



***Poverty and
Kindred Economic Problems
in India***

**Memorandum on certain economic facts in regard
to India with special reference to the problems
of Poverty, Famines, Industries, Taxation, and
the Balance of Payments in International Trade**

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PREFACE.

The poverty of India with which this volume deals is a fact on which there is no difference of opinion. There is, however, considerable difference as to the causes of the relative poverty of the country. On the one hand there are those who would ascribe it to Government. There are others, however, who say with Shakespeare that 'The fault, dear Brutus, is not in our stars, But in ourselves'. This class of writers point out the various anti-economic customs and other factors that enter into the problem. This book deals very briefly and without any flourish of trumpets with some of the questions that arise in this connexion. The book is not to be regarded as controversial in character, but merely as an honest attempt to get at the truth, so far as lies within the means of the writer and through the eminently non-political method of statistics. 'The Economist,' says Professor Kale, 'has to do his work patiently, scientifically and fearlessly in view of the country's history, its social structure, its philosophy, its political condition and its needs of material development, leaving it to the statesman and the politician to use the lever of authority to carry through measures of national benefit'. The political man is above the economic man. He can circumscribe the field of the economic man, he can impose conditions, make him do certain things and prevent him from doing others. The economist realises that to discover the hidden uniformities of nature and to explain this intricate flux of events he must make patient and methodical enquiries and this is research. There is still too much of what Mill calls 'the noisy conflict of half-truths, angrily denying one another'. Mill, however, was wise enough to add 'All students of man and society who possess that first requisite for so difficult a study, a due sense of its difficulties, are aware that the besetting danger is not so much of embracing falsehood for truth, as of mistaking part of the truth for the whole'. The most promising recent development in economics is, of course, the increasing use of statistics and this is quite consistent with the spirit of the older Political Economy. Group or team research by an organised body of investigators brings with it the advantages of the division of labour and there are many lines of research which are beyond the powers and resources of the individual investigator. Materials are assembled and put through technical processes in order to get the finished product. In the everyday work of getting results we pass from, say, a tentative generalisation to the facts and from the facts back to new generalisations in a way that combines both deduction and induction. There is, in short, a perpetual give and take between thinking and concrete investigation.

*Economics in India—Indian Economic Conference, 1929 (Presidential address).

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It is to be regretted that since the Memorandum was written some more recent data now available could not be incorporated in the text. For example, the population figure in 1931 is 353,000,000 for all India, an increase of 10.6 per cent. over the previous census. Data for the national income of the British India since the slump are not yet available. Had they been available they would have shown a considerable fall since 1929 in the national income consequent on the fall in the prices of primary products and also in decreased business activity. Tables 13 and 14 on page 57 give the statistics of prices received by producers, the prices paid by producers, the whole price level, the cost of living and retail food prices. From these tables it will be seen (1) that since the crisis there has been a fall of 44 per cent. in the prices received by producers while the prices paid by producers have fallen by 14 per cent. only; (2) that as compared with the pre-war level, being about three-fourths of that level at the end of 1931 and the prices paid by producers were above the pre-war level by 29 per cent. An interesting feature of Indian wholesale prices and the cost of living is the closer relation that now exists between them, a closeness more marked than probably in any other country of the world. The most essential thing to-day is a rise in the wholesale price level to at least that of 1929.

15th March 1932.

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**Memorandum on certain Economic Facts in regard to India
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International Trade.**

The object of this memorandum is to put forward certain facts of a statistical, economic and historical bearing, which have been under examination for some years. In regard to those relating to pre-British times the assistance of the Departments of Sanskrit and History of the Gujerat Collège of the University of Bombay has to be acknowledged. Facts have been carefully sifted, and the object in view is to put these forward impartially and with care. As time goes on it will be possible no doubt to add to the facts of Indian economic history and to analyse further the statistics, especially those relating to National Income and the Burden of Taxation. Economists and economic historians have to be arbiters and not partisans. One has to examine the facts and to re-examine them, quantitatively as well as qualitatively. Professor Marshall, in his Inaugural Lecture in Cambridge 46 years ago, said: 'We are able to cross-examine the facts of modern India; and I believe that our science, working on those facts, will gradually produce a solvent which will explain much that is now unintelligible in mediæval economic history.'¹ In dealing with the question of the necessity for a wider and more scientific knowledge of facts he said:

'Greedy then as the economist must be for facts, he must not be content with mere facts. Boundless as must be his gratitude to the great thinkers of the historic school, he must be suspicious of any direct light that the past is said to throw on problems of the present. He must stand fast by the more laborious plan of interrogating facts in order to learn the manner of action of causes singly and in combination, applying this knowledge to build up the organon of economic theory, and then making use of the aid of the organon in dealing with the economic side of social problems. He will thus work in the light of facts, but the light will not be thrown directly, it will be reflected and concentrated by science.'²

At the present time in India there is a strong temptation to exaggerate our economic troubles and to ignore their existence in previous times. Take for example the question of poverty. Indian politicians are never tired of harping on their favourite theme—the poverty of India, which according to them is comparatively a recent phenomenon. The consciousness of poverty is greater to-day than it ever was. Contrast is a strong factor of poverty, and when people are unable to purchase the new-known goods of each period they regard themselves as unfortunate and poor. But feeling poor is not actually the same thing as being poor. The desire that poverty should not exist, which is certainly a laudable one, leads or misleads unscientific minds to the artificial exaltation of the past and to a similar disparagement of the

¹ 'The Present Position of Economics' (1885), pub. in *Memorials of Alfred Marshall*, ed. by Pigou, Macmillan and Co., Chap. VI, page 170.

² *Ibid*, page 171.

present. It is clear, however, that it is as foolish to play with truth for a good as it is for a selfish cause. Indeed, Marshall put it well when he said that :

'The pessimist's descriptions of our own age, combined with romantic exaggeration of the happiness of past ages, must tend to the setting aside of the methods of progress, the work of which, if slow, is yet solid ; and to the hasty adoption of others of greater promise, but which resemble the patent medicines of a charlatan, and while quickly effecting good, sow the seeds of widespread and lasting decay.'

An example of this kind of mental bias is given in a recent book published in America, entitled 'The Case for India', where Sir William Hunter, formerly Director General of Statistics with the Government of India, is stated to have said that 'the Government assessment does not leave enough food to the cultivator to support himself and his family throughout the year.'¹ What Sir William Hunter actually intended to convey in the quotation, so often attributed to him was the opinion of a judge with reference to a Bill relating to agricultural relief in four districts only in one Presidency, and the view was expressed thus :

'The fundamental difficulty of bringing relief to the Deccan peasantry, as stated by the special judge entrusted with this task, is therefore If the Government assessment reduces the cultivator to this condition. . . .'²

When the whole context is taken into consideration it will be seen that the sentence passing as Sir William Hunter's was the sentence of a special judge, and it referred only to four poor and backward districts of the Deccan, i.e., in one part of one Province. Sir William Hunter never wanted to generalise about the condition of a vast sub-continent with over 275 districts in British India and also districts in the various Indian States.

Similarly, the well-known misrepresentation, attributed to Lord Salisbury when Secretary of State for India, that 'India must be bled', when examined in its context is wholly different from what it appears to be when these words quoted by Mr. Dadabhoi Naoroji in his book 'Poverty and Un-British Rule in India',³ alone are given. Really speaking Lord Salisbury was anxious to relieve the Indian cultivator at the expense of commercial and industrial interests in the cities, and he wrote a Minute on the Land Tax, using a financial expression which has been misunderstood by some sensitive minds. In this Minute he wrote :

'So far as it is possible to change the Indian fiscal system, it is desirable that the cultivator should pay a smaller proportion of the whole national charge. It is not a thrifty policy to draw the mass of revenue from rural districts, where capital is scarce, sparing the towns, where it is often redundant. As India must be bled, the lancet should be directed to the parts where the blood is congested or sufficient, not to those which are already feeble from want of it.'⁴

¹ 'The Case for India', W. Durant, pub. Simon and Schuster, New York, 1930, page 22.

² 'The Real India', J. D. Rees, Methuen, 1908, Chap. XIII, page 287.

³ Pub. London, Swan Sonnenschein and Co., Ltd., 1901, page 297.

⁴ Cf. 'The Real India', page 287.

Similarly, Mr. R. C. Dutt's sweeping statements, such as 'The poverty of the Indian population is unparalleled in any civilised country', 'The famines of the latter part of the 19th century are unexampled in extent and intensity in ancient and modern times', 'The finances of the country are not properly administered', 'India in the 18th century was a great manufacturing as well as a great agricultural country', and 'The land-tax is not only excessive, but what is worse, it is fluctuating and uncertain in many provinces', are, in the eyes of an impartial economic historian further illustrations of the same mental disease.¹ In American literature similar statements are to be found at the present time. Dr. Jabez Sunderland, in the first chapter of his book 'India in Bondage'² has stated that famine is more frequent and more intensive than hitherto. Another writer, Mr. Will Durant, is of the same opinion when he quotes with approval :

'India's famines have been severer and more frequent, its agricultural poverty has deepened, its rural population has become more hopelessly in debt, their despair more desperate.'³

This statement may be compared with his remarks on the management and finance of Indian railways (which are not only efficiently run but have been for long a source of revenue to the Government of India). The writer betrays the same morbid tendency when he says inaccurately :

'The railways lose money year after year, and are helped by the Government out of the revenues of the people.'⁴

Dr. C. C. Hall is quoted as having said :

'We send shiploads of grain to India, but there is plenty of grain in India. The trouble is that the people have been ground down till they are too poor to buy it. Famine is chronic there now, though the same shipments of food-stuffs are made annually to England, the same drainage of millions of dollars goes on every year.'⁵

Nothing is said as to the small percentage (in the neighbourhood of 2 per cent.) of grains exported as compared with the total production, and nothing is said, if such shiploads of grain are imported, how they are to be paid for. These economic facts are unexamined, just as statistics are wanting when Mr. Digby, in his book 'Prosperous India',⁶ estimates that the average Indian got 2d. a day in 1850, 1½d. in 1880, and ¾d. in 1900, when no statistics in 1850 and 1880 were available. It is impossible to give, as Mr. Digby does, figures of so many millions going without food. It is not true to say that the present population has not sufficiently increased owing to the system of rule. Sir Salar Jung, who raised the land revenue in Hyderabad by 260 per cent., is praised, while the British, who in the same period increased the land revenue by only 25 per cent., are condemned.⁷

¹ J. P. Fees, 'The Real India', page 296.

² J. T. Sunderland, 'India in Bondage', R. Chatterjee, Calcutta, 1929, Chap. I.

³ 'The Case for India', Durant, page 43.

⁴ Ibid, page 37.

⁵ Ibid, page 53.

⁶ Rees, 'The Real India', page 293.

⁷ Ibid, page 292.

II

To contradict the sweeping assertions of these ill-informed and pessimistic writers, who believe in an imaginary golden age in the past and who talk of degeneracy and decay resulting from the British rule it is necessary to examine economic conditions as they existed in pre-British days (especially in the Mogul Empire). This would enable the economic historian to get at the truth. It is usually necessary to go to the bottom of a well in the search of truth; it is not to be found easily at the top. For this purpose it would be interesting to examine early Sanskrit literature, although it contains not many references to the economic conditions of masses.

In the Vedas a number of diseases, including consumption and leprosy, are mentioned. A few references are to be found in regard to famine. In the third book of the Rig Veda in Hymn 8 a prayer is offered to drive poverty and famine far from us, while in Hymn 53 of the same Book the fact of famine having been dispelled is mentioned. A similar prayer is offered in Book VIII, Hymn 18, to keep off famine, and in Hymn 55 of the same Book Indra is invited to set the people free from famine. In Book X, Hymn 42, the same fact is referred to. In the Nirukta by Yaska, belonging to the late Vedic period, we are told that :

"In the kingdom of Santanu there was no rain for 12 years."¹ The Mahabharata and the Ramayana are concerned with life in high society, and do not give information regarding the masses. We are told in the Ramayana that the king was to have a clear idea regarding the prevention of famine; in the Ayodhya-Kanda, the king is told that :

'There is no rain in the country where anarchy prevails, and that under such conditions there could be no sowing of crops!'²

and that during the reign of Rama people were free from the fear of famine: for example, in the Balakanda; we are told that :

'People would never have to fear famine.'³

In the first book of the Ramayana we have a reference to famine, when we are told that :

'Drought overtook the neighbouring kingdom of King Romapada.'⁴

In the birth stories of Buddha, known as the Jatakas, famine is regarded as one of the incidents of life :

Now at that time there was a drought in the Kingdom of Kalinga; the corn grew not, there was a great famine and men being unable to live, used robbery.'⁵

In the first economic treatise, the Arthashastra by Kautilya, or Chanakya, the well-known minister of Chandragupta, 322-298 B.C., there are many references to famine and taxation.

We are told, for example, that of the providential visitations there are 'Fire, floods, pestilential diseases, famine. . . .'⁶ There was in this prosperous reign a famine which lasted for twelve years and affected Northern India.⁷ In the reign of Harsha another famine also occurred.

¹ 'Nirukta' by Yaska, Chap. 2, Sec. 11.

² 67th Chapter, 9th and 10th verses.

³ 1st Chapter, 88th verso.

⁴ 'The Ramayana, Balakanda' (Account of the boyhood of Rama), Chap. 9.

⁵ 'Jataka', XXII.

⁶ 'Kautilya's Arthashastra', Shamasastri, Mysore Wesleyan Mission Press, 1929; Book IV, Chap. 3.

⁷ Oxford, 'History of India', Vincent Smith, page 75.

In Sir Aurel Stein's translation of the 'Rajatarangini of Kalhana' almost the only historical work in Sanskrit there is a reference to drought in Kashmir in 917 A.D. :

'One could scarcely see the water in the Jhelum, entirely covered as the river was with corpses soaked and swollen by the water in which they had been long lying. The land became covered with bones in all directions, until it was like one great burial ground, causing terror to all beings. The King's ministers and guards became wealthy as they amassed riches by selling stores of rice at high prices. The King would take that person as minister who raised the sums due on the guards' bills by selling the subjects in such a condition.'¹

This brief survey of ancient Indian literature will show the reader that in ancient India before 1000 A.D. famine was not regarded as an exceptional phenomenon. The same conclusion is arrived at when we examine the history of Muslim rule in India.

In the reign of Jalaluddin Khilji a severe famine occurred and many Hindus drowned themselves in the Jumna. In the reign of Mahomad Taghlakh too a terrible famine visited the land and lasted for several years. The Durgadevi famine of 1396, which affected Maharastra for a period of twelve years, occurred in the reign of one Firoz, whose reign, according to Ferista, a well-known historian of the period, was of great splendour. In the days of Mahomad Gawan, one of the ablest ministers of the Bahmani Dynasty, another famine spread over the whole of the Deccan. Nikitin, a Russian merchant, who happened to travel in Bahmani dominions between 1470 and 1474, makes the following observation on the conditions of life of the Hindu peasants :

'The land is overstocked with people; but those in the country are very miserable, whilst the nobles are extremely opulent and delight in luxury.'²

In 1555-56, about the time of the accession of Akbar the Great, the Provinces of Agra and Delhi were affected by a severe famine. Hemu, who was in charge of these Provinces, pampered his elephants with rice, sugar and butter,³ while a contemporary historian, Badaoni, tells us that--

'The people died with the word "bread" upon their lips, and while he valued the lives of a hundred thousand men at no more than a barley-corn, he fed his five hundred elephants upon rice, sugar and butter. The whole world was astounded and disgusted.'⁴

and

'Men ate their own kind, and the appearance of the famished sufferers was so hideous that one could scarcely look upon them. What with the scarcity of rain, the famine and the desolation, and what with uninterrupted warfare for two years, the whole country was a desert, and no husbandmen remained to till the ground. Insurgents also plundered the cities of the Musulmans.'⁵

¹ Stein's Translation of the 'Rajatarangini of Kalhana', Book V, v. 272-275.

² Oxford, 'History of India', V. Smith, page 283.

³ Ibid, page 344.

⁴ 'Akbar the Great Mogul', 1542-1605, V. A. Smith, Clarendon Press, Oxford, 1919, 2nd Edition, page 37.

⁵ Elliot, 'History of India', Trübner & Co., 1873, Vol. V, page 490i.

In the Akbar-nama of Abu-l-Fazl we find the following :

'In some districts, and especially in the Province of Delhi, it reached a most alarming height. If men could find money, they could not get sight of corn. Men were driven to the extremity of eating each other, and some formed themselves into parties to carry off lone individuals for their food.'

In 1595 a terrible famine desolated Northern India and Kashmir, and lasted for three years. Nurulhakk describes it as follows :

'A kind of plague also added to the horrors of this period and depopulated whole houses and cities, to say nothing of hamlets and villages. In consequence of the dearth of grain and the necessities of ravenous hunger, men ate their own kind. The streets and roads were blocked up with dead bodies, and no assistance could be rendered for their removal.'

In the reign of Shah Jehan a series of bad years are recorded, and we are told that from 1628-29 there was drought over the central parts of India, affecting Gujarat and the Deccan, and in 1630 the rains failed for the third time, plunging the country into a great famine (1630-1632) so that from Gujarat to the Golkonda Coast the land became one vast charnel-house. The important fact about this famine is that all contemporary writers substantiate the statements of each other in regard to its terrible results, including cannibalism. Abdul Hamid, the author of the Badshahnama, Mr. Rastell, President of the English Factory at Surat, Peter Mundy and Van Twist may be quoted in this connection :

'Life', says Abdul Hamid, 'was offered for a loaf, but none would buy ; rank was to be sold for a cake, but none cared for it . . . For a long time dog's flesh was sold for goat's flesh, and the pounded bones of the dead were mixed with flour and sold . . . Destitution at last reached such a pitch that men began to devour each other, and the flesh of a son was preferred to his love.'

President Rastell, who writes home, as a merchant would do to-day on business matters, mentions :

'The universal dearth over all this continent, of whose like in these parts no former age hath record ; the country being wholly dismantled by drought.'

Prices rose, he says, to seven times their former level, and the poor artisans, abandoning their homes in large numbers, died in the fields for want of food.

Peter Mundy, a factor in the service of the East India Company, from 1628-1633, described the effects of the famine thus :

'All the highway was (in a manner) strewed with dead people, our noses never free from the stink of them, especially about towns ; for they drag them out by the heels stark naked, of all ages and sexes, till they are out of the gates, and there they are left, so that the way is half barred up. Thus it was for the most part hitherto.'

¹ Elliot, 'History of India', Trübner & Co., 1873, Vol. VI, page 21.

² V. Smith, 'Akbar the Great Mogul', page 267.

³ Elliot's 'History of India', Vol. VII, page 24.

⁴ 'English Factories in India', ed. by W. Foster, 1630-1633, page 122.

⁵ 'The Travels of Peter Mundy' (1608-1667), Vol. II, page 44, Hakluyt Society Publications.

'All this day our noses were infested and our bodies almost infected with a most noisome smell, which after search we found to come from a great pit, wherein were thrown 30 or 40 persons, men, women and children, old and young, confusedly tumbled in together without order or covering a miserable and most undecent spectacle. No less lamentable was it to see the poor people scraping on the dunghills for food, yea, in the very excrements of beasts (as horses, oxen, etc.), belonging to travellers for grain that perchance might come undigested from them, and that with great greediness and strife among themselves ; generally looking like anatomies, with life, but scarce strength enough to remove themselves from under men's feet, many of them expiring, others new dead.'

Van Twist, a factor of the Dutch Factory in Surat, writing in December 1631, says that :

'Going ashore to a village called Swalley we saw there many people that perished of hunger ; and whereas heretofore there were in that town 260 families, there were not remaining alive about ten or eleven families. And as we travelled from thence to the city of Surat many dead bodies lay upon the highway ; and where they died, they must consume of themselves, there being nobody that would bury them. And when we came to the city of Surat we hardly could see any living persons, where heretofore were thousands ; and there is so great a stench of dead persons that the sound people that came into the town were with the smell infected ; and at the corners of the streets the dead lay twenty together, one upon the other, nobody burying them. The mortality in this town is and hath been so great that there have died about 30,000 people.'

He further says :—

'Men deserted their wives and children. Women sold themselves as slaves. Mothers sold their children. Children deserted by their parents sold themselves. Some families took poison and so died together ; others threw themselves into the rivers. Mothers and their children went to the river-bank, and drowned themselves hand in hand, so that the rivers flowed full of corpses. Some ate carrion flesh. Others cut up the corpses of men, and drew out the entrails to fill their own bellies ; yes, men lying in the street, not yet dead, were cut up by others, and men fed on living men, so that even in the streets and still more on road journeys, men ran great danger of being murdered and eaten. . . .'

¹ 'The Travels of Peter Mundy' (1608-1667), Vol. II, pages 43-44.

² 'English Factories in India', 1630-1633, pages 180-181.

³ Moreland, 'From Akbar to Aurangzeb' Macmillan & Co., 1923, page 212.

The famine of 1770 in Bengal accounted for a mortality of one-third of the total population.

'The scene of misery that intervened', wrote one of the Company's servants in 1770, 'and will continue shocked humanity too much to bear description. Certain it is that in several parts the living have been fed on the dead.'¹

These accounts have to be considered when assertions are made about the severity of famines in modern times. Owing to the absence of the means of communication² and organised famine relief policy, such as was worked out in the last quarter of the 19th century and the first part of the present century, famines in pre-British days were, all things considered, more terrible in their consequences than those of more modern times. The results of the three successive Famine Commissions have been that the term 'famine' to-day has changed its meaning; it no longer means, with increased communications and a definite policy of relief suffering from hunger on the part of a large proportion of the population, but only temporary dislocation of employment on a large scale.

A writer in a recent article in "Young India" of 25th July 1931, drew some fallacious conclusions about the growing intensity of famines during the British period. In his eagerness to prove that throughout the British period the famines have been of increasingly severe nature, he adopts a line of reasoning the fallacy of which could be easily detected. He puts forth statistics which refer to a short period of about 12 years, *viz.*, 1888 to 1900 A.D. and draws a general conclusion about the whole period of British rule. Because between 1888 and 1900 the area and the population affected showed on the whole an increasing tendency, he argues that the same must be the case with reference to the period that follows.

A better analysis of causes that bring about a state of famine has been given by a modern Indian writer in the *Annals of the American Academy of Political and Social Science*. He says:

'The pathogenic conditions that usher in an era of local or widespread famine are the outcome of any one or more of the following causes: (1) drought; (2) floods; (3) insect pest; (4) hail or frost; (5) devastation by armies or wholesale evacuations as were ordered in the time of Muhammad Tughlakh when he changed the metropolis from Delhi to Deogiri in the South; (6) absence of diversity of occupations; (7) exclusive dependence on agriculture or, in the expressive language of the Sanskritists, excessive milking of the agricultural cow so that nothing is left for the nourishment of the calf; and (8) "the earth's becoming man-heavy". Any of these causes or the cumulative effect of more than one creates a milieu where in those who are not in a position to lower their standards are left resourceless.'³

¹ 'The Annals of Rural Bengal', Hunter, page 410, quoted by Roberts, 'Historical Geography of India', Chapter 15.

² In the vast Continent of India there were scarcely any metalled roads. The few roads that did exist, such as the road constructed by Sher Shah and in Akbar's reign, were between one capital and another. Cf. 'Akbar the Great Mogul', V. Smith, page 413: 'The roads, except certain great highways, were not good and permanent bridges over even the smaller rivers were rare'. There was a long walk between Lahore and Agra, and Sher Shah constructed a highway between Agra and Delhi. The point of emphasis in the memorandum is the comparative lack of communications which made the various parts of India landlocked, and this economic isolation resulted in a limitation of markets and a low production in the country as a whole.

³ 'India', *Annals of the American Academy of Political and Social Science*, Part II, Volume CXLV, September 1929, edited by Professor Bhandarkar, page 84. Compare also article on the 'Caste System and its Relation to the Social and Economic Life', page 183 of the same volume.

III

Poverty, as the economic history of pre-British rule shows, is not a modern phenomenon brought about in some mysterious way by British rule.

If it could be shown, as is impossible, that poverty did not exist when there was no British rule in India, there would be something to say in favour of the assertion that poverty was the result of the present system of rule. False comparisons are made between countries whose background is entirely different; comparisons are made, for example, with advanced countries of the West like England at the present time, instead of comparisons being made with countries where the conditions of agriculture and of living, as in Bulgaria, Greece and Northern Italy, are not very different from what they are in India. Insufficient production, unequal distribution and waste account for poverty in all countries. Where these factors do not exist poverty does not exist either. Lord Curzon referred to this question thus:

'There has always remained a school of thought that declined to be convinced. With them the poverty of the Indian peasant, the decline of the country, and I may almost say its ultimate ruin have almost become an article of political belief, based upon sentiment rather than reason, and impervious to the evidence of facts. And the final argument that has always been used by critics of this class is the following: "We are not impressed by your figures; we do not believe in your surpluses; we are not even convinced by your occasional doles. Not until you give a permanent relief of taxation shall we be persuaded either of the sympathy of Government or of the prosperity of the country. That is the sure and final test of the condition of India and of the statesmanship of its rulers". Well, I feel inclined to take these critics at their own word, and to invite them, now that we have subscribed to their test, to abate their melancholy, and to be a little more generous and less sceptical in the future.'¹

'There exists a school that is always proclaiming to the world the sad and increasing poverty of the Indian cultivator, and that depicts him as living upon the verge of economic ruin. If there were truth in this picture I should not be deterred by any false pride from admitting it. I should, on the contrary, set about remedying it to the best of my power at once. Wherever I go I endeavour to get to the bottom of this question, and I certainly do not fail to accept the case of our critics from any unwillingness to study it.'²

and again

'It is not a stationary, a retrograde, a down-trodden, or an impoverished India that I have been governing for the past five and a half years. Poverty there is in abundance. I defy any one to show me a great and populous country, or a great and populous city, where it does not exist. Misery and destitution there are. The

¹ 'Lord Curzon in India', 1898—1905, Vol. I, page 123, pub. Macmillan Colonial Library.

² *Ibid*, page 99.

question is not whether they exist, but whether they are growing more or growing less. In India, where you deal with so vast a canvas, I daresay the lights and shades of human experience are more vivid and more dramatic than elsewhere. But if you compare the India of to-day with the India of Alexander, of Asoka, or Akbar, or of Aurangzeb—you will find greater peace and tranquillity, more widely diffused comfort and contentment, superior justice and humanity, and higher standards of material well-being, than that great dependency has ever previously attained.¹

In order to compare conditions in India with those prevailing elsewhere it is advisable to compare like with like; that is to say, comparison should be made with countries where conditions approximate to those in Europe, China and Japan, and not to those in more advanced countries like the United States and England where much capital has been sunk in the soil and agricultural machinery used efficiently with efficient labour. Calvert in his 'Wealth and Welfare of the Punjab'² points out some of the fallacies relating to Indian poverty. He points out that there is much material available to controvert many of the current views, but

'It needs to be handled by persons skilled in economics, and determined to bring to the task minds free from bias both political and religious. There are so many fallacious statements uttered that it is not easy to trace the origin of the misunderstandings. Some are palpably absurd. Such, for instance, is one that this is the only country where land-revenue is collected. Any book of reference would have provided a correction. Similarly, to argue that the rise of prices of agricultural produce has not brought benefit to the rent receivers³ indicates an omission to note that about half the land in the province (*i.e.*, the Punjab) is cultivated by tenants paying rent in kind, so that the rent receivers secure full advantage of any rise in the price of the produce in which their rent is paid. Most of these fallacies when examined seem to owe their origin to a marked disinclination to admit the responsibility of the people for their present state. It is everybody's fault except their own'.⁴

Calvert points out that a common misapprehension in regard to the problem of poverty in India is that India is poor while Europe is rich.

'Europe, in the opinion of the writer, is industrial while India is agricultural, and this is the main reason of Europe's wealth and India's poverty. Now so far from Europe being mainly industrial, the

¹ 'Lord Curzon in India', 1898—1905, Vol. I, pages 62-63.

² 'The Wealth and Welfare of the Punjab,' H. Calvert, Lahore, Civil and Military Gazette Press, 1922, Chap. XV, 'The Economic Causes of Punjab Poverty'.

³ A Professor of Economics.

⁴ Calvert, 'Wealth and Welfare of the Punjab', Chap. XV, page 197.

Cf. Sir M. Visvesvaraya, 'Reconstructing India', pages 237-238:

'The general outlook upon life in India, as things are now, is too gloomy to permit sound individual or social development. Far too common is the belief that life is merely a transitory stage in the passage of the soul to another world. That notion chills enthusiasm, kills joy and promotes fatalism . . . In some cases the joint family system tends to produce drones; some Indians actually take pride in the number of persons they maintain in idleness . . . While Indians feel that life is a burden, people in the West are full of hope and intensely active.'

industrial tracts are strictly confined to definite areas, usually possessing some special advantage facilitating the prosecution of some particular industry. North-Western Europe may be described as predominantly industrial; but there are large divisions of England, and still larger of Scotland and Ireland, where there are no manufacturing industries and yet where there is a high average standard of prosperity, and where a charge of being backward would be resented. Southern Europe and European Russia are mainly agricultural; lack of power in the form of coal being an important cause of the absence of manufactures.¹

No statistical information is available for a careful comparison between conditions in India and those in China, but in China, owing largely to the large population per square mile, the standard of living is low. A recent authoritative writer on China and Japan, Dr. Emil Lederer, points out that in China,

'Hundreds of thousands of farms are practically unaffected by national or international division of labour, and returns are very meagre. The farmer's income is more than modest even if we express it in terms of the means of subsistence. The poor household never knows a luxury and existence must be eked out with less nutritive foods, millet especially . . . The houses in the villages are constructed miserably, built only of clay, for the most part, and consisting of a single room in which only the raised sleeping place is heated from below. Grass, roots and dry twigs must serve as the scanty fuel, because the forests have been denuded . . . The wretched clothing of the people in the villages is frequently made at home or when possible, acquired second hand . . . In spite of this poverty Chinese agriculture forms the basis for one of the most stable of economic systems. During the recent years of profound national and municipal changes and of extensive industrial developments, it has scarcely altered. For this the primitive condition of the roads is largely responsible . . .'²

An interesting account of the rise in the standard of living that is taking place in many parts of India, especially in the Punjab, is given by Darling in his book on 'The Punjab Peasant in Prosperity and Debt'.³ He points out how 60 or 70 years ago the Punjab villager summed up his desires as follows:

'Let him see ten good oxen, ten maunds of mixed grain, the milk of a buffalo and some sugar to stir into it, and a fair assessment after harvest; God give me so much and I won't say another word.'⁴

Dress as well as food was of the simplest. To-day the style of living is very different from what it was 30 years ago. In the Punjab colonies good houses, a plentiful water supply with cisterns and taps, good roads, etc., are everywhere to be found.

At the present time, while ethics is knocking at the door of economics in the United States as well as in England, in India economics is knocking at the door of ethics. The trade unionist in England to-day, for example, has

¹ Calvert, 'Wealth and Welfare of the Punjab', Chap. XV, page 198.

² 'Encyclopedia of the Social Sciences', Vol. I, pub. Macmillan, New York, 1930, page 590.

³ Pub. Milford, Oxford University Press, 1925.

⁴ Darling, 'The Punjab Peasant in Prosperity and Debt', page 156.

taken up the doctrine of fair wages, the co-operative society analyses the problem of the just price, and in 1927 a Bill was passed to control usury. Custom dominates the economic life of India to-day and that custom may have been religious in origin, but there is no doubt that what Hobbes describes as a 'life solitary, poor, nasty, brutish and short' is largely due to this. Nevertheless, in the advanced parts of the country a change is taking place. The Mahommedan who must pray five times a day, fast in Ramzan, give away annually two and a half per cent. of his movable property, go, if he can afford it, to Mecca and never take interest, is changing his view in regard to the last; he is now in some parts of the Punjab taking interest on money lent. There is also the tendency towards monogamy and the weakening of the purdah. Hindus in certain parts of the Punjab are bringing back the sacred cow from the temple to the field, and are selling the animal to the butcher when the cow is past giving milk or past work. The Sikh, who by his religion is prevented from smoking, is taking to the growing of tobacco. In some villages, according to Darling birth control is being practised. As an old Sikh said: 'Too much rain reduces the crop, too many sons bring reproach'; another Sikh peasant said: 'Every son comes with a share written on his forehead', and the Sikh sees that uneconomic holdings will result.¹

Although much has been done to raise the standard of life of the cultivators by technical experts such as the Irrigation Engineer, the Agricultural, Public Health and Veterinary Departmental Officers, a real change in production cannot take place without the widespread co-operation emphasized by the Royal Commission on Agriculture in India.² This in turn cannot take place without more and better education such as obtains to-day in Japan. The condition of the peasantry in India to-day is probably more satisfactory in parts of the Punjab and of the Bombay Presidency than in most other parts of India, owing to the greater strength of the co-operative movement, the prevalence of peasant ownership, and in the Punjab, to the Land Alienation Act, which arrested the process by which the peasantry were becoming the economic serfs of the money-lenders. Disastrous sub-division and fragmentation of holdings make it impossible for cultivators to reach a standard of comfort which would otherwise be possible. To a large extent, however, the causes of Indian peasant poverty are to be found in immemorial social custom. Caste restricts the free movement of labour from one occupation to another, although to a less degree than formerly, and it forbids the employment of certain fertilisers. Moreover, the Indian veneration for the cow has had bad economic results. At the Indian Board of Agriculture some years ago it was pointed out that the annual economic loss caused by some twenty-five million superfluous cattle amounted to 585 million dollars, more than four times the land revenue. The reluctance of many Hindus to keep the animal world in its place is a contributory cause of poverty. But there are other more removable and more important factors of poverty; one is the heavy indebtedness of the peasantry, sub-infeudation of property and insecurity of tenure are other causes. Two Indian economists have pointed out that:

'The poverty of the people is in the last analysis due to a defect of outlook on their part, caused by a religion which is unworldly beyond any other. People in India, so runs the argument, are too spiritually minded to care sufficiently for the production and

accumulation of wealth. They seek to achieve contentment not by increasing standards of living and then by struggling to satisfy these standards, but rather by a rigid limitation of all desire. Rather than add more fuel, they prefer to take away as much of the fire as possible. Other alleged causes are contempt for manual labour; the sufferance or even encouragement of thousands of parasites like the wandering Fakirs and Bairagis who are a burden on the community; the cramping influence of various religious prejudices and the existence of a number of anti-economic customs and traditions such as those, for instance, which result in the withdrawal of a large number of women from all economic activities; unrestricted multiplication of numbers; various practices like that of early marriage, which sap the physical vitality and therefore, diminish the economic efficiency of the race; prevalence of diseases like malaria and hookworm which have the same debilitating influence; the love of litigation which is supposed to characterise the Indian people whose delight in scoring points, it is said, makes the court of law such a haunt for them, etc. The administration is also blamed as being in no small measure responsible for the backwardness and the poverty of the country. Government are accused of not having exerted themselves, as much as they ought to have, to develop the economic resources of the country. Particularly are they charged with having failed to take the necessary steps for fostering industrial development Whatever tends to reduce the productivity of the people must be regarded as a cause of poverty. But besides low production unwise consumption may also act as a drag on economic progress. Intelligent consumption or 'rational destruction of utilities' requires 'reflection, intelligence and imagination'. Great wealth often breeds great wants, many of which are evil and unwholesome and, like undutiful children, they eventually sink wealth, from which they have sprung, down to poverty.'¹

There is much truth in what an impartial critic of Indian economic conditions, Professor Brij Narain, points out, that:

'The British Government has done more to improve Indian agriculture and to increase production than any of our rulers in the past. Agricultural production in normal years is much greater than it ever was and, thanks to the development of irrigation and rapid means of transportation, the very meaning of the word famine has changed. No part of India has benefited more by the development of irrigation than the Punjab. Our canal system is one of the wonders of the world, and its importance to the economic life of the Punjab is recognised by everyone Attention has also been paid to the improvement of agriculture. Among other things which deserve notice is the introduction of improved varieties of crops While India's agricultural wealth and income have increased, the share taken by the Government as land revenue has steadily decreased.'²

¹ 'Indian Economics', Jathar and Beri, Bombay, Taraporevala Sons, 1929, Vol. II, pages 198-199.

² 'Indian Economic Life', Brij Narain, Lahore, Uttar Chand, Chap. II, pages 27-28.]

¹ M. L. Darling, Presidential Address, Indian Economic Conference, 1928, *vide* 'Indian Quarterly Journal of Economics, 1929,' page 489.

² 'Report of the Royal Commission on Agriculture in India, 1928'.

IV

In discussing pre-British wealth it is difficult to obtain any information of a statistical nature. Early Hindu literature describes kings and the upper classes, but rarely, if ever, refers to the standard of comfort of the lower classes. The same holds good of the Mahomedan period, where the writers are often courtiers praising the ruler or the patron. One thing is clear, and that is the population in early times was not large; indeed, about 100 years ago the population of India was certainly below 100,000,000 and Moreland's estimates of India's population at the death of Akbar, 100,000,000¹, are if anything an exaggeration, if the figures arrived at and published by the Royal Statistical Society in 1847 are correct. The following table² gives the population and the rate of increase over the previous census:

Census of	Population.	Variation per cent. since previous Census.
1872	206,162,360	..
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	352,986,876	+10.6

Adam Smith, in the eighth chapter of the 'Wealth of Nations' observes that the most decisive mark of the prosperity of any country is the increase of the number of its inhabitants. Adam Smith's remark, however, must be received with modification as there are circumstances under which the absolute number of a community may increase without any great amelioration in their physical condition. Capital, and the increased consumption of certain articles, implying an increased power of procuring the necessities of life, would also have to be considered. As pointed out in the Prices Committee's Report,³ there is increased consumption in certain articles which connotes a greater standard of comfort, and during the last 30 years there has been a steady increase in the absorption of gold and silver by India. The latest figures show that the consumption in the last 30 years was 1,881 million dollars of gold (£387,000,000, or the equivalent of 4.5 times the production of 1930),

¹ Moreland, 'India at the Death of Akbar', page 22.

² 'Census of India, 1921', Vol. I, page 7.

³ 'Report on the Enquiry into the Rise of Prices in India, 1914', Vol. I, Chap. X, page 128.

and 1,750 million dollars of silver. The following table¹ shows the net imports of gold and silver into India in the last 10 years:

Year.	(Millions.)				Percentage of imports of gold to world production of gold.
	Gold.	Silver.	Total.	Total.	
	Rs.	Rs.	Rs.	£	
1921-22	—30	150	120	8	—3.0
1922-23	410	180	590	40	41.5
1923-24	290	190	480	32	26.6
1924-25	740	200	940	69	66.6
1925-26	350	170	520	39	32.1
1926-27	190	200	390	30	19.5
1927-28	180	140	320	24	15.8
1928-29	210	130	340	23	18.3
1929-30	140	120	260	20	12.7
1930-31	130	120	250	19	11.6
Average for last ten years	261	160	421	30.4	24.0

It is interesting to compare conditions as we find them to-day with conditions at the time of Akbar. A witness such as Linschoten refers to the poverty of the common people living in Goa, and in describing the country people he says their condition is very poor:

'They are so miserable that for a penny they would endure to be whipped and they eat so little that it seemeth they live by the air; they are likewise most of them small and weak of limbs.'²

which is borne out by Sir Thomas Roe in the early 17th century, when he stated that the people of India

'Live as fishes do in the sea, the great ones eat up the little. For first the farmer robs the peasant, the gentleman robs the farmer, the greater robs the lesser and the King robs all.'³

'The great bulk of the population', says Moreland, 'lived on the same economic plane as now: we cannot be sure whether they had a little more or a little less to eat, but they probably had fewer clothes, and they were certainly worse off in regard to household utensils and to some of the minor conveniences and gratifications of life, while they enjoyed practically nothing in the

¹ 'Economic Journal', December 1929, article on 'Gold and British Capital in India', by G. Findlay Shirras.

² Moreland, 'India at the Death of Akbar', Chap. 7, 'The Standard of Life', page 268.

³ *Ibid*, page 269.

way of communal services and advantages. That is the picture itself; in the background is the shadow of famine, a word which has changed its meaning within the last century. In Akbar's time, and long afterwards, it meant complete if temporary economic chaos, marked by features which, repulsive as they are, must not be left out, destruction of homes, sale of children into slavery, hopeless wandering in search of food, and finally starvation, with cannibalism as the only possible alternative. It is against this background that the splendour of Agra or Vijayanagar must be viewed.¹

and writing of the period from Aurangzeb onwards, Sir Henry Maine said that:—

'The true secret of the poverty of India I take to be the desolation caused by the war and brigandage of about two thousand several chiefs while the Moghul dominion was dissolving. I think that India during the reign of Akbar and Jahangir was probably as rich as the Western world thought, but its carefully hoarded capital was destroyed in the same way as the accumulations of the Roman Empire.'²

Estimates of the pre-British wealth of India cannot be supported by any statistics of value. We know, however, that the population was not large, indeed it was comparatively small, and even about 1850 it did not exceed 100,000,000 as already noted. Colonel W. H. Sykes, F. R. S., in a paper read before the Statistical Section of the British Association at Oxford, June 1847, pointed out that:

'Numerous writers have stated the population of India to be 150 millions of souls: of this number, 32 millions were allotted to the North-Western Provinces, and I have myself used these numbers as data in certain deductions in Statistics of Civil and Criminal Justice in India. An inquiry of a careful nature, but yet this inquiry, incapable of being characterized as a census, reduces the 32 millions to less than 20 millions! Why, if this proportionate reduction be applicable to the 150 millions we shall have 56 millions swept away, and about 94 millions only left for the population of India. But the Editor of the "Friend of India" in some apposite remarks, 18th March 1847, which the nature of even the last inquiries fully justify, would raise doubts as to the actual population approaching anything like 100 millions.'³

We know that large portions of the land were not cultivated, and that there was much rack renting. In support of this we may refer to Bernier, who spent two years travelling in the Moghul Empire, 1656-58; he says:

'Even a considerable proportion of the good land remains untilled for want of labourers; many of whom perish in consequence of the bad treatment they experience from the governors. These poor people, when incapable of discharging the demands of their rapacious lords, are not only deprived of the means of subsistence, but are bereft of their children, who are carried away as slaves.'

¹ Moreland, 'India at the Death of Akbar,' Chap. 7, 'The Standard of Life', pages 279-80.

² Sir Henry Maine, 'Early Law and Custom', quoted by Pillai, 'Economic Conditions in India', Routledge, page 12.

³ 'Journal of the Statistical Society', 1847, Vol. X, page 248.

Thus it happens that many of the peasantry, driven to despair by so execrable a tyranny, abandon the country, and seek a more tolerable mode of existence either in the towns or in the camps. Sometimes they fly to the territories of a Raja, because they find less oppression and are allowed a greater degree of comfort . . . the ground is seldom tilled except under compulsion, and no person is willing or able to repair the ditches and canals; the whole country is badly cultivated, and a great part is rendered unproductive for want of irrigation . . . No adequate idea can be conveyed of the sufferings of the people. The cudgel and the whip compel them to incessant labour for the benefit of others.'⁴

and again

'The peasant cannot avoid asking himself the question, "Why should I toil for the tyrant who may come to-morrow, and lay his rapacious hands upon all I possess and value, without leaving me, if such should be his humour, the means to drag on my miserable existence?" The Timorists, governors, and revenue contractors on their part reasons in this manner: "Why should the neglected state of this land create uneasiness in our minds? And why should we expend our money and time to render it fruitful? We may be deprived of it in a single moment, and our exertions would benefit neither ourselves nor our children. Let us draw from the soil all the money we can, though the peasant should starve or abscond, and we should leave it, when commanded to quit, a dreary wilderness".'⁵

We also know that the distribution of wealth was extremely unsatisfactory as there was a concentration of wealth at the Courts of the Emperors and in the cities. It was this visible stock of wealth that arrested the imagination of the travellers in this period.⁶ From the point of view of the wealth and welfare of the masses we cannot take this into consideration. Marshall has well summarised certain conditions for the production and growth of capital which bear repetition:

'The growth of capital', he says, 'depends upon the power and the will to save; the power of saving depends upon the amount of wealth out of which saving can be made. Some countries, which have a large population and produce a great amount of wealth, have very little power of saving. The whole Continent of Asia, for instance, has less power of saving than England has.'⁷

As production depends on labour, capital and organisation, we may say that the total production would depend not only on the fertility of the soil and a good climate, but also on the number and especially on the efficiency of the working population. Moral and social conditions made it difficult

⁴ Moreland, 'From Akbar to Aurangzeb', Chap. 6, page 202.

⁵ *Ibid*, Chap. 8, pages 256-257.

⁶ Oxford, 'History of India', Vincent Smith, pages 392-393.

⁷ 'Economics of Industry' by Professor and Mrs. Marshall, Chap. 6, 'Growth of Capital.'

Cf. also 'Elements of Political Economy,' Nicholson, Chap. 8.

Cf. also 'Principles of Political Economy,' Nicholson, Book I, Chap. 6.

in pre-British times, if not impossible, to accumulate capital. There was no enterprising middle class, and without political and commercial security there could be no saving, because governments must protect the property of the individual from fraud and violence, and when he dies those left behind must be able to inherit the property. One of the chief motives of modern accumulation of wealth is the fact that :

As soon as a man has saved a few pounds, he can buy a share in a railway or other public company which will yield him a small but safe income, without his troubling himself further about it. Saving banks, friendly and building societies collect and store up the savings of those who can only put by very small sums at a time. Commercial security and habits of confidence are a product of civilisation, and grow with it. Political security must be paid for ; but taxes which some governments levy in money and in compulsory military service are a dear price for this security and materially diminish the countries' power of accumulating capital. Capital as well as industry requires to be protected by the Government and from the Government.¹

Now, in pre-British India, the nobles had the power to save, but this was greatly counteracted by the lack of the will to save. The lack of will was the consequence of the lack of security. Administrative methods created an environment under which neither efficient production nor equitable distribution was possible. Owing to the extravagance of the Kings and the aristocracy there was little money available for the construction of public works, which are the factors producing wealth, and accordingly with the absence of such factors the wealth was small.² Even in those times, as noted by Adam Smith, Europe sent the precious metals to India, with the result that, in Sir Thomas Roe's words 'Europe bleedeth to enrich Asia', a Mercantilist conception of the period. The import of the precious metals does not connote a high standard of comfort for the masses. Gold and silver and precious jewels were hoarded largely owing to insecurity. If we look at the sources from which wealth comes in modern conditions such as the efficiency of labour and capital, and the amounts taken by the Government for the public services, and the direction of public expenditure, as well as foreign trade, the nature and extent of communications and the credit system of the country, pre-British wealth could not have been large, and the standard of comfort of the masses in consequence must have been low. The economic historian cannot get away from the depressing fact that in the pre-British India from the 16th to the middle of the 18th century the national income per head must have been excessively low and that India then as now was in reality a very poor country.

In making comparison there is always the danger of comparing like with unlike and not like with like and in so doing to arrive at unnecessarily pessimistic and even alarming conclusions. If the national income of India to-day be compared with that of the United States of America, instead of being compared with that of Bulgaria and other parts of Europe, and also with China, where

conditions are similar, we get an incorrect view point. Unless comparisons are made with care,

'One might as well attempt to prove by induction the truth of Swift's saying that eleven men fully armed are more than a match for one man in his shirt. If knowledge is superior to ignorance, if steam-power is greater than hand-power, if the intelligent adaptation of means to ends is preferable to a primitive rule-of-thumb, then it is certain that England must every year produce more wealth per head than India. As long as the two countries continue to be organised industrially upon such different models, England will be a rich country, and India, by comparison, a poor country. But in truth the comparison ought never to be made ; for nothing but confusion of thought arises from the comparison of incomparables. An economic comparison of England, Germany, and the United States may be very suggestive ; Mr. Shadwell's 'Industrial Efficiency' is sufficient evidence of that. India might profitably be compared with many countries of Eastern Europe which are still at the same stage of industrial evolution. But the comparison of India with England, countries at totally different stages, is not only valueless but misleading. The comparison of like with like would perhaps result in showing that Germany is still a poor country compared with England, but I am not at all sure that it would show that India is a poor country when compared with countries which, like most of the Balkan States, still retain the essential characteristics of the old organisation. The difficulty of such a comparison lies in the fact that the industrial revolution is in full swing everywhere, and when once the transformation has begun to take place it proceeds with such rapidity that the country which has the start of only one generation is far the wealthier.¹

The method of estimating the national income has been described in the 'Science of Public Finance',² where the following official and non-official estimates for British India have been given :

Year.	Population (Millions).	Total Income (Millions of Rs.).	Per capita Income Rs.
1871	170.0	1,652	9.7
1881 ³	196.4	2,573	13.1
1901 ³	223.5	2,183	9.7
1911 ³	242.7	6,291	25.7
1921	247.0	12,626	52.0
1922	247.0	10,570	42.3
1923	247.0	10,935	44.2
1924	249.0	10,935	43.7
1925	250.0	11,028	48.1
1926	252.0	10,570	42.0
1927	254.0	10,024	38.8
1928	257.0	10,388	40.3
1929	257.0	10,206	39.8
1930	257.0	10,388	40.3 ⁴

¹ 'The Economic Transition in India', Theodore Morison, Murray, 1911, pages 159-60.

² G. Findlay Shirras, Macmillan & Co., Second Edition, page 138.

³ Non-official estimates.

⁴ For details see Table I in the Appendix.

¹ 'Economics of Industry', Professor and Mrs. Marshall, page 39, 'The Growth of Capital'.

² Cf. Moreland, 'From Akbar to Aurangzeb', page 304.

The figures have recently been worked out for the last ten years and those from the year 1922 have been added to the table. The method followed has been to estimate with the best available data, both the agricultural and non-agricultural incomes of the country. In the case of agricultural income a certain allowance has, as in the case of other countries, to be made, for seed and the renewal of capital used up in production. Similarly, in calculating profits, further similar deductions have been made. At the same time a caveat is necessary in regard to the different methods pursued in calculating national income in various countries. In some countries, such as an industrial country like England, where income-tax administration is efficient, the income-tax statistics are very valuable. In other countries, where income-tax returns are less satisfactory, and cover only a small part of the population, these statistics are not of the same importance. An attempt has been made to work out carefully by the best statistical information available the burden of taxation in India as compared with other countries, and also the income per head (man, woman and child) of various countries. It will be seen that the income per head in India is low as compared with other countries. Unfortunately statistics are not available for China, which it is believed has even a lower income per head. The income approximately is next below that of Soviet Russia, and the income per head in India (man, woman and child), when converted into dollars, amounts to \$40 per annum as compared with \$466 in the case of England and \$749 in the case of the United States. In other words, the income is 1/12th of that of England and 1/20th of that of the United States.¹ In making comparisons one has to take into consideration the different standard of values which prevails in regard to the necessities of existence and efficiency, and even comforts and luxuries. Those in a hot country differ considerably, as for example, in clothing and fuel, from a colder climate. A well-known Indian writer, Ravindranath Tagore, has expressed it thus :

'We have as far as possible made our food and clothing unburden-some, and this our very climate has taught us to do. We require openings in the walls more than the walls themselves. Light and air have more to do with wearing apparel than the weaver's loom; the sun makes for us the heat-producing factors, which elsewhere are required from foods. All these natural conditions have moulded our life to a particular shape which I cannot believe it will be profitable to ignore.'

Tagore does not mean to glorify poverty, but to emphasize the difference in standards and outlook: and the difference of outlook he regards as a valuable asset in the production of wealth, as well as in solving the discontent, especially from the point of view of distributive justice. A reference to Table I in the Appendix will give the figures in detail

¹ See Table I in the Appendix.

V

It will be interesting to compare the present position of India's wealth to-day with that in pre-British times. No reliable estimate, even on the lines of Sir Josiah Stamp's recent Presidential Address on the National Capital of Great Britain, has been attempted, as has been done in the case of the national income of British India. In the present century the capital value of railways, irrigation works, government buildings and real property generally have greatly increased, as have also the imports of gold and silver, which since 1900 up to the present time have totalled 1,881 million dollars and 1,750 respectively. Some indication of the hoarding that prevails has been given recently in the *Economic Journal*, which shows that the total amount of gold in India at the present time is somewhere in the neighbourhood of £600,000,000, or 2,916 million dollars. As pointed out in that article¹ the hoards are in many cases a very large amount, but as is to be expected in a country where the national income per head is low, the net imports of gold and silver are also not high. The Finance Minister, Sir George Schuster, has emphasized time and again the advantage which would accrue to India where the amount hoarded and imported annually invested productively in the country. It has sometimes been said that the amount of foreign capital in India is approximately 4,860 million dollars, or £1,000,000,000. This figure, as will be seen from the table appended², is incorrect because it includes companies doing business in other countries as well as in India. The Finance Minister accepts my figure of approximately 2,430 million dollars, or £500,000,000. This figure can be checked by a reference to the Balance of Payments, and to the Interest Dividends paid on foreign capital invested in India.³

Foreign capital has been invested in India in railways and in other forms of productive enterprise in just the same way as British capital was invested in American railways and other concerns before the War, and India has, to use an expression of the old Mercantilist days, 'a considerable favourable balance of trade', just as has the Argentine, Australia, Canada, the United States of America, the Union of South Africa, and certain other countries at the present time. The estimates of interest and dividend payments, both on Government and Municipal Foreign Debt, are in India in the neighbourhood of 125 million dollars. Commission, insurance brokerage, and similar payments amount to 3.7 million dollars. The invisible imports are summed up as follows: political writers have called the Government expenditure abroad on railways, interest payments on debt, salaries, pensions and the expenditure in connection with the British Army in India, a 'drain' upon the country's resources. All payments which India makes to foreign countries, whether for interest on loans or for other services, are payments from the national dividend, and *ipso facto* constitute a deduction from that dividend. From the point of view of theory those payments, which are made in the form of interest payments, are not a deduction in the same way as, say, interest

¹ 'Economic Journal', December 1929, Vol. XXXIX, page 631, 'Gold and British Capital', Findlay Shirras.

² Table XII.

³ Vide "Times of India", 17-2-30, Annual Meeting, Federation of Indian Chambers of Commerce.

payments on inter-allied debts. The national income is greater owing to the result of capital having been productively invested in the country, and Sir Josiah Stamp rightly emphasizes this fact in all such payments which countries have to make abroad. Where, however, payments are made for services some Indian writers say that this constitutes a real drain on the country, ignoring the services rendered and the law and order which results from efficient government. Most economists define the so-called 'drain' not as the total debits of the country, such as imports, as this would be, in the words of Sir Theodore Morison, 'an untenable position',¹ but those outgoings for which a country receives during the year no equivalent in goods or money.

In the balance of payments we have to take a series of years rather than a particular year, as the payments are not made in a definite period of time, such as a twelve-month. If on the one hand we take exports of private merchandise and on the other hand imports of merchandise, together with imports of the precious metals, we still have a favourable balance of trade, which may be called the visible balance of trade. There is a balance of remittances of funds which pay for interest on debt, government expenditure on railway and other material, military charges, including effective charges such as payments for British Forces to the British War Office, furlough allowances, and the cost of transport of British troops, and non-effective charges such as the pensions to retired officers,² leave salaries of civil servants, and pension to retired civil servants in England. There are also certain other items such as a share of part of the expenditure of the India Office, and the expenses of our High Commissioner in London. The detailed expenditure and its description will be found in Statement 4-B of the Finance and Revenue Accounts of the Government of India.³ The following table summarises the figures for the year 1928-29 :

HOME CHARGES.

Distribution of Expenditure in England for the year ended 31st March 1929.

	Millions of	Percentage of the total.
£	\$	£
1. <i>Capital Expenditure</i>	10,772,967	52.3
2. <i>Railways</i> (Railway Revenue Account, including interest on debt on commercial lines and interest on capital contributed by Companies and Indian States)	8,982,600	43.5
		22.2

¹ 'The Economic Transition in India', Morison, Chap. 8.

² It is this item perhaps more than any other which Indian politicians have criticised not only because of the amount of these military charges but also the share of military expenditure between the English and Indian Armies. Gokhale, for example, pointed out that the Government of India is forced to depend for her British troops on the English War Office, and therefore to pay for their recruitment as well as for their salaries, practically the price which the War Office demands.

(*Vide* Gokhale's Speeches, Natesan, Madras, page 732.)

In recent years from Lord Curzon's time the Government of India, especially since the Report of the Incheape Committee, which suggested a reduction in the military expenditure in the neighbourhood of Rs. 50 crores, have insisted on a scrupulous regard for fairness in the sharing of these charges.

³ *Vide* 1, next page.

3. *Military Services—*

	£	\$	Percentage of the total.
Effective	6,034,582	29.3	14.9
Non-effective	3,662,747	17.8	9.0
Others	236,804	1.1	0.6
Total	9,934,133	48.2	24.5

4. *Debt Services—*

Interest on debt other than that charged to railways	5,566,311	27.0	13.7
Interest on other obligations	13,557	0.1	..
Total	5,579,868	27.1	13.7

5. *Superannuation Allowances and Pension (Civil)*

2,450,280 11.9 6.1

6. *Civil Administration* (Establishment of High Commissioner for India in London, Leave Salaries, etc.)

1,981,387	9.6	4.9
807,725	3.9	2.0

7. *Others*

TOTAL	40,517,960	196.5 ¹	100.0
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SOURCE:—'Finance and Revenue Accounts of the Government of India, 1928-29, Calcutta, 1930, Table 4-B'.

In regard to interest payments on debt it is extremely important to remember that India to-day is precisely in the position of the United States of America before the War, which borrowed money abroad for the development of her resources, especially railroads and other concerns. The interest on such loans cannot be described as a 'drain' any more than such payments in the case of other countries could be so regarded, assuming of course that the rate of interest which India pays is reasonable. The word 'drain' is an unfortunate term, as it suggests payments are harmful and burdensome. India, on the other hand, is starving for capital, and as already noted, she borrows capital abroad for railways, irrigation and other purposes in the cheapest market of the world, and capital sunk in India on those concerns yields a large return of which interest payable abroad is only a part. This capital, as already noted, increases the national income, which would have been much less had this capital not been invested. If India would buy back at the earliest possible opportunity all her foreign loans and devote to the productive purposes the equivalent by non-hoarding, this would be greatly beneficial to the country itself. But hoarding has been customary from time immemorial, owing to the peculiar psychology of the people, caused by conditions of insecurity in pre-British times. The rate of interest at which India has been able to borrow, with the backing of the British Government, has been much lower than many other countries similarly situated, and India has in this respect saved considerable sums due to this fact. In the discussion of the balance of payments in India, many hypothetical issues are often introduced, but we have to look facts in the face. These are the lack of capital for investment, the necessity for borrowing funds for industrialisation, and the rates of interest payable as compared with other countries similarly situated. Every thinking Indian to-day takes a broad view of the balance of payments,

¹ For the year 1928-29 the total expenditure was £40,518,000. This sum included both expenditure charged against revenue (£29,745,000) and capital outlay not charged to revenue (£10,773,000).

and sees that anything that affects the credit of India affects the country itself, because credit is a very delicate piece of furniture which cannot be dusted with a Turk's head mop.

In regard to military charges, the question is to what extent these charges are reasonable and indispensable. This raises many controversial issues which are now part of the stock in trade of politicians, and different people will answer them in different ways. Whether, for example, the salaries and pensions paid to military officers as well as to civil officers are reasonable, and also whether military charges as a whole are justified when India's military requirement and Indianisation are taken into consideration. One school of thought believes that the Army is larger than is required for Indian defence apart from Imperial necessities. Another holds that even supposing the expenditure is larger than necessary from the purely Indian point of view, India is, all things considered, a gainer because she does not contribute to the British Navy. With an Indian Sandhurst, which is almost a certainty in the near future, the cost of these military services will no doubt be reduced and a corresponding amount of money set free.

In addition to the Home Charges proper, there are other charges which enter into the balance of India's payments, such as profits of the exchange business, shipping and insurance companies. In the balance of trade these are difficult to estimate, but estimates made for the year 1926-27 show the following invisible imports. Even rich countries find it advantageous to buy such services from foreign nations. The services rendered by British bankers of the London Money Market to foreign countries is well known, and the payments of the principal countries of the world to England for transport services is but one example :

Invisible imports, 1926-27.	Millions of Rupees.	Millions of \$
1. Net expenditure on interest for overseas capital invested .	340	123.9
2. Commission, Insurance, brokerage, and similar payments .	10	3.6
3. Expenditure abroad by national tourists and travellers, immigrants' remittances and money gifts sent abroad (net) ¹	45	16.4
4. Government expenditure abroad (not included elsewhere in Balance of Trade payments).	405	147.7
Less port receipts from foreign shipping in national ports .	20	7.3
Total .	780	284.3

The author of the 'Economic Transition in India' concludes his examination of the so-called 'drain' question thus :

'What economic equivalent does India get for foreign payments ? . . .

India gets the equipment of modern industry, and she gets an administration favourable to economic evolution cheaper than she could provide it herself.'²

¹ League of Nations Memorandum on International Trade and Balance of Payments, 1913-27 (1928).

² T. Morison, 'Economic Transition in India', page 241.

VI

As regards taxation there is a belief nowadays that the State claims much more than in pre-British times, and also there is an element of rigidity in the State collections pertaining to land revenue. Even were this true the State to-day performs many more services, including social services such as education than was the case in pre-British history. In early Hindu times the 'Laws of Manu permitted the King to take the 6th, 8th or 12th part of the crops, while the King who in times of distress took even the 4th part of the crops, was not blamed'.¹ During the days of Chanakya too, the schedule of taxes was very long, although he distinctly lays down that the end of government was the welfare of the governed. Customs were levied on exports and imports to the extent on an average from 15 to 20 per cent. A tax on goods sold in the markets by merchants was levied at the rate of 10 to 15 per cent. while fruits were taxed at a special tariff of 16 per cent. and silks at 5 per cent. There was an entertainment tax at the rate of five rupees per company ; a fishermen's tax of 15 per cent., a ferry tax of one anna per head, a passport tax of one anna per head, and tolls on various roads. We find that the much criticised salt tax was levied in the days of Chanakya.²

In pre-British times the State attempted to defend the country, and that too in an inefficient way, as history undoubtedly proves. Expenditure on defence was great because in addition to the possibility of foreign invasions there was also internal trouble in the form of rebellions, wars of succession, and constant feuds among neighbouring princes. Thus, in the later Mogul Empire it became a tradition that the dying Emperor should witness a rebellion on the part of his son or sons. Jehangir rebelled towards the end of Akbar's reign ; Shah Jehan rebelled towards the end of Jehangir's reign, and towards the end of Shah Jehan's reign a similar occurrence took place when Dara, Shujah, Aurangzeb and Murad rebelled against their father, who was imprisoned for eight years. Even the policing of the villages was mainly at the cost of the locality and not at the expense of imperial or provincial revenues. As a result of this, even at the present time there is a subconscious belief that wars of succession are quite in the nature of things. Professor Jadunath Sircar

¹ Brij Narain, 'Indian Economic Life', page 29, quoted from Manusmriti, Chap. VII, v. 130, and Chap. XV, v. 118.

² Kautilya's Arthashastra, Shamasastri, Book II, Chap. 12. The translation is as follows :

'The salt superintendent shall take at the proper time the share (1/6th) of manufactured salt from such places where people were licensed to manufacture salt. He shall also take the fixed amount in cash (prakraya) from such places where people were licensed to manufacture salt on the system of annual payments beforehand. He shall also take on the sales of State-manufactured salt the cost of production, the assay, or mint charges, e.g., for bullion or kind—(1/8th per cent.) and a royalty of 5 per cent.'

In addition, imported salt was also taxed at the rate of sixteen and two-thirds per cent. 'The foreign merchant (at the border) shall pay 16.6 per cent. as import duty (in kind or money). The salt remaining after the import duty has been paid is sanctioned for sale, on which the King shall take 5 per cent. as royalty, 1/8th per cent., the assay or mint charges and 8 per cent. duty in addition which the State was charging on every article, the production of which was a State monopoly. The purchaser of this salt shall pay the transit due and a compensation to make up the loss of the King due to the difference of prices between the foreign and the home manufactured salt.'

Footnote, page (30), (2).

'A contraband producer shall be liable to a fine of 600 pannas.

'He who adulterates salt shall be liable to pay the maximum fine.

'So also, any other person who manufactures unlicensed salt, except hermits, scholars learned in the Vedas, ascetics, and those contributing forced labour (in the salt mines or pans) may remove salt required for their meal.'

in his 'Mogul Administration' ¹ points out how in the Great War, 1914—1918 the ryots in some parts of India hesitated to pay their dues, fearing that if the Kaiser won the war they would be subjected to double payment. At the time of George the Fifth's accession to the throne ignorant ryots were seriously enquiring whether King George's relatives were not going to dispute his accession.

Another characteristic is that in pre-British times, especially in Mogul times, it was not unusual for the revenues to be farmed as in the Roman Empire, and this produced disastrous results so far as the burden of taxation on the ryot was concerned. Large sums were levied on the payers which never reached headquarters.² The farming of revenues meant sub-farming and again sub-farming. Owing to the absence of the means of communication it became difficult to exercise any proper central control and this explains the origin of the farming system and also the emphasis laid on the purely revenue getting as opposed to the ameliorative side of public administration. Of the central heads of revenue there were ordinary heads and occasional heads of revenue. To the former class belonged land revenue, customs and mint, together with the taking over of the property of deceased nobles and wealthy merchants.³ There were also exactions in the form of presents to the Emperors.⁴ Of occasional forms of taxation there were indemnities from conquered princes and also monopolies such as the indigo and saltpetre monopolies.⁵ Of provincial or local revenues we have the transit duties of salt and the additional 'centimes' or supplementary imposts on imperial taxes, or duties imposed independently. The practice of making presents to officials was universal and led to the poorest having to pay sums to subordinate officials, who in the majority of cases were harsh, extortionate and corrupt, even though the highest could be just and kind. This has been brought out by Professor Jadunath Sircar in his 'Mogul Studies'.⁶ As in China to-day the salaries were low and in order to eke out a living it was necessary to supplement official salaries. In addition to this fact it must be remembered that the social etiquette of the times demanded that such presents should be offered to superior officials.

In addition to presents there were also 'abwabs', or unauthorised collections from the people in Mogul times. When a good emperor heard of these he issued 'firmans' for abolishing them.⁷

In British times, especially in the 19th century, methods of taxation were to a great extent based on the canons known as the 'Smithian Canons of Taxation'. It is not surprising that this should be so, because of the great influence which Adam Smith had in English finance during the latter part of the 18th century, and it must be remembered in the 19th century Malthus was Professor of Political Economy at Haileybury from 1805 to 1834. James

Mill and his distinguished son, John Stuart Mill, were at the India House in London, being civil servants, and members of the English Classical School such as West, the first Chief Justice of the High Court, Ricardo and others were closely connected with Malthus and maintained the Smithian traditions. At the same time, as is the case in every country, there could not be a sudden break with the past, and the British inherited a system of taxation, the good points of which have been retained up to the present time. The general principles are the Canon of Equality, the Canon of Economy, the Canon of Certainty, and the Canon of Convenience.¹ In spite of our adherence to the Smithian traditions, we find that the system is not, and cannot be, an ideal system of taxation, because the man on a small income, like the small agriculturist, pays a higher proportion of his income than the big zamindar or land owner.² The proportion of indirect taxation to direct taxation in India and in England is given in the following table:

Year.	India.			United Kingdom.		
	Direct.	Indirect.	Total.	Direct.	Indirect.	Total.
1901-02 (Beginning of 20th century)	48.6	51.4	100	42.2	57.8	100
1913-14 (Pre-War year)	46.9	53.1	100	47.8	52.2	100
1921-22 (First year of Indian Reforms)	45.0	55.0	100	59.8	40.2	100
1925-26	36.7	63.3	100	61.6	38.4	100
1926-27	36.3	63.7	100	60.0	40.0	100
1927-28	35.8	64.2	100	59.8	41.2	100
1928-29	35.0	65.0	100	58.7	41.3	100
1929-30	35.8	64.2	100	59.6	40.4	100

It is customary in measuring the burden of taxation to compare the total taxation levied by the State with the total national income. This has been done in Table No. V, where the figures are set out in detail. It will be seen that the percentage of the national income is 5 per cent. as compared with nearly 20 per cent. in the United Kingdom. In the quotation, therefore, by Sunderland in 'India in Bondage':

'The people of India are taxed more than twice as heavily as the people of England and more than three times as heavily as Scotland. Mr. Cathcart Watson, M.P., said in the British House of Commons, "We know that the percentage of the taxes in India, as related to the gross product, is more than double that of any other country".'³

his statement is incorrect. In estimating the actual burden of taxation several factors of taxable capacity have to be taken into consideration, such as the extent of variation of income, and also the manner in which the Government spends its revenue, e.g., on social services.⁴ A study of the detailed tables will show the comparative tax burdens country by country.

Two aspects of Indian public finance have received considerable attention at the hands of critics of Government in recent years. The first of these is the salt tax, which has been regarded as a bad tax, as it is levied on a necessary of life. The other criticism has been of the alleged large expenditure on defence. With each of these we shall now deal.

¹ 'Science of Public Finance', G. Findlay Shirras, Macmillan and Co., 2nd Edition, Chaps. 13 and 14.

² A description of this will be found in the 'Economic Journal', September 1930, 'Financial Reform and the Indian Statutory Commission', page 505.

³ Page 14.

⁴ 'Science of Public Finance', Findlay Shirras, Macmillan and Co., 2nd Edition, Chap. 15.

Cf. also 'Journal of the Royal Statistical Society', Vol. 88, pages 513—556.

¹ Chap. V, pages 77-78.

² Cf. Moreland, 'From Akbar to Aurangzeb', page 241, the Dutch merchant's account of the system of farming in Golconda: '... all his tenants are at a rack rent ... The Government is farmed immediately from the King by some eminent man, who to other inferiors farmeth out the lesser ones, and they again to the country-people, at such excessive rates that it is most lamentable to consider what toil and misery the wretched souls endure. For if they fall short of any part of their rent, what their estates cannot satisfy, their bodies must, so it sometimes happens they are beaten to death, or, absenting themselves, their wives, children, fathers, brothers, and all their kindred are engaged in the debt, and must satisfy or suffer ...'

³ *Ibid*, page 268.

⁴ *Ibid*, pages 280-81.

⁵ *Ibid*, pages 291-92.

⁶ *Op. cit. passim*, especially Chap. V.

⁷ Jadunath Sircar, 'Mogul Administration', page 93.

The salt tax, as we have seen, has been levied in India from immemorial times. It was an item of revenue in the days of Chandragupta as well as in Mogul times. At the present time in addition to India, the States in the following countries have a salt monopoly : Japan, Italy, Greece, Spain, Czechoslovakia, Hungary, Roumania, Yugoslavia and Columbia. Six other governments levy taxes on the article : France, Germany, Holland, Bulgaria, Brazil and Venezuela. The *per capita* consumption of salt varies in different countries ; in Switzerland it is 8.5 lbs. per annum, in Norway and Sweden 9.5 lbs., 11.5 lbs. in Holland, 12 lbs.¹ in British India and Spain, and 14 lbs. in Prussia, 18 lbs. in France, 20 lbs. in Italy and 40 lbs. in England. In this figure the consumption for industrial purposes is included. In Table X will be found the consumption per head in the various provinces of India. The *per capita* consumption in India is thus greater than in certain countries of Europe, but it must be remembered that the amount of salt required daily to keep the body in a condition of health varies with the diet, as salt is already contained in most articles of food.²

The rate of duty on salt was Rs. 2-8-0 from 1888—1903, Rs. 2-4-0 from 1903—1905, Rs. 1-8-0 from 1905—1907, Re. 1 from 1907—1916, Rs. 1-4-0 from 1916—1923, Rs. 2-8-0 in 1923 and Rs. 1-4-0 from 1924 to the present time. If the consumption is 12 lbs. per annum in British India and the rate of duty Rs. 1-4-0 per maund, the tax per head per annum would be 2.9 annas, and it will be seen from Table XI in the Appendix that the expenditure on salt according to family budgets is less than 1 per cent. in the Bombay Family Budgets, only .36 per cent. per annum of the total income. From this the lightness of the burden may be gauged.

A careful analysis of the Family Budgets, as collected by investigators of the Labour Office of the Government of Bombay, shows that the consumption of salt per head per annum is 12.6 lbs. on an average in Bombay City.³ The details of consumption and expenditure for each range of income are given in Table XI in the Appendix. The figure of 12 lbs. represents industrial as well as human consumption as in the case of other countries in the table.

It will be seen that the salt tax is low. As the late Professor Marshall once said : ' When politics comes in at the door, economics flies out of the window '. The arguments used against the salt tax, that it is regressive because it presses more heavily on low incomes than on large, is true, for, as Adam Smith points out, the capacity of the human stomach is limited and does not vary much from person to person. The main advantage of this tax, which makes it a good tax, is that it is productive and elastic. According to the statistics of the quantity of salt sold year by year in each province and published in the Statistical Abstract for British India, there does not seem to be any great variation in consumption as one would have expected with a reduction in the duty. There was in 1917-18 a consumption of 57,000,000 maunds, when the tax was Rs. 1-4-0 ; in 1922-23, 52,000,000 maunds ; in 1923-24, when it was raised to Rs. 2-8-0 the amount sold fell to 45,000,000 maunds ; in 1924-25 when it was reduced to Rs. 1-4-0 the amount sold rose to 54,000,000 maunds, less, however, than the sales of 1917-18. In 1925-26, 1926-27, with

the same duty, the consumption was 45 and 47 million maunds respectively.¹ If any tax which falls on the poorer part of the population is desirable at all, the salt tax is appropriate. Sir Josiah Stamp, it will be remembered, informed the Indian Taxation Enquiry Committee, when asked as to whether it was proper or not to levy directly or indirectly any tax upon the mass of the community, replied as follows :

' I should work out the tax burden on a low income (*via* salt) and ask, if abolished, or altered, in what probable respects well-being would be improved by the ordinary exercise of the improved purchasing power. If inconsiderable, I should continue the burden.'²

In regard to expenditure on defence, which Adam Smith reminds us is more important than opulence,³ tables have been appended⁴ to this memorandum to show the expenditure of Government on defence in India and other countries. The whole of the State income, including not only the income of the Central Government, has been given. India has a long frontier of about 4,000 miles, 300 of which in the North-West Frontier, are in a state of continuous tribal warfare. There is little or no expenditure by India on the Navy which guards her coast line. According to the Finance and Revenue Accounts for the year 1928-29, the expenditure on the Navy was 8.2 million rupees, or approximately 3 million dollars.⁵ As has been pointed out by Arthur Vincent in his ' Defence of India ', ' The inclination of a legislature is perhaps the last thing that can determine the safe figure for a nation's military expenditure. That figure is fixed by considerations almost entirely beyond a country's control—by her geographical boundaries, by the power and attitude of her neighbours, by her national resources in men and material, by her racial unity or disunity.' Table VII-B has been compiled which shows that in certain countries the total expenditure on defence is greater than in India. The United States of America, the United Kingdom, France, Italy and Japan spend more on defence than does this country. It is also interesting to note that the percentage of expenditure on defence to total expenditure has been greater in Spain and Japan than in India.

Some writers, in discussing the finances of the Government of India, have pointed out the fact that this Government is the most expensive in the world. Sunderland, for example, says that

' The enormous and wholly unnecessary cost of the Government is a cause of India's impoverishment.'

' It is a Government carried on by men from a distant country, not by the people of the soil. These foreigners, having all power in their own hands, including power to create such offices as they choose and to attach to them such salaries as they please, naturally do not err on the side of making the offices too few, or the salaries and pensions too small.'⁶

¹ ' Statistical Abstract for British India', Government of India Central Publication Branch, Calcutta, 2,136, 1928, Table 73.

² ' Report of the Indian Taxation Enquiry Committee', 1924-25, Vol. I, page 134.

³ ' Wealth of Nations', Adam Smith, McCulloch's Edition, Book V, Chap. I.

⁴ See Tables VII and VIII of the Appendix.

⁵ ' Finance and Revenue Accounts of the Government of India', 1928-29, Table No. 76-B, page 578.

⁶ Sunderland, ' India in Bondage', Chap. I, Sec. X.

¹ The figure for British Indian, 12 lbs., is the average for the year 1921-22 ; owing to the discontinuance of the Inland Trade Returns later figures are not available. See page 192, ' Statistical Abstract for British India, 1930'.

² Report of the Indian Taxation Enquiry Committee, 1926, page 125.

³ Working Class Family Budgets, Findlay Shirras, Bombay (Central Press), 1923.

This view point is incorrect for two reasons. In the first place the number of Europeans in the Services to-day is an exceedingly small fraction of the total, and the percentage of the cost of administration spent on European officials is relatively small. The percentage cost of the All-India Services, expressed as a percentage of the total provincial expenditure, is decreasing. This percentage of cost, it must be remembered, also includes the amount spent on Indians in the All-India Services, the number of whom is rapidly increasing as a matter of policy in recent years. In the Government of Bombay Secretariat statistics have been worked out which show the following results : in 1914 the total staff on salaries of over Rs. 200 was 1,300. Of these 1,300, 573 were Europeans, and of these again 434 were officers from overseas belonging to the Imperial Services. The total cost of these European officers was Rs. 59 lakhs per annum in 1915-16, or 7 per cent. of the total provincial expenditure of 82.5 million rupees. By 1922, their number had decreased to 372, while their actual cost had increased to Rs. 73 lakhs per annum. The percentage that the cost bears to the total provincial expenditure, which was in 1922, 160 million rupees, has declined to 4.5 per cent. about the same as that for the whole of India. As for the whole of India, and for the same reasons, this cost is not increasing but declining relatively to the total expenditure. The All-India Services for Bombay cost 8.25 per cent. of the total expenditure in 1915-16, and 6 per cent. in 1921-22. During the same period, the number of Europeans declined from 434 to 372, a decline of 14 per cent. while the number of Indians rose from 55 to 155, an increase of 180 per cent. Of the increase of Rs. 30 lakhs (Rs. 98 — 68) or \$1,070,000 in cost, Rs. 14 lakhs, or \$500,000, went to Europeans. In 1915-16 the actual cost of the overseas Europeans in these services in the Bombay Presidency was 87 per cent. of the total estimated cost of these services. In 1921-22 it was 75 per cent. These calculations illustrate the remarks made by Lord Selborne :

'The Government of India was originally formed on the most simple lines possible. Its tasks were to preserve order, to administer justice, and to collect the revenue. It really was an absolutely ideal Government after the conception of Government of the Manchester School. I do not suppose that such an economical Government has ever existed in the history of the world, and I do not suppose that the world will ever again see its like. It is quite extraordinary for what it has done with a very small man power and with the smallest possible budget. Now, on to a Government formed under those ideas are gradually loaded all the complexities which this post-Victorian generation associates with the duties of Government. This Government of India, so formed, is supposed to fulfil all those multifarious functions of the State which modern opinion considers appropriate to the State, and it has to do this at a moment when it is for the first time subjected to an incessant fire of acute criticism—a criticism never ceasing in India, directed in all its doings or non-doings in India, and brought over here and directed to the attention of the Press and of Parliament.'

As the European element is eliminated the cost of the Services will decrease, as there can be no doubt that the comparatively high rates of pay in the highest grades of service were fixed for Europeans and Indian Government, under the Reforms, will almost certainly reduce in time the pay of new recruits into the Services. A fall in salaries, therefore, is almost certainly a matter only of time, and it is understood this has been the conclusion arrived at by the Officer on Special Duty in the Finance Department of the Government of India in 1930 on expenditure.

A few words may be added regarding the decay of Indian industries that took place in the 18th and 19th centuries mainly as a result of the Industrial Revolution in the West. Some critics, such as Romesh Chandra Dutt, Digby and Sunderland, have said that the source of India's wealth in old times was largely her splendid manufactures.¹ It is often forgotten that India was never a great manufacturing country in the sense in which the United States of America or England are to-day. Agriculture was always the main industry of the country, and this was supplemented by cottage industries which had attained great perfection in certain parts of the country, notably in the muslins of Dacca and the brocades of Ahmedabad. There can be no doubt that the picture of a golden age of manufactures according to modern research in Indian economic history has been very greatly overdrawn. The proportion which Industry contributed to the total national income must have been of very minor importance, but the skill was so great that it has never lessened its hold on human imagination.²

In support of the proposition that India was not a great manufacturing country in pre-British times we can allude to the economic environment of those times, which certainly was not conducive to the growth of industry in general. Allusion has already been made to the serious hindrances to industrial development which prevailed, notably lack of security of life and property, which made it impossible for a man to accumulate wealth because it was not safe for him to undertake the risk ; in short, there was a dearth of fixed and circulating capital. In the 18th century it has been well said that no man who had the energy to rob his neighbour cared to turn to industrial occupation as a means of livelihood. Internal rebellions, civil wars and foreign invasions, as those of Nadir Shah and Ahmad Shah Abdalli, made up the history of that century. A reference has already been made to Sir Henry Maine's view that the true cause of poverty in the 18th century was the desolation caused by wars and brigandage. In pre-British India communications were so bad that, except for the Ganges and the Indus or the roads from Agra to Lahore and to the West Coast there were no channels of communication and hence it was impossible for India to be an industrial country. Had there been easy communications there would have been large markets for the production of cottage industries. Production, therefore, must have been limited in these landlocked areas. All these factors must have prevented the country from attaining the position of a great manufacturing country. The visible wealth that travellers saw in the large capital cities was mainly the result of the policy of conquest and annexation pursued by the more powerful emperors. Akbar was a strong and stout annexationist before whose sun the modest star of Lord Dalhousie pales.³ Research in Indian economic history in recent years has clearly shown that the impression that at the close of the 18th century India had large and widespread industries is a myth.⁴ At the same time there were cotton weavers throughout the country who supplied local needs. This industry, however, was a cottage industry, as it was in other countries, and from the view point of the national income agriculture was the predominant source of income for the people and the share from the textile industry in that income could have been only a small part of the total.

¹ Jabez Sunderland, 'India in Bondage', Chap. 1, Sec. 9.

² Report of the Indian Industrial Commission, 1916—1918 (Minute of Dissent), by Pandit Madan Mohan Malaviya.

³ A. S. Beveridge, quoted by Vincent Smith, 'Akbar the Great Mogul', page 70.

⁴ Moreland would apply this to the end of the 16th century, cf. 'India at the Death of Akbar' (pages 153, 184, 290, 293), but after Aurangzeb's death conditions greatly deteriorated.

There was no means of investing money in joint stock companies, and there was no organised system of public debt, although capital levies of the most drastic type were levied from time to time¹; there was no way in which savings could be invested, and they had therefore to be spent in luxuries and high living. In the time of the Mogul kings, fresh fruits were in demand, and cooks from all countries were to be found in the kitchens of aristocratic families

Shah Jehan had on his person jewellery worth 20 millions of rupees, and a rosary worth Rs. 8,00,000.² Money was wasted on gold and silver chains for elephants and horses and on sport and gambling, and also on a large number of servants and elephants.³ In brief, there was no scope for investing in industry. When, therefore, writers like Sunderland speak of India's 'splendid manufactures' in pre-British times their statements have to be accepted with caution. It is true, especially in the first quarter of the 19th century that tariff walls were erected against foreign (including Indian-made) goods, especially when Mercantilism was at its height, and this continued till about the second half of the 19th century. The cost of the Napoleonic Wars made a tariff for revenue really a tariff for protection. More important than the tariff wall, as has been emphasized, was the Industrial Revolution in England which started in the second half of the 18th century, a period which also witnessed the birth of Adam Smith's 'Wealth of Nations'. In this period communications were rapidly developed, so that the increased output of the factories could be transported to the most distant markets. In England as the Royal Commission of 1837 pointed out, the effect of the Industrial Revolution was that the cottage industries were unable to compete on account of the great advantages of machine production. The Commission saw no hope for the handloom weavers in England :

'All that can be done for them is to enlighten them as to their real situation, warn them to flee from the trade and to beware of leading their children into it as they would beware of the commission of the most atrocious crimes.'⁴

Similarly the disastrous consequences of the Industrial Revolution in the West were experienced by our Indian handloom weavers. A bullock cart, in short, cannot possibly compete in efficiency with a motor car. In addition to this fundamental cause—the Industrial Revolution in the West—there were others at work such as defects of organisation and equipment and the general unpreparedness of the country which have to be considered. The part played by the tariff of England was a cause of secondary importance although it must be admitted that a high tariff wall was responsible for many of the difficulties of Indian handloom weavers and other artisans in the country. England disbelieved in the policy of protection, even for infant industries, and thrust this with a good conscience on her Indian Dependency.

The history of the Cotton Excise Duty in India has been responsible in no small measure for the widespread misunderstanding of the fundamental cause or causes of the decay of Indian industries, and no economist looking at the

¹ Cf. Moreland, 'From Akbar to Aurangzeb', page 277; 'The Emperor certainly claimed the estates of his nobles, and occasionally we hear of the claim being extended to estates of merchants; probably the practical questions which arose in any case were the value of the particular estate and the amount of bribes offered to avert confiscation.'

² Jadunath Sircar, 'Studies in Mogul India'.

³ Abul Fazl, quoted by Moreland 'India at the Death of Akbar', page 259.

⁴ Quoted by Morison, 'The Economic Transition in India', page 134.

interests of India would attempt a justification of these duties which were imposed in 1896 and abolished in 1926.

'The excise duties', says Lovat Fraser in his 'India under Curzon and After', 'have done more than any other administrative act of the British in India in modern times to impair the moral basis upon which the British control is supposed to rest. There is no subject upon which British politicians of all classes have been less candid.'¹

As the Joint Select Committee of the Government of India Bill observed,² there was a belief that India's fiscal policy was dictated from Whitehall in the interests of England and they were of opinion that the sooner this idea was eradicated the better for the good relations between both countries. Those days of misunderstanding on fiscal policy have happily gone (it is hoped for ever) as fiscal autonomy by convention has been granted to India. The Great War showed the possibilities of India as an industrial country, and this led to the appointment of the Industrial Commission, followed by the more important Fiscal Commission. The latter enunciated in clear terms the policy accepted by the Government of discriminating protection through an expert body called the Tariff Board, which examines the claims of each particular industry or commodity requiring protection. Free Trade, or 'laissez faire' are no longer accepted in fiscal policy and India has definitely to march with the Dominions, the United States and other countries along the path of industrialisation with the aid of protection. India, it may be noted, has now a seat on the Governing Body of the International Labour Office of the League of Nations as one of the eight countries of chief industrial importance.

In the study of Indian economic problems and Indian economic history much careful work is necessary. Mr. Elihu Root (whom Americans and non-Americans alike delight to honour), recently expressed this idea thus :

'The making of great speeches, the writing of brilliant articles or impressive books, even the occasional meetings of specially trained men, are not enough. I think about the worst enemies of improvement in the relations of the nations are the people who are impatient, the people who are in a hurry, who want everything done at once and who, unless they can see in anything that is proposed an immediate result, say, "Oh, well, it doesn't amount to much". These people who are in a hurry are a serious obstacle to the accomplishment of something by people who are willing to take the necessary time and do the necessary serious work for accomplishing it.'³

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15th March 1932.

¹ Page 353, Heinemann, 1911.

² 'Report from the Joint Select Committee of the Government of India Bill' (H. M. Stationery Office), 203, 1919, page 10.

Cf. 'Report on Indian Statutory Reforms' (H. M. Stationery Office), Cd. 9108, 1918, page 264 ff, 'Industries and Tariffs'.

³ Speech of Elihu Root on the occasion of the opening in New York City of the new building of the Council on Foreign Relations ("Foreign Affairs", New York, Vol. IX, supplement 2, November 1930).

APPENDIX I.

EXAGGERATIONS AND CONTRADICTIONS OF EXTREMIST WRITERS.

The following quotations are from Sunderland's 'India in Bondage', and are intended to illustrate the characteristic exaggerations or untruths with which writers on Indian questions spoil the cases which they attempt to prove. As pointed out at the beginning of the memorandum, they play with truth for what they consider to be a good cause. The first three quotations below especially illustrate this point:

(1) Chapter 29—

'About the middle of the last century, Mr. John Dickinson declared in his book "Government in India Under a Bureaucracy", page 136 (1853):

"Since India has come under British rule her cup of grief has been filled to the brim, aye, it has been full and running over. The unfortunate Indian people have had their rights of property confiscated; their claims on justice and humanity trampled under foot; their manufacturers, towns, and agriculturists beggared; their security taken away; their morality corrupted; and even their religious customs violated, by what are conventionally called the 'blessing of British rule'. . . . Parliament eases its conscience regarding these tyrannies and wrongs in India by exhorting those that govern there to govern 'paternally', just as Isaac Walton exhorts his angler in hooking a worm, to handle him as if he loves him".

(2) Chapter 26, quoting Rutherford: 'Modern India'—

'Neglect of education of the masses; neglect of sanitation and medical services in the villages; neglect to keep order; neglect of housing of the poor; neglect to protect the peasants from the money-lenders; neglect to provide agricultural banks; comparative neglect to improve and develop agriculture; neglect to foster Indian industries; neglect to prevent British profiteers from capturing the tramways, electric lighting and other public services and neglect to prevent the manipulation of Indian currency in the interests of London'.

(3) Chapter 25, quoting Dadabhoi Naoroji—

'The lot of India is a very, very sad one. Her condition is that of master and slave; but it is worse; it is that of a plundered nation in the hands of constant plunderers with the plunder carried away clean out of the land. In the case of the plundering raids occasionally made into India before the British came, the invaders went away, and there were long intervals of security during which the land could recuperate and become again rich and prosperous. But nothing of the kind is true now. The British invasion is continuous, and the plunder (under legal forms but not less terrible) goes right on, with no intermission, and actually increases and the impoverished Indian nation has no opportunity whatever to recuperate.'

Not even the most extreme writers on India to-day could hold that all these allegations are true, or even partially true.

Again, the depiction of the golden age is a favourite device of many writers, as, for example, in Chapter 14, where Sunderland describes Indian manufactures in the past as follows:

(4) 'The fact is, there is probably no great people in the entire world among whom the practical things of life that is, the practical activities, occupations and industries which accompany civilization, have been more fully developed than among the people of India for two or three thousand years, up to the time of the coming of the British. This is shown by the fact that their wealth was so great. It was their wealth that attracted the British. This wealth was created by their vast and varied industries.'

(5) Chapter 11 on 'Drink' where Sunderland points out 'India is not primarily responsible for it. It was brought to her, virtually forced upon her by Christian nation from the West.'

Here, for example, Sunderland does not seem to be aware of Kautilya's 'Arthashastra' where specific references are made to excise and to the drink evil. Thus, in Book II, Chapter 25, it is laid down as follows, regarding the sale of liquor, e.g.—

'By employing such men as are acquainted with the manufacture of liquor and ferments the superintendent of liquor shall carry on liquor traffic not only in forest and country parts but also in camps. . . . A fine of 600 pannas shall be imposed on all offenders other than those who are manufacturers, purchaser or sellers of liquor traffic. . . .

'Liquor shops shall contain many rooms provided with beds and seats kept apart. The drinking room shall contain scents, garlands of flowers, water and other comfortable things suitable to the varying seasons.'

Sunderland's description also underestimates the drink evil which Indian historians have referred to in Mogul times. The drinking habits of such kings as Babar, Jehangir, and others are quoted in most books on Indian history.

'Intemperance was the besetting sin of the Mughal house. Babar has described, in vivid and graphic detail, convivial parties which drowned all sorrow and anxiety. Humayun impaired his vigour by wine and opium. His son Muhammad Hakim succumbed to alcohol and died at the early age of thirty-one. Akbar, on the whole, formed an exception to the rule, but in his earlier years it was nothing unusual for him to drink, occasionally even to excess. His younger sons, Murad and Daniyal, were destined to a miserable death from alcohol. Salim has related with his usual candour how narrowly he escaped a similar fate in the very prime of youth. Till his seventeenth year he never tasted wine except as an ingredient in an infantile medicine. In 1585 he was induced by a royal servant to take a cup to drive away the fatigues of a hunting expedition. After that I took to drinking wine and increased it

¹ Kautilya's 'Arthashastra', Shamasastri, Book II, Chap. 25, 'Superintendent of Liquor', para. 119.

from day to day. Wine made from grapes ceased to intoxicate me, and I took to drinking araq (spirits).' Matters went from bad to worse till, by 1594, 'my potations rose to twenty cups of doubly distilled spirits, fourteen during the day time and the remainder at night.'¹

Inconsistencies are to be found in, for example, Chapter 6, where Sunderland says that :

- (6) 'Nothing that has been said in the foregoing pages is meant to deny that benefits have come to the Indian people during British rule.'

APPENDIX II.

TAXATION AND STATE INTERFERENCE IN ANCIENT INDIA.

Students of Indian finance have had their eyes opened in recent years by the investigations of scholars into taxation, not only in the Mogul period but also in the early Hindu period. Dr. Shamasastri, in his introduction to Kautilya's Arthashastra, emphasises the extent to which the State interfered with the ordinary economic life of the people.

'Thus', he writes, 'the political practices which disappeared during this period (i.e., between the birth of Buddha and the close of the 3rd or 4th century of the Christian Era) appear to be the institution of espionage with its evil consequences; the vices of the harem life resulting in the cold-blooded murder of kings, princes, ministers and other high officers; the evils of the passport system; the taking of census of men, women, children and beasts; the levy of a number of taxes, benevolences and special taxes to replenish empty treasuries; oppressive taxes on trade; the exaction of religious taxes and the robbing of temple money by imposing upon the credulity and superstition of the people; the confiscation of the property of the rich under the plea of embezzlement or of tiding over famine and other national calamities; the slaughter of beasts on a large scale for the supply of flesh to the people, including even the Brahmans; State-owned drinking saloons to supply liquor to men, women, and children of all castes; torture of criminals to elicit confession; deceitful treaties and treacherous battles; the evils wrought by spies in creating distrust between man and man and man and woman; and the use of destructive gases, medicines and poisons to murder people or to render them infirm either in war or in peace.'¹

In 'Studies in Economics of Ancient Literature' Mr. Ambuj Nath Banerji supports this view, and describes the system of taxation and state interference in the following words² :

'The question of the exchequer is one of the vital problems of the State. Revenue or incomes are the props of the State. And this question has disturbed politicians of all ages and all climes. The Arthashastra fully recognised the value of a well filled treasury, when it laid down that all undertakings depend upon finance and hence foremost attention should be paid to the treasury (II. 8). And so it advised the king to carry on mining operations, manufactures, exploit timber and elephant forests, offer facilities, for cattle-breeding and commerce, construct roads for traffic both by land and water, and set up market-towns (II. 1). All these go to show the diverse activities of the State in the realm of vartta, or in the economic field for the purpose of filling its coffers. Even the most casual reader of Kautilya's work cannot fail to be struck by the fact that the economic legislation recommended in that work is sweepingly vast and wide. The government protruded its interfering hands into almost all spheres of the daily life of the

¹ 'History of Jahangir', Beni Prasad (Milford, Oxford University Press), 1922, page 26, Vol I.

¹ Kautilya's Arthashastra, Shamasastri, 3rd Edition, 1929, Introduction, page 17.
² 'Annals of the Bhandarkar Oriental Research Institute, Poona', 1929, Vol. X. Parts I—II, page 96.

people, social, economic, political and religious to a remarkable extent. The State controlled agricultural lands, forests, mines, undertook the performance of many industrial arts and regulated trade and commerce to a considerable extent. In fact, all these activities were primarily dictated by the policy, as laid down by political thinkers in ancient India, that taxes are to be levied from almost every resource of the people, or to use the sound maxim of the great Kautilya himself, that 'just as fruits are gathered from a garden, as often as they become ripe, so revenue shall be collected as often as it becomes ripe.' (Book V, Chap. II.)

'Broadly speaking one may lay down that revenue in the Arthashastra includes a land and water tax, taxes on a produce of mines, premiums of coins, various sorts of tolls and duties, fines and benevolences, road cesses, liquor duties and imposts on gambling. Land revenue has been in the past as it still is the main stay of the royal income in India, and agriculture naturally received a very careful attention from the State. It was the duty of the Superintendent of Agriculture to collect agricultural produce and to cultivate the crown lands in proper seasons. Irrigation work was another important thing that received careful attention from the State. The policy of the government was to make cultivation independent of the rains. There were different superintendents in charge of cows, horses and elephants, and their duties were both of a civil and military character. The first official had also camels, buffaloes, goats, sheep, asses and mules in his charge. It is interesting to mention in this connection that he who sold his cow from among the herds had to pay to the king one-fourth of its value (II. 29). Both forests and mines were State monopolies in Kautilya's system of administration. The duty of the superintendent of forests was very much analogous to a modern forest officer. He had to take measures not only for the preservation of forests, and collection of forest produce, but had also to start manufactories to prepare commodities from the latter (II. 2, 17). It was not only mining but also commerce in minerals and mineral products that was a State-monopoly in Kautilya's system of government. There was a complete centralisation with regard to commodities manufactured from mineral product. It was therefore a very large income that the State made from the mines, both land and ocean.

'Though land revenue was the most important source of the income of the State, yet no mean quota was supplied by tolls and taxes on merchandise; and we find, in fact, a levy on almost every item of commerce. A very great attention was paid to trade and commerce by the Kautilyan State. A strict control was sought to be maintained over the different classes of artisans; the State encouraged the undertaking of new industries; had a monopoly of quite a large number of industrial arts. The State sought to prevent profiteering, acceptance of high rates of interest, traffic in dangerous goods and also checked the correctness of weights and measures. There were very stringent rules as regards the taxes on sales (II. 21, 22). In order to facilitate collection, goods could not be disposed of in the place of manufacture, but had to be brought before the toll-houses. In the manifold duties of the superintendents of commerce, storehouses and ships we find a fair picture of the economic activities of the State.

'The State had also a definite and determinate policy as regards labour. There were rules regarding the selling or mortgaging of slaves and the employment of free labourers and the wages to be paid to them.

'All these facts go to show clearly and unmistakably the vast and sweeping economic legislation of the State, and the remarkably considerable extent to which it interfered with the economic life of the people.'

I.—NATIONAL INCOME OF BRITISH INDIA, 1921-22 TO 1929-30.

Note.—The figures for 1921-22 and for 1926-27 have been obtained by detailed enquiry on the lines indicated in 'Public Finance', by G. Findlay Shirras (Macmillan and Company), pages 138 ff, for the year 1921-22. Figures for other years in the tables have been calculated allowing for business activity and prices. Two years have been taken in order that the figures (which do not vary more than 4 per cent.) may check one another.

A.—BASED ON 1921-22.

	1921-22.	1922-23.	1923-24.	1924-25.	1925-26.	1926-27.	1927-28.	1928-29.	1929-30.
1. Index of business activity (22 items)	100	107	110	121	116	120	125	124	129
2. National Income at 1921-22 prices—									
Millions of rupees	28,660	30,670	31,530	34,680	33,250	34,390	35,830	35,540	36,970
Millions of dollars	10,447	11,179	11,492	12,641	12,119	12,535	13,060	12,954	13,475
3. Price index (average of Bombay and Calcutta index, 1921-22=100.)	100	96	94	94	86	79	78	77	76
4. National income at each year's prices (1921-22 basis)—									
Millions of rupees	28,660	29,440	29,640	32,600	28,600	27,170	27,950	27,370	28,090
Millions of dollars	10,447	10,731	10,804	11,883	10,425	9,904	10,191	9,976	10,239

B.—BASED ON 1926-27.

	1921-22.	1922-23.	1923-24.	1924-25.	1925-26.	1926-27.	1927-28.	1928-29.	1929-30.
1. Index of business activity (22 items)	100	107	110	121	116	120	125	124	129
2. National Income at 1926-27 prices—									
Millions of rupees	23,530	25,180	25,890	28,480	27,300	28,240	29,410	29,180	30,360
Millions of dollars	8,576	9,178	9,437	10,381	9,951	10,293	10,720	10,636	11,066
3. Price index (average of Bombay and Calcutta index, 1926-27=100).	127	122	119	119	109	100	99	98	96
4. National income at each year's prices (1926-27 basis)—									
Millions of rupees	29,880	30,720	30,800	33,890	29,760	28,240	29,120	28,600	29,150
Millions of dollars	10,891	11,197	11,227	12,357	10,848	10,293	10,639	10,425	10,625

C.—ROUNDED FIGURES FOR EACH YEAR.

	1921-22.	1922-23.	1923-24.	1924-25.	1925-26.	1926-27.	1927-28.	1928-29.	1929-30.
Millions of rupees	29,000	30,000	30,000	33,000	29,000	27,500	28,500	28,000	28,500
Millions of dollars	10,570	10,935	10,935	11,028	10,570	10,024	10,388	10,206	10,388

NOTE.—Figures are rounded to the nearest million of rupees.

II.—NATIONAL INCOME BY COUNTRIES.

Country.	Year.	Area in sq. mile.	Population.	Income in national currencies.	Income in dollars.	Dollars per sq. mile.	Dollars <i>per</i> <i>capita</i> per annum.
		(Thousands.)	(Millions.)	(Millions.)	(Millions.)		
*British India	1929	1,094	257.0	Rs. 28,500	10,388	9,493	40
United Kingdom	1929-30	94	45.9	£ 3,900	18,993	20,253	463
Other Dominions—							
Australia	1924	2,975	6.2	£ 636	2,955	993	477
Canada	1927	3,654	9.5	\$ 5,500	5,500	1,505	579
Union of South Africa	1923	472	7.6	£ 186	851	1,300	112
Other Countries—							
Chile	1928	289	4.0	Pesos 5,488	665	2,300	166
Czechoslovakia	1925	54	14.3	Kr. 83,000	2,460	45,555	172
Austria	1927	32	6.7	Sch. 6,678	940	29,375	140
Belgium	1928	12	7.9	Frs. 7,000	1,351	112,580	171
Denmark	1927	16	3.5	Kr. 3,500	935	58,446	267
Egypt	1928	385	14.0	E. £ 293	1,427	3,705	102
Finland	1926	132	3.6	Mks. 17,000	428	3,242	118
France	1928	213	41.0	Frs. 210,000	8,228	36,629	201
Germany	1925	181	62.6	Mks. 50,000	11,900	65,745	190
Greece	1927	49	6.2	Dr. 46,500	605	12,346	98
Hungary	1927	36	8.5	Pgo. 5,500	962	26,722	113
Italy	1927	120	41.0	Liro 89,758	4,724	39,016	115
Japan	1925	260	83.4	Yen 13,382	5,500	21,154	66
Latvia	1925	25	1.9	Lat 911	176	7,040	92
Lithuania	1924	21	2.3	Lit 1,267	126	6,000	54
Netherlands	1925	13	7.4	Fl. 5,241	2,107	162,076	284
Norway	1927	125	2.8	Kr. 2,700	703	5,624	251
Poland	1928	150	30.0	Zl. 20,000	2,244	14,960	74
Spain	1920	195	22.0	Ptas. 25,825	4,116	21,107	187
Sweden	1924	173	6.0	Kr. 6,000	1,591	9,195	265
Switzerland	1924	16	4.0	Frs. 8,550	1,558	97,337	389
United States of America	1928	3,027	119.3	\$ 89,419	89,419	29,540	749
U. S. S. R. (Russia)	1925	8,240	147.0	R 13,850	7,100	860	48
Yugoslavia	1924	97	13.0	Din. 80,102	1,414	14,577	109

From 'New Estimates of National Incomes', Harvey E. Fisk, American Economic Review, Vol. XX, No. 1, March 1930, page 23.

* Revised figures, Findlay Shirras.

III.—INDEX OF BUSINESS ACTIVITY (BRITISH INDIA).

Item.	1921-22.	1922-23.	1923-24.	1924-25.	1925-26.	1926-27.	1927-28.	1928-29.	1929-30.
Rice	100	102	85	94	93	90	85	97	93
Wheat	100	102	99	92	89	93	80	88	106
Oil seeds	100	102	96	105	81	86	81	81	91
Jute (Raw)	100	136	211	200	225	305	256	249	260
Cotton (Raw)	100	105	100	116	109	94	95	97	97
Coal	100	99	101	109	108	109	114	122	127
Petroleum	100	97	96	96	94	91	91	100	100
Production of Yarn and woven goods —									
(a) Yarn		101	87	101	95	112	124	96	128
(b) Woven goods		100	98	111	112	130	152	119	160
Exports of Jute Mfg.—									
(a) Gunny bags	100	90	107	10	110	116	120	129	135
(b) Gunny cloth	100	112	120	30	130	134	138	140	147
Export of Food-Grains	100	153	202	51	81	143	164	139	152
Imports of cotton Piecegoods	100	146	133	67	143	164	181	178	170
" " Sugar	100	64	60	93	100	118	105	120	129
" " Iron and Steel	100	121	123	41	144	137	195	191	159
Tonnage of Vessels—									
(a) entered with cargo	100	93	97	100	102	100	110	118	122
(b) cleared "	100	115	122	131	125	120	121	129	135
Goods carried by railways	100	104	81	87	89	96	100	100	97
Value of money orders paid	100	98	100	102	107	110	113	116	118
Bank clearings	100	101	89	89	83	80	82	83	98
Paid up Capital of Joint Stock Companies	100	111	114	119	120	119	124	125	125
Employment (average daily number of persons employed in factories).	100	95	99	119	104	102	107	108	108
Average (22 items)	100	107	110	121	116	120	125	124	120

IV.—GENERAL AVERAGE OF WHOLESALE PRICES (BOMBAY AND CALCUTTA).

Year.	Index No. of wholesale prices (Annual average).		Average of prices.	Index No. (1921-22 = 100).
	Calcutta.	Bombay.		
1921	178	198	188	100
1922	176	187	181	96
1923	172	181	176	94
1924	173	182	177	94
1925	159	163	161	86
1926	148	149	148	79
1927	148	147	147	78
1928	145	146	145	77
1929	141	145	143	76
1930	118	126	122	65

V.—THE RELATION OF TAXATION TO NATIONAL INCOME IN INDIA AND OTHER COUNTRIES.

Country.	Year.	Taxation (Millions).				National Income. (Millions.)	Percentage of taxation to National Income.
India	1929-30	Central	Rs.	791	Rs. 28,500	2.8	
		Provincial	Rs.	718		2.6	
		Local	Rs.	168(1)		0.6	
		Total	Rs.	1,677		5.9	
Australia	1924	Commonwealth	£	53	£636	8.3	
		States	£	22		3.5	
		Local	£	10(2)		1.5	
		Total	£	85		13.3	
Canada	1927	Dominion	\$	347	\$ 5,500	6.3	
		Provincial	\$	77(3)		1.4	
		Local	\$	100(4)		1.8	
		Total	\$	524		9.5	
Franco	1928	National	Fr.	38,460	Fr. 210,000	18.3	
		Local	Fr.	5,450(5)		2.6	
		Total	Fr.	43,910		20.9	
Germany	1925	National	Rm.	6,856		Rm. 50,000	13.7
		Local	Rm.	3,207	6.4		
		Total	Rm.	10,063	20.1		
Italy	1927	National	Lire	16,419	Lire 89,758		18.3
		Provincial	Lire	587(5)		.6	
		Local	Lire	3,057(5)		3.4	
		Total	Lire	20,063		22.3	
Japan	1925	National	Yen	1,134	Yen 13,382	8.5	
		Provincial	Yen	225		1.7	
		Local	Yen	357		2.6	
		Total	Yen	1,716		12.8	
Sweden	1924	National	Kr.	507	Kr. 6,000	8.4	
		Provincial	Kr.	509(6)		8.5	
		Local	Kr.	411(6)		6.8	
		Total	Kr.	1,427		23.7	
Switzerland	1924	Federal	Frs.	271.3	Frs. 8,550	3.2	
		Cantonal	Frs.	231.8		2.7	
		Local	Frs.	243.2		2.8	
		Total	Frs.	746.3		8.7	
United Kingdom	1929-30	National	£	676	£ 3,900	17.3	
		Local	£	190		4.9	
		Total	£	866		22.2	
United States of America	1928	Federal	\$	3,359		\$ 89,419	3.8
		States	\$	1,656(7)	1.9		
		Local	\$	4,382(3)	5.0		
		Total	\$	9,397	10.7		
Yugoslavia	1924		Din.	6,334	Din. 80,102	7.9	

- (1) Latest available figure (1927-28).
 (2) " " " (1923-24).
 (3) " " " (1926).
 (4) " " " (1922).
 (5) " " " (1925).
 (6) " " " (1923).
 (7) " " " (1927).

VI.—TAXATION PER HEAD IN INDIA AND OTHER COUNTRIES.

Country.	Year.	Population (Millions).	Taxation (Millions).		Taxation per head in the Currency of the Country.		Taxation per head in Dollars.
India	1929-30	257·0	Central	Rs. 791·4	Rs. 3·1	\$ 1·1	
			Provincial	Rs. 718·0	Rs. 2·8	\$ 1·0	
			Local	Rs. 168·0(1)	Rs. 0·7	\$ 0·3	
			Total	Rs. 1,677·4	Rs. 6·6	\$ 2·4	
Australia	1927-28	6·3	Commonwealth	£ 57	£ 9·0	\$ 48·7	
			States	£ 23(2)	£ 3·9	\$ 19·0	
			Local	£ 10(3)	£ 1·6	\$ 7·8	
			Total	£ 90	£ 14·5	\$ 70·5	
Canada	1928-29	9·7	Dominion	\$ 396	\$ 40·8	\$ 40·8	
			Provincial	\$ 77(4)	\$ 7·9	\$ 7·9	
			Local	\$ 100(5)	\$ 13·1	\$ 13·1	
			Total	\$ 573	\$ 61·8	\$ 61·8	
France	1929	41·1	National	Frs. 39,919	Frs. 907	\$ 35·5	
			Local	Frs. 5,450(4)	Frs. 132	\$ 5·2	
			Total	Frs. 45,369	Frs. 1,039	\$ 40·7	
Germany	1929-30	63·8	National	Rm. 9,327	Rm. 146	\$ 29·8	
			Local	Rm. 3,663(6)	Rm. 57	\$ 13·6	
			Total	Rm. 12,990	Rm. 203	\$ 43·4	
Italy	1928-29	40·8	National	Lire 15,466	Lire 379	\$ 19·0	
			Provincial	Lire 587(7)	Lire 14	\$ 0·7	
			Local	Lire 3,057(7)	Lire 75	\$ 3·9	
			Total	Lire 19,110	Lire 468	\$ 24·5	
Japan	1929-30	64·8	National	Yen 909	Yen 14	\$ 6·9	
			Provincial	Yen 239(6)	Yen 4	\$ 2·0	
			Local	Yen 550(6)	Yen 8	\$ 3·9	
			Total	Yen 1,698	Yen 26	\$ 12·8	
United Kingdom	1929-30	45·9	National	£ 667	£ 14·5	\$ 70·5	
			Local	£ 175	£ 3·8	\$ 18·5	
			Total	£ 842	£ 18·3	\$ 89·0	
United States of America	1928	120·7	Federal	\$ 3,359	\$ 27·8	\$ 27·8	
			States	\$ 1,656(8)	\$ 13·7	\$ 13·7	
			Local	\$ 4,382(4)	\$ 36·3	\$ 36·3	
			Total	\$ 9,397	\$ 77·8	\$ 77·8	

- (1) 1927-28.
 (2) 1925-26.
 (3) 1923-24.
 (4) 1926.
 (5) 1922.
 (6) 1926-27.
 (7) 1925.
 (8) 1927.

VII.A.—EXPENDITURE IN INDIA AND OTHER COUNTRIES ON DEFENCE.

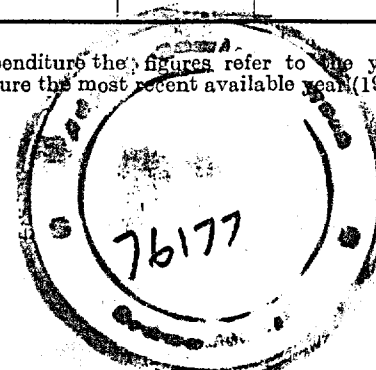
Country.	Year.	Population (Millions).	Total expenditure on defence (Millions).	Expenditure per head in the Currency of the Country.	Expenditure per head in Dollars.
India	1929-30	257.0	Rs. 585.9	Rs. 2.3	\$ 0.8
Australia	1925-26	6.3	£ 7.7	£ 1.2	\$ 5.8
Canada	1929-30	9.8	\$ 20.1	\$ 2.1	\$ 2.1
France	1929	41.1	Fr. 9,899	Fr. 241	\$ 9.4
Germany	1929-30	63.8	Rm. 665.4	Rm. 10.4	\$ 2.5
Italy	1928-29	40.8	Lire 4,058	Lire 99	\$ 5.2
Japan	1929-30	64.8	Yen 329	Yen 5	\$ 2.5
United Kingdom	1930-31	45.9	£ 111.9	£ 2.4	\$ 11.7
United States of America	1929-30	120.7	\$ 827.7	\$ 6.9	\$ 6.9

NOTE.—(1) Conversions are made at the par rate of exchange.
(2) Source of data—official publications only.

VII.B.—EXPENDITURE IN INDIA AND OTHER COUNTRIES ON DEFENCE.

Country.	Year.	Expenditure on defence.	Total Expenditure (Central and Provincial).	Percentage of expenditure on defence to total expenditure.
(Millions of dollars.)				
India	1929-30	215	838	25.6
Australia	1925-26	37	831	4.5
Canada	1926	13	499	2.4
France	1929	387	1,764	22.0
Germany	1928-29	180	2,001	9.0
Italy	1926-27	279	1,307	21.3
Japan	1927-28	244	866	28.2
Spain	1927	175	652	26.8
Switzerland	1928	18	193	9.1
The United Kingdom	1930-31	544	4,233	12.8
The United States of America	1929-30	828	5,043(1)	16.

(1) For federal expenditure the figures refer to the year 1929-30. For state or commonwealth expenditure the most recent available year (1926) has been taken.



25 VIII.—EXPENDITURE ON DEFENCE IN INDIA, EXPRESSED AS A PERCENTAGE OF THE TOTAL EXPENDITURE (CENTRAL AND PROVINCIAL) AND OF CENTRAL EXPENDITURE.

Item.	1923-24.	1924-25.	1925-26.	1926-27.	1927-28.	1928-29.	1929-30.	Average of last five years.
(Millions of Rupees.)								
1. Military Expenditure	610	600	600	610	560	580	590	590
2. Government of India Expenditure (Central).	1,300	1,320	1,300	1,320	1,270	1,320	1,340	1,310
3. Provincial Expenditure	760	780	860	900	920	900	960	910
4. Total Expenditure—(Central and Provincial).	2,060	2,100	2,160	2,220	2,190	2,220	2,300	2,220
Percentage.	Percentage.	Percentage.	Percentage.	Percentage.	Percentage.	Percentage.	Percentage.	Percentage.
5. Percentage of 1 to 4	29.6	28.6	27.8	27.5	25.6	26.1	25.6	26.5
6. Percentage of 1 to 2	46.9	45.4	46.2	46.1	44.1	44.0	44.0	45.0

IX.—PER CAPITA CONSUMPTION OF SALT, INCLUDING SALT FOR INDUSTRIAL PURPOSES IN INDIA AND VARIOUS OTHER COUNTRIES.*

Country.	lbs.
India	12
Austria	13
Belgium	16.5
England	40
France	18
Holland	11.5
Italy	20
Portugal	35
Prussia	14
Russia	18
Spain	12
Sweden and Norway	9.5
Switzerland	8.5

* Adapted from the Report of the Taxation Enquiry Committee, Madras Central Press, 1926, Volume I, pages 135-136.

X.—PER CAPITA CONSUMPTION OF SALT IN VARIOUS PROVINCES IN INDIA (1921-22).*

Province.	lbs.
Bombay (excluding Sind)	13.94
Sind	10.41
Bengal	15.24
Madras	18.88 ¹
Punjab	10.97
Bihar and Orissa	11.56
Central Provinces and Berar	10.98
United Provinces	10.26
Burma	18.54
British India	12.00 ²

* No figures later than 1921-22 are available owing to the discontinuance of Provincial Returns of Inland Trade (Statistical Abstract, 1930, page 192).

¹ Vide Report of the Taxation Enquiry Committee, Madras Central Press, 1926, Volume I, pages 135-36.

² The average consumption per head in England and Portugal (excluding industrial uses) is about 10 lbs. This is an average figure which varies with the nature of the diet. Vide Report of the Taxation Enquiry Committee, page 135, quoting Ratton's Handbook of Common Salt, page 360.

XI.—SALT EXPENDITURE AND CONSUMPTION ACCORDING TO FAMILY BUDGETS.

(A).—BOMBAY.

(1)	(2)	(3)	(4)	(5)	(6)	(7)
Range of Income (Rupees).	Average income per family.	No. of persons in family.	Nature of income.	Consumption of Salt per family p. a. lbs.	Expenditure on Salt per family p. a. (family ranging in size as in Column 2).	Expenditure on Salt, including tax, as percentage of (2).
	Rs. a.				Rs. a. p.	
Below 360	308 15	3·7	Working Class .	38·4	1 10 0	0·53
360 and below 480	420 14	3·8	„ „ .	43·2	1 13 0	0·43
480 „ „ 600	535 3	3·9	„ „ .	46·8	1 14 0	0·35
600 „ „ 720	637 1	4·3	„ „ .	54·0	2 7 0	0·38
720 „ „ 840	749 7	4·3	„ „ .	57·6	2 9 0	0·34
840 „ „ 960	876 8	4·8	„ „ .	63·6	3 1 0	0·35
960 „ „ 1,080	1,015 10	5·1	„ „ .	60·0	3 0 0	0·30
1,080 and over	1,200 2	5·0	„ „ .	74·4	3 4 0	0·28
All incomes	627 6	4·2	„ „ .	52·8	2 4 0	0·36

Source :—Report on an Inquiry into Working Class Budgets in Bombay. G. Findlay Shirras, Government Central Press, Bombay, 1923.

(B).—SHOLAPUR.

(1)	(2)	(3)	(4)	(5)	(6)	(7)
Range of Income (Rupees).	Average income per family.	No. of persons in family.	Nature of income.	Consumption of Salt per family p. a. lbs.	Expenditure on Salt per family p. a. (family ranging in size as in Column 2).	Expenditure on Salt, including tax, as percentage of (2).
	Rs. a.				Rs. a. p.	
Below 240	218 15	3·2	Working Class .	Not available .	2 0 0	0·93
240 and below 360	305 11	3·7	„ „ .	„	2 2 0	0·71
360 „ „ 480	421 10	4·4	„ „ .	„	2 9 0	0·60
480 „ „ 600	535 0	4·8	„ „ .	„	2 14 0	0·55
600 „ „ 720	650 11	5·4	„ „ .	„	3 4 0	0·50
720 „ „ 840	771 4	6·6	„ „ .	„	3 10 0	0·48
840 „ „ 960	902 9	6·5	„ „ .	„	3 14 0	0·43
960 „ „ 1,080	1,022 14	7·7	„ „ .	„	4 7 0	0·44
All incomes	479 2	4·6	„ „ .	„	2 12 0	0·58

Source :—Report on an Inquiry into Family Budgets of Cotton Mill Workers in Sholapur City, Government Central Press, Bombay, 1928.

(C).—DECCAN.

218	218	5·0	Agricultural .	48	2 0 0	0·91
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Source :—Land and Labour in a Deccan Village, H. H. Mann (Oxford University Press), 1917.

XII.—FOREIGN CAPITAL IN INDIA.

(A) PAID-UP CAPITAL OF JOINT STOCK COMPANIES REGISTERED ELSEWHERE THAN IN INDIA, BUT WORKING IN BRITISH INDIA [EXCLUDING THE CAPITAL OF BANKING AND LOAN COMPANIES, INSURANCE, NAVIGATION AND OTHER TRADING COMPANIES REFERRED TO IN TABLE XII (C)].

	(Millions.)	(Millions.)
	£	\$
1. Railways and Tramways	32·8	159·4
2. Other Transit and Transport	7·7	37·4
3. Tea	25·7	124·9
4. Other Planting Companies	3·2	15·5
5. Coal Mining	0·2	1·0
6. Gold Mining	0·2	1·0
7. Other Mining and Quarrying Companies	20·8	101·0
8. Cotton Mills	0·4	1·9
9. Jute Mills	4·6	22·4
10. Cotton Ginning, Pressing and Baling, etc.	0·2	1·0
11. Estate Land and Building	0·2	1·0
12. Sugar	0·3	1·5
13. Other Companies	4·9	23·8
Total	101·2 ¹	491·8
(B) TOTAL INTEREST BEARING OBLIGATIONS OF THE GOVERNMENT OF INDIA IN ENGLAND.	339·4 ²	1,649·5
Total Foreign Investments in India	440·6	2,141·3

¹ Source :—Statistical Abstract for British India, 1928.

² Finance and Revenue Accounts of the Government of India, 1926-27.

(C) TOTAL FOREIGN INVESTMENTS IN INDIA TOGETHER WITH THE PAID-UP CAPITAL OF BANKING AND LOAN COMPANIES, INSURANCE, NAVIGATION AND OTHER TRADING COMPANIES DOING BUSINESS IN INDIA AND OTHER COUNTRIES.

	(Millions.)	(Millions.)
	£	\$
1. Total as per Table XII-B	440·6	2,141·3
2. Banking and Loan Companies	69·1	335·8
3. Insurance Companies	54·3	263·9
4. Navigation Companies	31·1	151·1
5. Trading and Manufacturing Companies	312·3	1,517·8
Total	907·4	4,409·0

Source :—Statistical Abstract for British India, 1928.

XIII.—PRICES AND RELATED ELEMENTS WITH REFERENCE TO A PRE-WAR STANDARD.

	July 1914.	July 1929.	July 1930.	July 1931.	Aug. 1931.	Oct. 1931.	Dec. 1931.
Wholesale price level (1).	100	145	124	103	107	107	111
Cost of living (1)	100	148	140	103	108	108	109
Retail food prices (1)	100	145	136	100	100	100	101
Prices received by producers (2).	100	130	93	70	67	67	74
Prices paid by producers (3).	100	143	130	119	120	127	129

(1) Bombay Labour Office index.

(2) Based on 27 articles.

(3) Based on 18 articles.

XIV.—PRICES AND RELATED ELEMENTS WITH REFERENCE TO JULY 1929.

	July 1929.	July 1930.	July 1931.	Aug. 1931.	Oct. 1931.	Dec. 1931.
Wholesale price level (1)	100	86	74	74	74	77
Cost of living (1)	100	94	73	73	73	74
Retail food prices (1)	100	94	70	70	70	70
Prices received by producers (2)	100	73	54	52	53	56
Prices paid by producers (3)	100	92	83	83	84	86

(1), (2), and (3) same as in table XIII.

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