty. And one economist says "It would have been far better if productivity has grown less fast". Increasing productivity is certainly not bad. In the future, as in the past, it will serve ultimately to make the world not poorer but more prosperous, to raise the standard of living.

What is the reason for "starvation in the midst of potential or even of actual abundance" as Mr. Cole says? It is pointed out that there was a lag in the purchasing power in the present industrial system. That was aggravated by the unequal distribution of wealth between individuals and between countries. In an age of economic internationalism,, the advantages which were reaped by nations were unequal. The agricultural countries suffered greatly.

They failed to obtain the advantages which industrial nations had come to enjoy. In no country did the agriculturist get his fair share of the national dividend. During the mercantilist days people thought that if one nation wants to be rich it can do so only at the expense of the others. Clearly this is a fallacy. Internationalism must benefit all the countries which enter into the sphere. Consider for instance the benefits of International Trade. International Trade exists because it redounds to the mutual advantage of the participating countries. Hence there is no antagonism whatsoever in the relationship between nations. It is said that if the present under-consumption in the East is removed large-scale production can function properly in the West.

Things developed to a crisis in 1929, the year which marks the beginning of the great depression. Countries suffered greatly as the result of variations in prices. It was found clearly that the former system had broken down and needs rehabilitation. Men's faith in the old capitalistic system of production was rudely shaken. The defects of the old system—the ruthlessness of unrestricted competition, the monstrous cruelties and injustices, unemployment—floated on the surface and men turned reformers. Regulations of the economic life of a nation were thought to be inevitable. The State, a senior partner in every business, must plan. It must blueprint. It must allay the excesses of our ancient freedom. The policy of non-intervention was discredited and greater and greater degree of governmental interference in economic activity was called for.

"Planning in the modern sense," says Prof.

Robbins, "involves governmental control of production in some form or other". Individual planning of consumption is largely left uncontrolled. There are different degrees in planning—ranging from communistic planning as in Russia to capitalistic planning as in the U. S. A. The first plan which was put into execution was the famous Five Year Plan of Soviet Russia. The Soviet plan involves a complete abandonment of private initiative and profit motive. The State managed under its immediate control every sphere of economic activity. In Italy, on the other hand, the State did not kill private enterprise and profit motive, though restrictions were placed to the extreme, to ensure an enrichment of the life of the nation. The success of the Italian experiment has emboldened the other States to adopt a similar policy. Again, the "New Deal" of President Roosevelt was deliberate planning to restore the pre-crisis prosperity in the U. S. A. Centralised State control of production, in some form or other, is the essence of economic planning.

Planning, if it is to be a success must be on a world scale. "Nationalism must give place to cosmopolitanism." But as it is impracticable in the near future, each country must adopt a form of planning suited to the local requirements, and the needs of the population. A planned economy generally aims at the national self-sufficiency. But national self-sufficiency if it means restricting the movement of goods which enter into international trade, is bound to impoverish the people of both large and small States. It will be a disaster for the world if international trade which benefits the participants is con-

sidered from a restrictive standpoint. For most countries in the world, such a policy is out of the question, and attempt at economic isolation is bound to have injurious reactions even on the larger States which can aim at a greater degree of self-sufficiency.

Now about India. Indian economic development has been lop-sided and the result is poverty. India is poor though the country is rich in natural resources. But these are under-developed or not developed at all. The national income and the standard of living are poor. No doubt this situation has been the outcome of a variety of factors—illiteracy, poverty, excessive pressure of population on land, uneconomic outlook, deep-rooted customs and prejudices, and lastly the existence of a non-national government

Planning in India must mean the attainment of a well-balanced economic system with a view to diminishing poverty and increasing economic well-being of the population. If that is to be the end, it is obvious that agriculture and industries must develop side by side. Industrialisation must be rapid for a great increase in the national income and an improvement in the economic welfare is our aim. Agriculture needs improvement if we aim at a greater output in the future to provide more food for the growing industrial population and more raw material for the new industries. Agricultural holdings must be sufficiently big to enable the use of machinery and modern methods of production. That means a large number of the sons of the soil must desert the villages, and seek employment elsewhere. So we require industrialisation not merely to increase the national income but to relieve the excessive pressure of population on land

by opening up new avenues of employment. Indirectly it helps agricultural reform by facilitating the formation of economic holdings.

India needs a greater self-sufficiency than she has at present. India can afford to follow such a policy without any harm whatsoever. She should not import products which she can produce with some efforts within her own borders. By importing manufactured goods from abroad, goods which can be made locally, our labour population is deprived of occupations and hence unemployment. India must exploit her natural resources and increase her total production. The economic development of India would benefit the 'teeming millions' of the population.

India is seriously handicapped in the modern world because she has not attained the same level of economic development as the other countries to-day. India's gains are in many ways jeopardised. Being predominantly a primary producer, she has very little bargaining strength. Because of her high costs and low yields and bad grading and bad marketing and because of the loss of monopoly in many lines due to growth of substitutes and because of changes in demand India has suffered not a little. India's export trade is steadily declining and India must develop her own home market. Industrialisation at a rapid pace and planned economic development seem to be inevitable.

CHAPTER III

AGRICULTURE.

India is one vast network of villages each surrounded by its share of fields, pastures and scrub jungle. This country is predominantly agricultural. Out of a total population of 352·8 millions, according to the census of 1931, over 67 per cent is said to be dependent on agriculture. A predominantly agricultural population with a low standard of living—that is real India. It is estimated that the per capita income of the agriculturist is not more than Rs. 42 in a year. The backwardness of this rural population is too well-known. They remain steeped in illiteracy and ignorance. In India only 95 out of every thousand persons are literate. Illiteracy is the greatest obstacle to economic progress.

The total area of the land surface in India is 1·8 million square miles. 35 per cent of the total area is actually cultivated, 35 per cent is not available for agriculture but the remaining 30 per cent, it is said, can be brought under the plough. Yet some are of the opinion that there is no room for extension of the area under cultivation. Of the total cultivated area of 280 million acres no less than 60 million acres are annually irrigated from one source or other. Still there are vast tracts of land which need an adequate supply of water. Provided the Government proposes to irrigate these areas the available total supply of cultivable land would in-

crease. Perhaps agricultural production may also increase.

The following table shows the total acreage in all India under the chief crops and the production during 1936-37:—

	Area sown.	Yield.
	(acres)	(tons)
Rice	84,420,000	33,197,000
Wheat	33,237,000	9,818,000
Sugar-cane	4,435,000	6,726,000
Tea	834,300	395,180,400 (lbs.)
Cotton	25,148,000	6,261,000 (Bales of 400 lbs.)
Jute	2,886,000	9,611,000 (
Linseed	3,594,000	418,000
Rape and mustard	5,818,000	976,000
Sesamum	5,570,000	484,000
Castor seed	1,405,000	128,000
Groundnut	7,279,000	2,808,000
Coffee		
Rubber	228,200	60,063,000 (lbs.)

The main feature of Indian Agriculture is the exceedingly high pressure of population on the land, resulting in sub-division and fragmentation of the holdings. The Hindu Law of Inheritance which entitles every male heir to a share of the landed property, has tended to break up estates. Agricultural holdings all over India have been reduced to such a size, that profitable agriculture has become impossible. Taking the area under crops, and the number of cultivators actually engaged in cultivation in British India, it is found that for each agriculturist, there are 2.9 acres of cropped land. Dr. Harold Mann gives instances of progressive subdivision. In a

Deccan village surveyed by him, he shows that the size of the average holding declined from 40 acres in 1771 to 7 acres in 1915. And now 50 per cent of the holdings are under 5 acres in size. An enquiry conducted in Punjab reveals that 18 per cent of the owner holdings are under one acre, 25 per cent between one and three acres, 15 per cent between three and five acres, and 18 per cent between five and ten acres. In Bengal the average size of the holding is said to be 37 acres. In Bombay and Madras too there is an alarming increase in the number of small holdings.

It is interesting to compare the average size of the holdings in other countries.

In England	the average size is said to be				62	acres
In Germany	”	”	”	”	21.5	”
In France	”	”	”	”	20.25	”
In Denmark	”	”	”	”	40	”
In Belgium	”	”	”	”	14.5	”
In Holland	”	”	”	”	26	”
In U.S.A.	”	”	”	”	148	”

There is the other evil of fragmentation, i.e. the division of the holdings into a number of fragments to ensure a fair distribution of the ancestral property among the heirs. It involves considerable waste-waste of boundary lands, waste of time and energy in traversing long distances, and waste of animal power. It restrains the cultivator from carrying out improvement, it prevents him from adopting scientific methods of cultivation, and it discourages him from carrying out intensive cultivation.

Thus holdings in India have become what the economist calls 'Uneconomic.' An 'economic holding' is defined by Keating as, "A holding which

allows a man a chance of producing sufficient to support himself and his family in reasonable comfort after paying the necessary expenses." The actual figures of the estimates vary from province to province. No wonder, then, why in this country of small and uneconomic holdings, efficiency is low and the yield so small.

Next there comes a whole series of specifically "agricultural" problems. Agriculture is a precarious occupation and particularly so in India. Indian agriculture is exposed to the vicissitudes of the seasons and the vagaries of the monsoon. And many a finance minister in India has realised the truth of this statement. The nature of the monsoon is the most important cause of prosperity or distress in India. A partial solution is irrigation. Important irrigated crops are wheat and cotton in Sind and Punjab and sugar-cane in many parts of India. Only about 20 per cent of the total cultivated area has irrigation facilities, the remaining 80 per cent depends merely on rainfall.

Manuring in India suffers from great drawbacks. The only manure that is used is ordinary farmyard manure. But much of the cattle-dung is burned as fuel. The use of artificial or chemical manure is by no means widespread. The use of bones is not general. Oil-cakes which are used as manures for valuable crops are, unfortunately, not available for the country in spite of its rich output of oil-seeds, as the greater portion of the total output is exported to other countries. The soil becomes impoverished when the loss in the original powers is not made good by the supply of good-quality manure.

The agricultural implements in use in India are primitive. The traditional wooden plough is still largely in use in India. A pair 'of lean and hungry bullocks drawing the wooden plough is a familiar sight in India. Agricultural machinery of the modern type as in use in U.S.A. is a novelty in India. Efficient large-scale agriculture is not practised in India.

Look at another grave problem—the excessive burden of indebtedness of the rural population. It is estimated to be nearly 1,000 crores of rupees today. Mr. Darling enumerates the causes of indebtedness as follows: (1) The smallness of the holding and excessive fragmentation. (2) Constantly recurring losses to cattle. (3) Improvidence aggravated by insecurity of crops. (4) Extravagant expenditure on marriages. On the whole we may say that the heavy indebtedness of the ryots is due to the extremely low earnings of the peasantry. The peasant usually borrows from the 'sowcar' at usurious rates of interest and gets terribly deceived also. The result is that the ownership of land slowly passes from the small land-holder to the money-lender. The trend of recent legislation in the British Indian Provinces and in some Indian States has been in the direction of protecting the peasant against the power of the money-lender. That does not mean, however, that the problem of agricultural credit has been solved. The co-operative movement which was expected to take the place of capitalistic lending has not proved a success. "The reform and revivification of the co-operative movement is being studied not only in the provinces concerned, but also by the research division of the Reserve Bank of India/" (Dr. Gregory.)

Capital is required for industry. In India farming is carried on without the minimum of capital and there is no outlay on buildings or fencing or agricultural machinery. The farmer has no capital. The bigger landlord in other areas assumes no responsibility whatsoever. How can the poor ryot take advantage of the dissemination of improved knowledge which is being done by the Agricultural Department in the various Provinces, when he is helpless and miserable ?

"Hard worked though he is at times, the Indian cultivator's time is far from fully occupied." In fact in most parts of India the Indian cultivator is working for less than six months in the year. In the old Village economy, a number of rural and cottage industries flourished. They are, to mention a few, carpentry, hand spinning and weaving and copper and bell metalware, making of agricultural tools, basket-making etc. Since the advent of cheap machine-made goods these have disappeared or gone into insignificance. "There is a great need for the development of subsidiary occupations, a problem to which all rural reconstruction agencies are addressing themselves."

Marketing of agricultural produce is the real crux of the whole question of rural prosperity and betterment. Co-operative marketing which has proved a success in U. S. A. and Denmark is accepted as the ideal to strive for. Hitherto its success has been very little owing to lack of finance, lack of expert knowledge and lack of godown and storage facilities. In view of the importance of improved market the Government of India decided to give effect to the re-

commediation of the Royal Commission on agriculture regarding Marketing surveys. The Agricultural Marketing Advisor and his staff are producing a series of reports which throw much light upon the present conditions. The central marketing staff work in collaboration with the special marketing staff in the various provinces.

In India as Dr. Gregory says, " the gap between knowledge and the application of knowledge is serious and perhaps growing ". Valuable work is being done by a number of research institutions, the central co-ordinating institution being the Imperial Council of Agricultural Research. The application of science to agriculture is a practical proposition. But the problem is how the cultivator can be reached and his methods improved. The recent reports submitted by Sir John Russel and Dr. Wright contain important recommendations for breaching the gap between the research worker and the agriculturist.

To sum up, Indian agriculture is in a deplorable condition. There is an excessive pressure of population on the soil resulting in subdivision and fragmentation of the holdings. Indian agriculture is largely a gambling in rain. The agriculturist goes on producing crops year after year without much manuring. He follows the traditional method of cultivation. He has no capital for his business. He is heavily in debts. There are no subsidiary occupations. Being ignorant and illiterate, the ryot fails to understand the technique of marketing; nor does he gain by the improvement of knowledge around him. The life of the Indian peasant is " nasty, poor, brutish, and short".

CHAPTER IV

INDUSTRIES.

From very early times India has produced locally the articles needed for local consumption by the population. The village handicrafts such as spinning and weaving, wood and metal work, pottery etc., are scattered all over the country. In those days there was no scope for expansion because of the limited markets. There were of course some luxuries which were manufactured not for local consumption but for export; for instance, cloth of excellent quality, ornaments, curios, etc. They are practised on a commercial scale to cater to the needs of large markets abroad. As a result of the new technique of production adopted by the West, and the changing fashions and taste, these handicrafts suffered. However the traditional self-sufficiency of the Indian village is retained to some extent to-day.

The Industrial Revolution in the West meant the introduction of cheap machine-made goods in India. The demand for the old indigenous products lessened and the cheap new things were increasingly demanded. During the course of the nineteenth century the decay of the old indigenous industries proceeded apace. The old workers were now thrown back upon the land as the gap was not at once filled by the growth of new large scale industries.

The story of India's industrial development on modern lines does not begin till the beginning of the

present century. The cotton and jute mill industries were the first to develop in India. Large scale production of coal and iron followed. India is famed for her mineral wealth but full advantage has not been taken of these resources so far. Industrial advancement has been very slow.

The policy of the Government of India has not been very favourable for the development of Indian industries. *Laissez faire* the watchword of English policy did considerable harm. Active encouragement of industries would mean competition with powerful English interests and hence all that the Government did to develop industries was to collect and publish information even about the beginning of the present century. Thanks to the great War, the industrial deficiency of this great country came to light, and the urge towards further utilisation of the industrial resources marked the real starting point of India's industrial advancement. The urgent need for a new constructive policy led to the appointment of the Industrial Commission. The Industrial Commission made a researching enquiry into the industrial requirements of India and in their report outlined a plan of action, which was based on the fundamental assumption that without State intervention, the development of industries cannot, in the circumstances peculiar to India, proceed at the pace necessitated by the requirements and warranted by the resources of the country. The report covered every field of State activity in relation to industry, except the fiscal policy of the Government.

The Commission recommended improved departmental organisation by the creation of Imperial and

Provincial Departments of Industries. And in connection with the nation-wide activities of the Imperial Department, the Commission suggested the creation of the Imperial Industrial Service.

It proposed that institutions for research work on scientific subjects in connection with the industries should be established, and that provision should be made for industrial and technical education.

The Commission attached special importance to the purchase of Government stores in India.

Recommendations were made to the giving of technical and financial aid to the industries and the provision of improved transport and freight facilities.

Meanwhile the Reform Act of 1919 came and "Industries" was classed as a provincial transferred subject. So the Provincial Governments were allotted the general development of industries, industrial research and technical education and these functions of government were to be discharged by Ministers. The Central Government still had endless opportunities to develop industries of the country—above all the fiscal machinery was in the hands of the Central Government. The Fiscal Commission was set up in 1921 "to examine with reference to all the interests concerned the Tariff Policy of the Government of India". The Commission came to the conclusion that the industrial development of India "had not been commensurate with the size of the country, its population, and its natural resources and that a considerable development of Indian industries would be very much to the advantage of the country as a whole."

The recommendation was a policy of protection applied with discrimination. Only those industries were to be considered entitled to protection which would eventually force world competition without the assistance of protective tariffs and the amount and duration of protection were to be the minimum possible to enable the industries to stand on their own legs.

Basic industries were to be assisted by bounties and non-basic industries by means of import tariffs. The Commission recommended the creation of a permanent Tariff Board which should examine the claims of various industries to protection. The Tariff Board in dealing with claims to protection should satisfy itself that (a) the industry possessed natural advantages; (b) that without the help of protection it was not likely to develop at all or not so rapidly as was desirable; and (c) that it will eventually face world competition without protection. In spite of the merits of the Report, it must be said that they did not attempt to suggest a constructive policy.

Under the new constitution of 1919 the Government was not bound to help industries directly—in 1921 a central Department of Industries was constituted and a Central Stores Department in 1922, in accordance with the recommendations of the Industrial Commission. The Central Department of Industries was renamed the Department of Industries and Labour, in accordance with the recommendations of the Inchcape Committee. The recommendations of the Industrial Commission have not been fully adopted and the small success in stimulating industrial development has been either due to fiscal protection or to the work of the Provincial Departments.

Needless to pursue the history of the subsequent development in all its details. It is beyond the compass of this short treatise to go into the origin and development of every industry that has been established on a large scale. The coal industry, iron and steel, cotton, jute, the engineering industries and the plantation industries are the large scale industries which have acquired importance. Modern large scale production necessitates the concentration of enormous amounts of capital in industrial undertakings. India has developed a few organised industries but these are by no means entirely indigenous enterprises. That growth has been due, in no small measure, to the presence of foreign capital. Including the capital of companies incorporated elsewhere than in India the total capital of organised large scale industries is estimated by experts to be about Rs. 700 crores. Of this Indian share is about Rs. 300 crores. Thus foreign capital occupies a lofty position in the country. Capital is not available for industrial purposes not so much because of an actual scarcity in the country but because the investor has no confidence in new ventures.

In the advanced countries the development of the banking system and the growth of investment habits pooled together the financial resources of the nation which were placed at the disposal of industries. In India on the other hand, capital is afraid to come out of its shy hoards. For a regular flow of capital into profitable and productive channels two conditions are essential—one, a steady stream of income and the other growth of trust and confidence in the men who control and manage business. Our banking system does not suit the requirements of our economic life~

The inadequacy of banking facilities has resulted in retarding the productive employment of capital. This view was endorsed by the Holland Commission also.

Now for a little digression—Organised banking system in India may be divided into classes (1) The Reserve Bank (2) The Exchange Banks (3) The Joint-stock Banks (4) Indigenous Banks (5) The co-operative Banks, (6) Post Office Savings Banks.

The Reserve Bank began to function since April 1935, bringing India into line with other important countries where the currency and credit system is controlled by Central Banks of Issue.

The Bank is a shareholders' Bank with a majority of elected members on the directorate. The Bank has taken over the function of the Currency Department and has the sole right of note issue. It has taken over from the Imperial Bank of India the Government Account, the management of the Public Debt and certain other functions performed by that bank till then. An Act amending the original Imperial Bank of India Act removed some of the limitations imposed upon it, such as the prohibition of dealings in foreign exchange. The Imperial Bank is the sole agent of the Reserve Bank in places where it has its branches and where there is no branch of the Banking Department of the Reserve Bank.

It is the custodian of the reserves of the scheduled banks. The Bank is authorised to carry on and transact the following commercial business: the accepting of money on deposit without interest; the purchase, sale and rediscount of bills of exchange; the making of loans and advances repayable on demand but not exceeding 90 days against the Security of Stocks,

funds and securities, against gold coin or bullion; the purchase and sale of sterling; the making of advances to the Central and Provincial Governments; the purchase and sale of Government Securities, etc.

The Bank publishes from time to time standard rate at which it is prepared to buy or rediscount bills of exchange or other commercial bills. The Bank has an agricultural department too.

I shall pass on without discussing the merits and demerits of the central bank.

The Exchange Banks are foreign joint-stock concerns. Originally their business was confined almost exclusively to the financing of the external trade of India; in recent years they have taken a part in the financing of internal trade also, at the places where their branches are situated. There are 17 such banks carrying on business in India with a capital of £ 65,934,000 and their deposits during 1935 amounted to 76.2 crores.

Joint-Stock Banks represent purely Indian Capital and management. Since 1906 these Banks made great strides during the beginning of their career. Some were of speculative and unsafe character and bank failures are not averted. The result is that confidence is shaken and growth, very slow. During the past year bank failures occurred in two or three cases in South India. Joint Stock Banks confine their attention strictly to the financing of the internal trade of the country.

The progress of the Joint Stock banks is revealed by the figures published by the Director-General of Statistics.

(In Lakhs of Rupees)

Year	Capital	Reserve	Deposits
1900	82	45	807
1910	275	100	2565
1920	837	255	7114
1930	744	440	6321
1935	817	502	8444

An indigenous banker is defined as a person who deals in hundies or Bills of Exchange or receives deposits. These indigenous banks whose exact number is not known have been rendering a real service to the rural population. Of late these have adopted modern banking methods.

Sir M. Visveswaraya says " Any scheme for relief of rural indebtedness will have to take into account and enlist the practical knowledge and vision of these banks ". In order to increase their usefulness, it is said that they must be linked with the general banking system. "Once a beginning has been made, indigenous banking will unite with central banking to give that strength to each other which is so much needed, and with which alone Indian banking can grow and economic activities flourish." (Dr. L. C. Jain)

The Co-operative banks mark a comparatively recent development in India, having been established to assist the agriculturist and free him from the clutches of the mahajan or sowcar. In spite of thirty years' existence, these have not made much headway owing to lack of organisation and apathy of the masses in general. The progress however has been continuous. In 1935-36 there were 615 central banks

and 15 provincial banks with a share capital and deposits amounting to 29 crores and 12.6 crores respectively. The best credit machinery for the villages is, undoubtedly, on co-operative lines failing any thorough-going reform.

The Post Office Savings Banks in India play a useful part in those areas where no banking institutions have developed. The figures below show increase, in the number of deposits and the total amounts.

(In Thousands)

Year	Deposits	Balance at the end of year (Rupees)
1933-34	3,089	52,23,24
1934-35	3,100	5830.18
1935-36	3,542	67,25,17
1936-37	3,922	74,67,67
1937-38	3,786	77,49,14

The foregoing survey reveals the progress made by banking in India since the beginning of the present century. The existing banking facilities are inadequate for the present requirements of the country. Although there are 2575 towns (1931 Census) only 400 could boast of the advantage of joint-stock banks or their branches. Hence writers agree that hoards of wealth lie outside the walls of towns and thus favour an extension of the banking facilities assuming that the capital thus mobilised can be utilised for industrial purposes. But in India banking failures are a frequent occurrence and thus the confidence of the people remains rudely shaken. Government ought to intro-

duce changes in the banking law to prevent corruption and other malpractices. It is universally complained that there is a scarcity of capital in India. But the growth in the joint-stock concerns proves that the Indian investor is not so unenterprising as is supposed to be. On March 31, 1934, there were 9,344 joint stock companies incorporated in British India and the Indian States of Mysore, Baroda, Gwalior, Indore, Hyderabad and Travancore, and in operation with a paid up capital of Rs. 300.8 crores.

Yet the supply has not been adequate to exploit industrial resources in India. Under the circumstances, foreign capital was a boon to India. Is it desirable, you may ask. The Fiscal Commission pointed out "that from the economic point of view all the advantages which we anticipate from a policy of increased industrialisation would be accentuated by the free utilisation of foreign capital and foreign resources". But the present system has grave defects. Profits leave the country and the growth of capital becomes impossible. The rate of industrial development progresses slowly. Dr. G. Slater said that "the combination of white capital and coloured labour is open to very serious objections on social and political grounds." Ordinarily the relations between capital and labour are strained, and they become more so when racial prejudices exist. Hence adequate steps ought to be taken to remedy the present evils. All companies doing business in India should be compelled to be registered in India with rupee capital and thus their activities should be brought under control. In some cases the requirements of the situation may justify even shutting out of foreign capital.

Thus there is scarcity of active capital in this country and scarcity is due to the absence of security in the field of investment. The first step towards the situation of the problem therefore lies in mobilising the capital resources of the country by offering security to the prospective investor. The investor ought to feel that he is dealing with honest men and not with greedy -crooks. The extension of the banking facilities alone does not find a solution to the problem, because the question of initial finance for industries remain unsolved. An efficient organisation for bringing together the available capital under its control and directing that capital into industries is urgently needed. This organisation is nothing more than a State-aided industrial bank. We will turn our attention to this later. Take the question of industrial leadership in India. The entrepreneur plays an important role in the economic life of a nation, the giant who bestrides the capitalistic society. The qualities essential for the making up of a successful entrepreneur are ability, foresight and courage. Men of such calibre are particularly absent in India.

A feature particular to India is the managing agency system which was, as one writer says, "the only rational way of developing a sprawling and adolescent industrial growth". "The managing agent is the link in a country of vast geographical proportions between the outlying productive units of industry (or, to a lesser degree agriculture) and the ordinary channels of finance and transports." The functions of the managing agency system are the pioneering of new industrial ventures, the provision of both fixed and working capital and lastly the management of

the working of the new industries. The system has done yeoman service in the past when capital was said to be proverbially shy, by inspiring confidence of the people and by removing the distrust and insecurity which prevented Indian capital from participating in industrial ventures. The managing agent has led the way to a systematic industrial advance. The managing agents receive as remuneration for their work, a commission on output or sales or a share of the general profits. In recent years the system has come in for a lot of damaging criticism. But it is no use condemning the system outright—remembering that industrial advancement was made possible by that system. The evils that have crept in, e.g. selfish desires and motives, nepotism, undue conservatism etc. ought to be remedied. The system needs reform not " a clean sweep ".

Another main industrial deficiency is the absence of improved transport system. The railways are the most important instruments of transport, on which industries in India must rely. It must be remembered that transport charges are an important item in the cost of production and efficient means of transport are important. The railway system in India is regarded purely as a commercial proposition. Again it is said that the railways are on the whole more conducive to the development of foreign trade. The really important part is that the railways ought to promote industrial development. Hence the railway rates policy ought to be adjusted to suit the needs of industries rather than bring a greater percentage of profit to the management.

Next in importance are the " Roads " in India. In

India there are only 200,000 miles of "Kutchha" or unmetalled roads and 69,000 miles of metalled roads. Compare with this the 2,500,000 miles of unsurfaced and 600,000 miles of surfaced roads in the United States. On the whole, India's road system is altogether insufficient for her needs. Since 1929 a "road fund" is accumulated out of the proceeds of a special tax on petrol and it is distributed to the provinces for construction, reconstruction or improvement of roads but not for ordinary upkeep. Roads are a provincial subject and the financial stringency in the provinces negatives a policy of expansion.

Next let us consider the question of industrial labour in India. The existence of a class of industrial labourers, dependent mainly on cash wages, is a novelty in India. The industrial labourer in India is essentially an agriculturist at heart. He takes up industrial work because he wants to augment to the meagre family earnings from agriculture. During the slack season in agriculture, he migrates to the town and seeks work in the factories. He is a short-term recruit in industry. It must not be imagined that the organised industries, to-day, depend upon this uncertain labour supply. The beginnings of a permanent industrial population are already made. As regards the seasonal factories the labour supply is not permanent.

The table below shows the number of establishments subject to the Indian Factories Act and the number of workers in 1936 for British India (excluding Indian States and Government factories).

Class of Industry	No. of establishments	No. of workers
Cotton spinning and weaving mills	344	427,920
Jute mills	103	289,136
Cotton ginning and pressing factories	2,036	140,423
Railway and Tramway workshops	173	108,703
Rice mills ...	1,813	82,511
General Engineering ...	348	42,226
Electrical works	131	11,960
Printing, bookbinding etc.	468	39,910
Tanneries and leather works	38	8,994
Jute presses	76	16,490
Tile and brick factories	82	10,866
Shipping	19	16,260
Tea factories	1,025	63,460
Foundries ...	94	4,527
Iron and steel melting and steel rolling mills	11	34,046
Sawmills ...	172	14,694
Petroleum refineries ...	13	11,022
Woollen mills	13	6,921
Sugar factories	196	77,479
Stone dressing	5	402
Oil mills ...	259	14,043
Kerosene tinning and packing works	31	5,081
Motor works and coach building ...	87	6,131
Tobacco factories	27	9,332
Paper mills...	10	7,601
Lac factories	19	2,423
Silk mills ...	41	2,334

In the census of 1931 less than 10% of the population is shown as engaged in industrial occupations. Of this many are still supported by unorganised industries and only about 5% by organised industries.

It is a paradox in India that in spite of the plentiful supply of labour, labour is dear. The greater numbers of population in India are illiterate and are unprogressive in outlook. That is the reason why India is rich but her people poor.

Our educational system is too literary rather than scientific or technical in character. It is a vicious atmosphere that surrounds us. We badly need skilled workers, technicians, experts and industrialists. Do we produce them? No. This country lacks in the provision of facilities for technical and scientific training. Hence our labour power remains unskilled. The efficiency of the Indian worker is very low. As wages depend upon efficiency, wages are at a low level.

There is something fundamentally wrong in our economic system. It is poverty. Look at our national income. It is so low in comparison with that of the other countries. It is highly distressing. Our industrial worker is poor and underfed and hence his efficiency is low. Low efficiency means low wages and poverty. Thus it is a vicious circle—Poverty, Inefficiency, Poverty.

The remedies are bound up with the improvement of the economic life in general.

CHAPTER V

TRADE.

The trend of India's foreign trade during the nineteenth century is too well known. India adjusted herself to suit the needs of economic internationalism by transforming herself into a primary producer.

The great export staples are the produce of the soil—cotton, jute and seeds. India's imports still consist of manufactured goods such as cotton goods, machinery, plant, mill accessories, motor vehicles, instruments and apparatus, chemicals etc. Herein lies the dangerous dependence of India on foreign goods.

The total exports of merchandise from India amounted in 1936-37 to 196 crores of rupees.

The figures for the past year are :—

Year	Crores of rupees.
1929-30	310
1930-31	220
1931-32	155
1932-33	132
1933-34	147
1934-35	151
1935-36	160

Our exports consist of cotton and cotton manufactures, jute and jute manufactures, grains and pulses, tea, oil seeds, hides and skins. These together, constitute three-fourths of the value of the total export trade.

Other items are lac, wood and timber, rubber, oil-cakes, spices and other articles. Our principal customers are the United Kingdom, Japan, U. S. A. and Germany. The value of the exports of Indian Produce to these countries were 63 crores, 30 crores, 18 crores, and 10 crores respectively in 1936-37.

There is increasing danger of India's export trade diminishing in future years because of increasing competition in world markets from the mechanised agriculture of virgin lands in America, Africa and Australia. The conditions of the Indian agriculture are too familiar. In order that we may be enabled to get ready markets for our exports, intensive and scientific agriculture on modern lines and organised grading and marketing should take the place of the primitive methods of cultivation and the bad grading and bad marketing which are common to-day. Hence I advocate an agricultural revolution, i. e. "capitalistic agriculture" based on large estates and employing large numbers of labourers.

India normally needs an export surplus as she has to make considerable payments abroad for which no visible return is made. These payments include interest charges, payments for shipping and other commercial services, payment on Government account due to the political connection with England. A favourable balance of trade can be maintained only so long as our products find a market abroad.

The total imports of merchandise amounted to 125 crores in 1936-37.

The figures for the past years are:—

Year	Crores (Rupees)
1929-30	240
1930-31	164
1931-32	126
1932-33	132
1933-34	115
1934-35	132
1335-36	134

The principal items are cotton and cotton goods, machinery, oils, metals and ores, vehicles, instruments and apparatus. The value of the total imports has fallen nearly to one half of the same in 1929-30. This was mainly due to the great fall in the purchasing power of the agricultural countries during the " Great Depression " and to the growth of the " Swadeshi spirit " and, to a less extent, to the recent tariff changes. The bulk of the imports to India come from the United Kingdom, the value of the imports of merchandise in 1936-37 being Rs. 48 crores. The other chief countries and the value of the import during that year are given below :—

Japan	...	...	...	21 crores
Germany	...	...	...	12 crores
U.S.A.	...	...	...	8 crores

I find in the figures given in " The Statesman's Year Book 1939 " that total imports and exports of merchandise in 1937-38 amounted to 173 crores and 180 crores respectively leaving a favourable balance of trade of 7 crores only. Our imports have increased considerably, while our exports have declined.

This is a very unhealthy sign. Our policy ought to be a gradual elimination of imports of goods

which can very well be manufactured in this country. We need a proper balance between imports and exports. As one might remember, since 1931-32 India had to pay for her 'invisible imports' by exports of gold.

Our great need to-day is industrialisation. We have in India all those requirements which are essential to industrial prosperity.

India, in respect of the importance of external trade, occupied the sixth place in the world in 1929 being responsible for 3 per cent of the total trade of the world, but since the beginning of the "Great Depression" India steadily lost her position. The per capita trade of India is the lowest in the world, with the exception of China. It is no wonder that this country whose produce is so largely consumed at home occupies a small position in world trade. India does not export more than 13% of the total production. India's foreign trade forms only a small percentage of her total trade.

The trends of world economic development are shifting to-day. Nations are becoming a devotee of the policy of "economic nationalism". India must adjust herself to the changing circumstances. Trade agreements might give a temporary advantage but India must now develop her home market. A planned economic development is the solution—the aim being increased production of industries and agriculture.

CHAPTER VI

MONEY.

Money is purchasing power. The money units are tickets. A railway ticket enables you to travel over a specified distance. A money ticket enables you to obtain possession of goods and services to the extent of its purchasing power. Money is not wealth in itself. It facilitates the exchange of commodities for other commodities or services. Money is the unit of account in terms of which the values of all other commodities are reckoned.

In the present world each country has its own currency i. e. coins and notes together. The internal value of currency is its purchasing power within the country. The external value is its value in terms of foreign currencies.

In India the monetary unit is the silver rupee which weighs one tola or 180 grains troy, eleven-twelfths fine. The rupee is a token coin, the intrinsic value being much less than the face value or the purchasing power. The exchange value of the rupee is fixed at 1sh. 6d. Sterling, since September 1931, when Great Britain went off the gold standard. This was in contravention of Indian opinion. The "ratio controversy" as it is called is a long story. This artificial ratio has led to an over-valuation of the rupee, a shrinkage of our exports. The agriculturist is the most hard hit. The purchasing power of the agriculturists is at its lowest ebb, a factor which has reflected on the prosperity of Indian Industries. A higher exchange value

of the rupee encourages imports and the indigenous industries are affected. As regards trade, though we have a favourable balance of trade, the country has been a loser. It is pointed out that if the rupee exchange is allowed to return to its true rate, the advantages that would occur in the form of stimulus to export, higher prices, and a better trade balance, are immense. This is only a cursory review of the ratio question.

It is the internal value that is more important than the external value. Why should the Indian rupee be pegged to sterling at all? No doubt, we have heavy sterling commitments to meet every year, and a rupee-sterling exchange facilitates payments. But it does not mean that in a scheme of an independent currency system, where the rupee will find its own level, that would be difficult. The true exchange value of the rupee would be in the ratio of the purchasing power of the rupee in this country to the purchasing power of the foreign currencies in their respective countries. The artificial fixing of the rupee value contributed to the export of gold from this country.

The exports of gold during past few years are as follows:—

Year	Crores of rupees
1934	58
1935	53
1936	38
1937	29
1938	17

Does your currency system meet the requirements of the population? No. Our currency system is notoriously inelastic. The monetary system in a country, with a certain level of civilisation, ought to be adequate to the currency needs of the population. The total demand for currency will depend upon the numbers of population and upon their habits. It goes without saying that the people must have confidence in the currency. Under normal conditions, the habits of the people in the use of currency change slowly. In India expansion of currency will take place only if there is an increase in our export trade and not when there is an increase in internal trade. After all, external trade forms only a small percentage of the total trade. Our currency system should be capable of expansion with the increase in production and in the total volume of transaction within the country.

The management of currency in India is now in the hands of the Reserve Bank. The constitution and functions of the Reserve Bank have been discussed in an earlier chapter. The Reserve Bank Act, 1934 perpetuates the linking of the Rupee to Sterling. India is on a sterling standard. The Reserve Bank is obliged to buy and sell sterling at given rate. The freedom of the Central Bank is thus restricted—clearly this is a departure from all accepted principles of Central Banking Policy.

As Mr. G.D.H. Cole says, "The planning of money means its management with a view to interest not of the bankers but of the community as a whole." The prosperity of a nation is dependent upon the prosperity of the agriculturist class. Since the depression the agriculturists are the most hard hit as the prices of

primary products have considerably fallen, while debt payments, revenue charges and other obligations have not fallen to anything like the same extent. The Provincial Governments are trying their best to alleviate the distress of the agricultural population. But the most potent weapon is wielded by the Government of India-^the manipulation of the exchange value. There is clearly a case for devaluation in India. Supporters of government policy might say that prices and payments have adjusted themselves to the 1sh. 6d. rate. That is largely controversial. What we want to-day is a careful examination of the currency system with a view to specify the measure of devaluation. The fetters on the economic activities of the people would be removed and there would be an outburst of prosperity. It is the duty of the Government of India to take up the question of monetary reform at once.

CHAPTER VII

PLANNING IN INDIA.

Planning in India, as I have already said, has a special meaning. It means a restoration of the proper balance in the economic system, a harmonious development of agriculture and industries. The end envisaged by the plan is the increase of national income and betterment of the economic condition of the entire population. Planning ought to be under two heads—planning of agriculture and planning of industries.

What does planning of agriculture imply? An increase in agricultural production. The remedies suggested and tried to increase agricultural output are the establishment of co-operative farms, consolidation of holdings etc. Consolidation of holdings is said to be the solution. This important and interesting experiment originated in the Punjab in the year 1920. This consists of the establishment of a "Co-operative consolidation of Holdings society" in the village which would approve of a method of repartition. This is steadily gaining in popularity and the figures reveal that during the decade 1920-30, 2,63,462 acres have been consolidated out of the whole cultivable area of 30 millions.

Some success in consolidation has been achieved, in the Central Provinces, where the Government found it desirable to resort to legislation and passed the Central Provinces Consolidation of Holdings Act in 1928.

In Bombay a similar bill was introduced in the Council but was turned down.

There are 11 societies for consolidation of holdings in the United Provinces and 11 in the Baroda State based on the Punjab model.

But the achievements fall so short of the expectations of the promoters because of the extreme backwardness of the rural population. And the ideal "Better living, better farming and better business" is never understood.

But, to my mind, these measures seem to be half-hearted. What are the achievements of the Agricultural Departments in the various provinces? They demonstrate to the cultivator the utility of better implements, better manure, better seeds and so on. But does the agriculturist gain? No. Or has the co-operative movement in spite of long existence affected their former ways? Again, no. I am not sceptical. "So long as the agriculturists remain steeped in illiteracy and ignorance, are heavily and almost hopelessly indebted, have a fatalistic and listless outlook on life and have an extremely low standard of living, carrying on agriculture with simple tools and implements in more or less primitive fashion, no great approach to the ideals and the goal of the co-operative and all other rural movements is possible." I think radical measures are necessary if at all you want more food for the growing population. The remedy, I suggest, is an agricultural revolution. It is a real revolution and when you hear of it you will call me a revolutionary.

Britain is one of the most scientifically farmed countries in the world. In Britain agriculture in the

18th and 19th centuries went through a revolution, analogous in many respects to the contemporary revolution in industry. The conditions of English agriculture before the eighteenth century were the open-field system, old antiquated methods of cultivation and the resultant small yield from the land. Reform, then, among the open-field farmers had to be wholesale or not at all. They were contented if their farms gave them a livelihood in the old style. Progress was impossible. What had to be done was to get rid of the open fields by enclosing them.

These enclosures, unlike the earlier ones, were enclosures of arable land for better farming. Enclosures were carried out either by mutual consent or by obtaining a private act of Parliament. England, a country of small holdings before, now became a country of vast estates. The owners of these estates could now assume the role of leaders in agriculture. They had the requisite capital for investment and a more progressive outlook. Hence they practised better methods of farming, with the result that there were larger crops and a greater plenty of corn to meet the needs of the growing population. The following table gives an idea of the progress of the above movement:—

	Acres	Acreage
1700-1760	208	312,363
1761-1801	2000	3,180,871
1802-1844	1883	2,549,345
1845 and after	672	522,227
	4763	6,564,806

But there is the other side of the picture.. The Social effects were distressing. The dispossessed tenants, if they did not migrate to the towns, had no alternative but to join the class of landless agricultural labourers which now came to include the bulk of the agricultural population. England found herself saddled with a rural proletariat. This is the price, she had to pay, for the agricultural improvement. The abolition of scattered holdings was, indeed, a necessity. The recent attempts to replant small holdings on the land met with no great success.

India needs a similar revolution. Our capitalists must be ready to invest in land. And I wonder why they should not, when this would equally satisfy their profit-making motive. Instead of these small, uneconomic holdings providing just a bare maintenance to the agriculturist and his family, we must have large estates owned by capitalists who will invest the necessary capital and obtain the best possible results. Large-scale machinery such as steam-ploughing tackle and the gyro-tiller can be employed on large estates and even then only where the necessary capital is available. Scientific agriculture is possible. Agricultural output will greatly increase and that will mean a greater food supply to the growing numbers of population.

You might ask " Does it not mean expropriation ? Will it not involve revision of property rights ?". Yes it does. To this in reply I ask, " Is the State not the ultimate proprietor of the soil ? Has it not got the right of eminent domain ? " Of course, expropriation does not mean the taking of property without adequate compensation. The State can make possible the crea-

tion of large estates by enactments which secure adequate compensation to the small proprietors. There are other hardships involved—the eviction of a large number of land-holders. Where will they go? Either they work as labourers in the new estates or they migrate to the new industrial districts. Such wholesale change, however, is not immediately possible; but that is to be our goal.

One thing must be remembered and that is this. I do not advocate the conversion of ryotwari tracts into Zamindari areas. The evils of the Zamindari system are too familiar—absentee landlordism, rack-renting, illegal exactions, and eviction. Hence a revival of the old Zamindari system must be a source of great anxiety. I envisage the creation of a new class—a class of rich land-holders—whose business it must be to take direct and active interest in agriculture. While serving themselves best, they will serve the best interests of the country.

A convenient name that can be given is capitalistic agriculture. The distinguishing features of capitalism according to Sombart are (a) Motive of production—desire for profit (b) form—unrestricted competition, (c) method of production—large scale manufacture by power-driven machinery. The most flourishing period of capitalism stretched from about 1750-1914. Since the war the system has been silently transformed. It is rash to assume, however, that it is on the point of collapse. In the normal course of things, nothing is likely to bring it to an end, except a drying up of the sources of production, which would make mass production an impossibility. When in India there are vast untapped reserves there should

be no doubt, in our minds, about the success of the new experiment. The production of large quantities of crops is made possible by machinery, worked by power and mass production methods. We have a striking example in U. S. A.

Will it not mean, you might ask, the minimisation of human labour and growth of poverty? No. In every country, the existence of agriculture creates a vast mass of "secondary employment" by the mere fact of its existence—transport services, distributive services of other kinds and accessory industries of all sorts. Thus to some extent the mere progress of agricultural output generates additional secondary employment." There are the traditional handicraft industries, whose revival would mean more avenues of employment for the rural population.

The larger landowner can remain completely out of the scheme. But he must set the example to the new ones by adopting a more progressive policy. He should perform the legitimate duties that he ought to. He should invest more money in the land. He should conduct experiments and demonstrate to others the efficiency of the new measures in increasing output. But who is to supervise the working of these landlords? The State. It has not assumed its full share of responsibility so far. It has to do now.

Now we come perhaps to another crucial point. Where is the guarantee that these large estates will remain in tact during the succeeding generation? Our Indian laws of Inheritance are an impediment to economic progress since they have been instrumental in bringing about this subdivision and fragmentation of holdings. Some time back, Egypt, also faced by the

evil of subdivision of holdings, modified the laws of inheritance so that the landed property at death, though nominally divided amongst the heirs of the deceased, was actually left to be cultivated by one on behalf of all. Reform of the existing system in India is very necessary. The law of primogeniture, by which the eldest son alone succeeds to the property of his ancestor, which is in force in some European countries must be adopted, discarding the present laws. The * Rationale' of the Hindu and Mohamedan laws has disappeared. A drastic change, as is suggested, is the only way to root out the disease.

In the new system, we shall find three parties—the landlord, tenant farmer and agricultural labourer. The landlord is not a mere owner of the land drawing a rent. He is also a supplier of a large part of the fixed capital of agriculture. The tenants and labourers however require protection against oppression at the hands of the landlords. Various acts have been passed from time to time, to protect the interests of tenants against the power of the landlords, and also to give greater security to the former in possession of their holdings. The labourers ought to get a fair wage, as in other occupations, which would ensure a reasonable standard of living. I believe that this is the duty of the State.

Nationalisation of agricultural land involving ownership and control by the State, does not appeal to me. That would mean a large extension in the sphere of the State and it appears to be largely unpractical. Because the State means ultimately a body of public officials, who serve the community, and who are not super-human beings to work dispassionately and to

shoulder all the responsibilities. Hence lack of interest, might react on the efficiency of production. Again the resources of the modern State are not commensurate with the growing needs of the State. And unless the State is in a specially favoured position as regards finance, it is impossible to expect it to assume such heavy responsibility.

Let us now turn our attention to industries. "The great predominance of agriculture tends toward economic conservatism, prevents the adoption of improved methods of production Industrial occupations increase the openings of various types of ability of character and extend the resources of a country—They lead to more extensive and closer contact between individuals and ideas and hence produce a higher level of intelligence amongst the masses."

As civilisation advances human wants grow in number and in complexity. Agriculture supplies fundamental primary requisites—food and raw materials. But no civilised nation to-day depends entirely on agriculture. Industrialisation has become the true test of civilisation; and manufacturers satisfy the multiplicity of human wants. India's lopsided economic development—the overwhelming predominance of agriculture, comparative insignificance of industry, backwardness of the basic industries of coal and of iron and steel, dependence on the export of foodstuffs and raw materials, and on the import of manufactures—has been unanimously deplored, ever since young India began to take interest in economic matters.

Well, then, our path is clear. It is desirable that **our** industries should develop and that too rapidly.

What can be done to stimulate and encourage industry?

The essential things that are required to found and establish an industry successfully in any country, are seven in number-" 7 M's as Sir M. Visvesvaraya calls them: (1) materials, (2) money, (3) markets, (4) motive power, (5) machinery, (6) management, and (7) men.

India is well supplied with materials. Instead of being exported to foreign countries, these materials can well be utilised in the home industries. This will lead to greater employment at home, and increased prosperity.

Money or capital required for starting an industry is collected from the public by floating a company. The present methods are inadequate for a rapid industrial development. The banking system in this country does not suit the needs of the population; certainly it is not meant for the promotion of industrial development. Formed on English model, the Indian Banks "are not doing any industrial financing business.....it is no doubt worth the while to examine the question whether these commercial banks ought not to accept the German system of more universal banking." Our banking institutions are purely commercial in type dealing in short-term credit Banks do not supply the fixed capital required in industry. They do not assist the floatation of new industrial concerns. They do not always supply short-term capital required in the management of a concern. There is no close connection between banks and industries. Germany and Japan who joined the industrial race very late won

because the banks in these two countries took an intimate and active part in promoting industrial development. Our banking is surely to blame for our industrial deficiencies. " India's difficulty in obtaining sufficient capital for investment in productive ventures in general, and industrial concerns in particular has been recognised as one of her primary economic deficiencies." This difficulty has been partly due to the lack of adequate banking facilities and partly to the inadequate use made of existing Indian Capital. There are no industrial banks in this country nor do the banks have any industrial bias. The rate of industrial development in a country ultimately depends on the amount of capital made available for that purpose. " The very first thing which the Government must do in order to have the way for industrial development is to restore the confidence of the investor and that can be done by means of State-aided industrial banks. The industrial banks must, therefore, be the starting point on the road to industrial development

Another problem which confronts the industrialised countries of the West is how to secure markets for their finished products. India has no such anxiety because she has an assured market in the country.

India has immense potential power resources, the total estimate being 27 million horse-power of which less than 2 million horse-power is actually developed. As regards motive power, which of the sources—coal, oil, wood-fuel or hydro-electricity is to be used depends upon the particular region, where the industry is localised.

This is a machine age in which we live. India has not entered the age as yet. This neglect has been

harmful to India. Nations have increased their property by using machinery and methods of large-scale production. In India, machinery and tools of the modern type are seldom used except in the textile industry. India should unhesitatingly accept these new devices. The use of machinery does not reduce employment. On the other hand it creates new jobs. Hence in the near future, India should use up-to-date machinery and tools.

We want efficient captains of industry. The organiser is the pivot of the modern industrial organisation. He brings together capital, land and labour. His function, whether he performs it ill or well, is the organisation of production. It is of the utmost importance therefore to the material well-being of society that the right men occupy this position. Inefficiency means ruin; it neutralises the efficiency of scores or hundreds and even thousands of specialised workers. The organiser has to decide by reference to the demand of consumers to what purposes the capital shall be applied and in what form it shall be applied. Under efficient management, there is co-ordination between the various departments. Materials are used economically and the cost of production is kept at its minimum. We want a class of such industrial leaders in the new India.

Lastly we have to consider "men". We mean the supply of labour of all kinds in industrial production. The Industrial Commission pointed out that the shortage of scientific and technical experts and the shortage of skilled labour are the two great deficiencies which must be remedied. No doubt industries can

draw their labour from the large agricultural population. Wages are low but labour is dear. Increase in wages does not increase efficiency but increases the days the labourer stays away from work. Given better general education, facilities for training and improved surroundings, Indian labour may become eventually cheap in the good sense of the word. The situation with regard to the other types of men, highly skilled artisans, technical and scientific experts is no less difficult. The deficiencies of education in India have become notorious. We want better facilities for scientific and technical training. Without that it is difficult to obtain the necessary staff for modern industries.

Having examined the normal requirements of industries, we shall now pass on the plan of industrialisation. An industrial survey is a necessity, and collection of statistics of existing industries is essential. We must know what industries flourish and what industries need promotion. Industries in India have been classified under three heads—(i) large-scale (capital 30 lakhs), (ii) medium-scale (capital 1-30 lakhs), (iii) Minor (capital 1 lakh or less). Large scale industries in India include what are called "Key industries" and require great attention. They are roughly the iron and steel industries, coal and petroleum industries, railway plant, agricultural tools and machinery, automobiles, cotton and jute, heavy chemicals, etc. A large amount of capital is required. The banking organisation in this country is ill-suited to the growth of industries and should be brought to the level in Japan and Germany. The Government should actively lend support to these industries.

As regards the second type, medium-scale, e. g. chemicals and dyes, soaps, leather, matches, ceramics sugar, paper, tobacco, etc., many are in operation but they suffer for want of adequate finance, and for want of adequate protection by the State.

The minor industries which existed in India before, require great attention as they provided subsidiary occupations to the agriculturists. In a scheme of rural reconstruction which is claiming increasing attention in recent years, the revival of such handicrafts or rural cottage industries is vital.

There are some general considerations as regards industrial production. The policy of the State is of the utmost importance. Since the twenties of the present century, the economic policy of the Government is guided to a certain extent by the needs of the population. This policy manifests itself in certain departments of industries and in the policy of discriminating protection. The Provincial Departments have done excellent work in many ways: Provision of technical and industrial education, financial and technical aid to industries etc. Yet they have been seriously hindered by financial stringency. Again one thing was lacking—a definite and constructive programme. Thus our expectations with regard to the influence of the departments on the rate of industrial development have not been fulfilled.

As regards the policy of protection with discrimination, the Tariff Board set up in 1923 has examined the claims of a number of industries for protection and as a result of its recommendations assistance has been given to steel, railway wagons, wire and wire nails, paper, matches and other manufacturing indus-

tries- But in the name of discrimination, industries are denied protection on flimsy grounds, while preferential treatment is given to imports of British goods. The iniquities of the Tariff Board are elaborate and prolonged. Not infrequently, the recommendations are not accepted by the Government of India. Thus, industries are left to weather the storm of their own accord. Does this mean the creation of a healthy atmosphere for the growth of industries? This is the result of the absence of "Responsible Government." Look at Japan or Germany. The Government must be fully and sympathetically alive to the needs of a New India. Either you grant them protection or not at all. Why, then, this lip-service?

What we want is a policy of unqualified and determined protection. "There is a certain stage in the normal development of a nation during which protective tariffs are essential, in order to assist it in passing from the condition in which it is too exclusively agricultural into that in which there is a right proportion between manufacturing industries and agriculture; and without fiscal protection the struggling infant industries will be killed by the competition _____ of more developed countries". Every modern nation has built up its industrial prosperity by tariff protection. In India higher tariff and more substantial protection are essential to inspire confidence and make things as attractive as possible. Only then Indian capital will resort to industries and capitalists will risk money in new industrial ventures.

The ideal of self-sufficiency may mean harm to nations. India has a distinct advantage in that, she

has plenty of natural resources and foodstuffs and so she can be a self-contained national economy by promoting her industrial advancement. "In India the passionate demand for protection has clearly been based on the almost unanimous desire to promote self-sufficiency and all-round economic development"

Sir M. Visvesvaraya says "A sound organisation or fabric should be set up in the country to create a healthy atmosphere for the growth of industries." The establishment of central and local Economic Councils, which would do the work of collection of statistics and put forward proposals and measures for the promotion of industries, is needed.

Industrialisation in India can best be promoted by imposition of protective duties, grant of bounties and subsidies, provision of transport facilities, discriminating transport charges in favour of local industries, grant of financial assistance to industries, provision of facilities for scientific research and technical and industrial education, establishment of model and demonstration factories and collection and dissemination of industrial information. India is a late-comer in the industrial race. Other countries are enjoying a long start Hence India must adopt such extraordinary measures to meet the requirements of the situation.

CHAPTER VIII.

THE MACHINERY OF PLANNING.

A planned programme of national production with a view to increase national wealth and to diminish poverty—that is our ideal.

Our task is formidable. In India it is more so. "Economic progress can only hope to have a sound foundation when men are able to base their actions upon facts instead of guesses." "If any programme of planned economic advance for India is to be undertaken, it is necessary to have in existence a trained organisation for the analysis and interpretation of economic facts and phenomena." We must have reliable statistics. They are the guide of the achievements of the past and a solid foundation for planning in the future. In India as Dr. Bowley and Mr. Robertson have stated in their report the only general publication is the "Statistical Abstract for British India" which does not contain all the important statistics.

The first step would be the establishment of a central body whose main functions will be to gather detailed information regarding the resources of the country, to collect statistics about the present production, industrial and agricultural, to consider the deficiencies and remedies, to consider the currency and the credit structure of the country and lastly to consider the part that Government has to play in the new scheme of economic development. Let us call this body the "National Planning Com-

mission ". From the nature of the work, for which it is created, it is clear that it should consist of experts, businessmen, industrialists, capitalists and financiers. The purpose is to collect data and elicit suggestions for the preparation of " a comprehensive plan for the economic development of India ". This is an All-India body. It is desirable that this central body should be assisted by a number of smaller bodies, let us say, regional or provincial councils. These smaller bodies would do the work in a lesser sphere. Ultimately these will be co-ordinated by the central body.

The second step is the drawing up of a plan. This is to be done by a smaller body, the "National Planning Authority" consisting of about 15 to 20 persons, who are eminently fitted for the task. On them depends the entire responsibility as to the national programme in the future. They should decide what the national plan ought to be, having the end in view.

It is the fashion nowadays to draw up five-year and ten-year plans. That does not appeal to me however. There is no special sanctity in a five-year or ten-year period. What we want is a plan which indicates at once the main lines of development. And we proceed. If, however, we want to measure the success of the plan, we can do so by judging the results, say, at the end of ten or twenty years.

Here too the work should be divided between the central committee and the local committees. In such a vast country as India it is difficult for one central body to take into account the needs of the country at large. The central committee should deal with sub-

jects which are of vital national importance. The local Committees should take into account the resources and the needs of the population in their own limited area and draw up plans accordingly. The final decision concerning the plan will be taken by the "Minister of National Planning" who will be assisted by an "Economic Committee, a body of experts in the central as well as the provincial areas."

An equally and perhaps more important task is that of supervision of the entire plan in operation. This is to be done by a "Department of Economic Inspection." This must have the fullest access to the facts and figures relating to the various industries and services included in the plan. The Provinces of the State might have similar departments too.

Sir M. Visvesvaraya has classified the development work to be undertaken under seven heads:—viz. (1) Industrialisation (2) Agriculture and minor industries (3) Public Works, Public utilities, transport and power supply (4) Commerce (5) Finance and Banking (6) Other special developments as education, training for business life (7) Unemployment, each under a separate department.

We have discussed the methods in earlier chapters.

CHAPTER IX

CONCLUSION.

India to-day is in a state of political turmoil. The inauguration of a Federation of British Indian provinces and Indian States is expected in the near future. Provincial Governments already enjoy autonomy as this was considered to be a planning step. One thing must be said about the Indian constitutional advance. It affords a striking contrast to the growth of federation in the other great federal states like U. S. A. or Australia. It is not a planned growth from the beginning. It is largely due to the changing circumstances and policy adopted by Great Britain.

India is not one homogeneous whole. "The difficulties confronting economic unification are the vast size of the country, the political divisions and the extremely diverse social and physical elements contained therein." No doubt, geographically India is one. But politically, India is divided into British Indian Provinces and the Indian States. The attempt is being made to weld India into an essentially self-sufficing economic unit, comparable to the United States. The new constitution, it is said, should do much to stimulate closer co-operation between the Indian States and British India.

It is said that already there are certain unifying tendencies at work—the centralised administration, the existence of economic services as currency, railways, tariffs, posts which are controlled in a uni-

tary manner throughout British India and the Indian States also.

Progress is the essence of civilisation. Economic planning has become a necessity for the nations of the world. A plan is meant to cure the diseases of the economic system and revivify the economic life of the community. The creation of a healthy atmosphere is a necessary and important task.

In India there are certain fundamental obstacles to economic progress. Firstly the population problem. "The population problem lies at the root of the whole question of India's economic future and it is useless to try to bilk the fact." The fear of overpopulation haunts the land. I am amused to read in the newspapers that in France they are devising new taxes on bachelors! In France, there is the fear of under-population. An improvement in the standard of living is impossible so long as numbers go on increasing as wealth increases. It is true that, taking the country as a whole, the standard is disastrously low. The Office of the Economic Adviser is attempting an enquiry into the wider question of the standard of living as a whole.

The second great obstacle is the uneconomic outlook of the people. The lives of the bulk of our people are regulated by custom and tradition. "A static social ideal cannot coexist with a progressive economic ideal". It is gratifying to note that the restrictions due to castes and creeds are falling off. The rural population is untrained and indisciplined. There is lack of co-operative effort which can increase prosperity to a large extent.

Modern methods of production depend upon specialisation, a certain level of-education, disciplined work and above all the economic motive. Our great need is free and compulsory education.

Thirdly in India there is a lack of co-operation between the Government and the governed. The part played by the Government of a country is very important. In India it is more so. The political connection with Great Britain has not helped India to rise from the state of medievalism to which she still belongs. Great Britain was after all interested more in her own welfare than in the welfare of the inhabitants of this country. It is said that it was difficult to secure co-operation of the people, as if co-operation was ever sought. Failing the granting of responsible Government, the Government of India should assume the fullest responsibility now. The State should do all that lies in its power, as the giving of protection by erecting tariff walls, a sound currency system, discrimination in railway rates, appointment of Indian Trade Commissioners, etc.

The possible lines of progress have been indicated in the foregoing chapters. India must attain self-sufficiency. By that we mean, that India should produce those commodities which she can produce at home and should stop importing them. We do not mean economic isolation as it is not desirable in the interests of any nation in the world.

It is a matter of great interest, that a " National Planning Committee " has been set up under the joint auspices of the Congress Ministers and the Indian National Congress to undertake the work of economic investigation. A number of States have promised their

support and their co-operation. The programme of the Committee seems to be to start with enquires into the economic resources in the provinces as offer scope for development and then to construct a plan on an All-India basis. A study of the questionnaire will show that the objectives of the planning envisaged by the scheme cannot be attained without the genuine and active co-operation of the Central Government. Let us hope that the Government of India would fulfil these expectations!

The great days of capitalism are not over. India did not enter into that capitalistic age. Capitalism made possible the growth in wealth and power of the civilised nations in the world. On the whole it is a fascinating picture. But it had its drawbacks as well. Hence we have argued that India wants "Planned Capitalism."

We have in mind the picture of a New India economically strong, industrially efficient, educationally improved and thoroughly modernised, living as an independent member of the Commonwealth of Nations.

LIST OF ERRATA.

Page	Line	Read	For
28	22	' Searching'	' Researching
30	4	'Face'	'Force'
37	4	' Solution'	'Situation'
38	15	' Conservatism'	'Conservation
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52	Table	'Acts'	'Acres'
63	4	'Inquiries'	'Iniquities'

