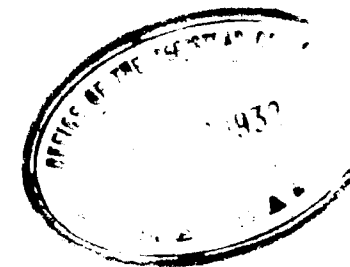


1213
228
REG. No. M. 1284
VOL. XXIV No. 6.
DECEMBER 1932

The Madras Journal of Co-operation

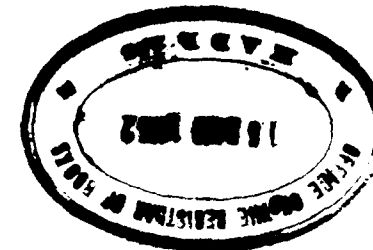


PUBLISHED BY
The Madras Provincial Co-operative Union,
Royapettah, Madras.

ANNUAL SUBSCRIPTION :
INLAND RS. 4.
FOREIGN RS. 4-12.
SINGLE COPY AS. 8.

CONTENTS.

	PAGE No.
I. EDITORIAL NOTES	293
 II. ARTICLES—	
(1) THE OTTAWA TRADE AGREEMENT AND INDIA— By Mr. V. Ramadas Pantulu	301
(2) BACK TO THE LAND—By Mr. S. Sankaranara- yana Aiyar, M.A., B.L.	325
(3) THE CO-OPERATIVE MOVEMENT AND THE HOUS- ING PROBLEM—By Mr. V. Srinivasan—(Con- cluded)	331
(4) RECTIFICATION AND CONSOLIDATION OF SOCIE- TIES	335
 III. RECENT UTTERANCES—	
(1) INTERNATIONAL CO-OPERATION AND CO-OPERA- TIVE SPIRIT—By Mr. P. S. Lokanathan, M.A. ...	337
(2) ADDRESS DELIVERED By Mr. E. S. Ganapathy Iyer, on the 15th Anniversary Day Celebrations of the Erode Purchase Society	342
 IV. CO-OPERATIVE NEWS—	
(1) INTERNATIONAL CO-OPERATORS' DAY CELEBRA- TION	344
(2) THE MADRAS PROVINCIAL CO-OPERATIVE BANK, LTD.—Proceedings of the Annual General Body Meeting	351
(3) THE ERODE CO-OPERATIVE PURCHASE SOCIETY, LTD.	353
 V. CORRESPONDENCE—	
(1) UTILISATION OF RESERVE FUND OF THE CO- -OPERATIVE SOCIETIES—A REPLY TO CRITI- CISMS—By Dewan Bahadur M. Ramachandra Rao	354
(2) PROVINCIAL BANK'S REPLY TO THE ABOVE ...	359
 VII. REVIEWS—	
(1) AN INTRODUCTION TO THE PRINCIPLES OF CIVICS—By Lahiri and Banerjea	363
(2) PRAKASAPURAM CO-OPERATIVE CREDIT SOCIETY	363
 VIII. SUPPLEMENT—	
SYLLABUS ON AUDITING	



THE
Madras Journal of Co-operation

VOL. XXIV]

DECEMBER 1932.

[No. 6.

The Editorial Committee do not hold themselves responsible for views expressed by contributors. Contributors are requested to write legibly and on one side of the paper. Manuscripts will not be returned unless stamps are sent to cover postage. Matter intended for the issue of any particular month should reach the Committee before the 15th of the previous month.

Editorial Notes.

The Central Land Mortgage Bank and 20 year loans.

We publish elsewhere* the reply from Dewan Bahadur M. Ramachandra Rao Pantulu, the President of the Central Land Mortgage Bank to our comments which appeared in the November issue of the Journal.

We beg to assure Mr. Ramachandra Rao that we did not intend to cast any reflection whatever on the management of the Central Land Mortgage Bank when we pointed out that while the 10 year, high rated, debentures helped the capitalists to find a profitable investment, the primary land mortgage banks and their members did not benefit much by the 10 year loans and that on the other hand many agriculturists for whose benefit the land mortgage banks were started had to be denied accommodation by the sudden reduction of

* See page 354 of this Journal.

the period from 20 to 10 years. We merely stated a fact and never meant that the Bank encouraged capitalists. The latter took advantage of the situation, very naturally. The facility with which 10 or 15 year money came in has indeed proved a source of financial embarrassment to the Central Land Mortgage Bank as well. We understand that at present a sum of about Rs. 5 lakhs of such money on which some interest is being paid to the subscribers is still on the hands of the Central Land Mortgage Bank seeking investment in 10 or 15 year loans, applications for which are naturally slower in coming than for the 20 year loans, due to the restriction of the eligible borrowers on the basis of enhanced repaying capacity. The sum seems to be now invested in G.P. Notes and fixed deposits of Banks. We have at present no information as to the yield on those investments, the interest paid to subscribers pending issue of debentures to them and the net financial results.

As Mr. Ramachandra Rao stated in his reply that the resort to 10 year debentures and 10 year loans became inevitable owing to non-availability of 20 year money and that even a requisition to the Madras Provincial Co-operative Bank to lend such a small sum as Rs. 1 lakh on 20 year debentures was turned down, we referred Mr. Ramachandra Rao's comments to the Secretary of the Provincial Bank requesting him to furnish us with particulars about the dealings between the two banks from the commencement. We publish elsewhere* his reply with the enclosures thereto. These documents show that far from the Provincial Bank declining to lend, it appears that the Central Land Mortgage Bank has not been able to absorb a large fraction of the funds allotted by the Provincial Bank for purchase of the debentures. The Provincial Bank appears to have been willing to invest those funds in the purchase of 20 year debentures, if the Central Land Mortgage Bank floated them.

The primary land mortgage banks at present finance their members only for the discharge of prior debts. In most cases, the sums advanced for the purpose cannot be recovered in 10 and 15

* See page 359 of this Journal.

years without hardship to the borrowers. The instalments, when their number is reduced, absorb an inconveniently large fraction of the annual income of the borrowers and they are therefore either starved for their normal financial needs or driven to the money lender once more to find the instalment money. We confess we do not feel enthused over the 10 and 15 year loans. Much as we wish that the period of repayment of farm mortgage loans should be as long as possible going up to 40 or 50 years, we plead that normally it must not be cut down below 20 years in the vast majority of cases. We are not pessimistic about the inflow of 20 years money if a steady policy of 20 year debentures is pursued. We are definitely of the view that the recommendation of the Indian Central Banking Enquiry Committee that 20 years should be the *maximum* is not sound. We are reconciled to the 20 year period, as the *minimum* needed in most cases. We are convinced that this view reflects faithfully the genuine non-official co-operative opinion of the Province.

Need for Agricultural Organisation.

The recent attempt to bring marketing of agricultural produce under some control and give it as far as possible a co-operative turn has not been a day too soon. Agriculture is sometimes spoken of as an activity contrasted with industry. But there is a school of thinkers who would consider agriculture itself as a form of industry. If it is so, it is one of the most disorganised of industries. The Royal Commission on Agriculture has pointed out the general individualistic tendency of this occupation which has a direct consequence on the very nature of the agriculturist. But in these days, when the world is shrinking and distance is annihilated, it is very necessary that the agriculturists must organise themselves in order to make their industry more efficient.

So far as India is concerned, a feeble attempt has been made to render some help to the agriculturist with regard to the credit that he may require, by means of co-operative societies and steps are being taken to organise co-operative marketing of agricultural produce.

125944

In this connection, the following extract taken from an American magazine would be read with interest by our readers.

"Modern day life drifts daily away from the old individualism towards a new groupism. Some of the most astute and liberal men of our time are convinced that this drift will inevitably continue. The old individualism is doomed. Our civilisation faces a profound change in its economic functioning. Agriculture of all enterprises has been the most stubborn stronghold of individualism. The farmer has been by temperament and by tradition an individualist. He is to-day suffering the fate of the individualist in a corporate age. He is too much addicted to playing a lone hand at a time when businessmen, industrialists and bankers are operating through group action. Factories, utilities, railways, banks, stores, theatres, news papers, all head towards larger and larger operating units through mergers and syndication. On the other hand, the farmers' inherited individualism is hampering him in all phases of his enterprises. The farmer's individualism is hampering him in marketing. The distributive system is based on highly organised corporate action. The farmer playing a lone hand will lose out in the market place even though he be superlatively successful as a producer."

If that be the case even of the American agriculturist, who in our opinion is a cultured man capable of taking part in an efficient organisation, how much more so is the need for an effective organisation on the part of the Indian farmers.*

The International Co-operators' Day,

We have published elsewhere* reports of celebrations of International Co-operators' Day in some important centres. We know from the daily papers that there were celebrations all over the province, though most of the societies have not cared to send us accounts of their celebrations. The function conducted by the Provincial Co-operative Union was a great success and most of the

* See page 344 of this Journal.

speeches delivered were of a high order. Two valuable suggestions were given out by two of the speakers, one a lady and the other, one of the Secretaries of the newly started Young Co-operators' League. Both of these speakers advocated the utilising of idealism and willingness for service and sacrifice to be found in the ladies and young men of the land. This is a field, whose full potentialities have not been explored and we hope when these forces are fully utilised, the movement will go forward with a certain amount of enthusiasm and self-confidence. The two agencies may be utilised at least for the dissemination of proper co-operative ideals and diffusion of co-operative knowledge. They may be utilised for doing the spade work for the skilled organiser to go later and start societies and for retaining the enthusiasm created by means of reading rooms, libraries, lectures etc. We hope the suggestions will be taken up by all co-operative workers, officials and non-officials all over the province.

The Annual Meeting of the Madras Provincial Co-operative Bank, Ltd.

Our readers would find elsewhere* a brief account of the annual meeting of the Provincial Bank and a report of the consolidation and rectification work done by the District Banks with the help of the subvention rendered by the Provincial Bank supplemented from their own resources. We see that 28 central banks availed themselves of the subvention and have spent (including Rs. 50,000 given by the Provincial Bank) Rs. 1,30,000 that is, Rs. 80,000 of their own and Rs. 50,000 of the Provincial Bank. The work has been carried on along three lines, viz., examination of individual loans, collection of overdues and re-organisation of panchayats and we are glad to note that on the whole satisfactory progress has been achieved.

It is sad to observe that the transactions by way of borrowings from the Provincial Bank by the central banks and by societies from central banks have considerably shrunk. This may be partly

*See page 351 of this Journal.

due to the fact that all lending institutions are pursuing a policy of caution and contraction of credit and partly also due to the fact that the ultimate borrower, the agriculturist, does not find adequate price for his produce and therefore is not in a position to repay. We hope, however, that the worst days of the economic depression are nearly over, that better days are dawning and therefore consistent with safety the lending institutions may give more freely to good customers and not penalise them for the faults of irregular and bad customers. A policy of cautious expansion of the movement in general together with a policy of continuance of prudent lending should enable the financing institutions to find a safe outlet for their surpluses.

Co-operation in India. Growth in the Several Provinces.

The annual statement prepared by the Government of India for presentation to Parliament in accordance with the requirements of the Government of India Act is a mine of information about India in general. As co-operators, we are interested in the account given of the co-operative movement in the latest publication of the series "India in 1930—31." Though we get official reports of the progress of the movement in various provinces, unless one takes the trouble to make a comparative study from all these various reports, one does not get an opportunity to take a Pan-Indian view of the situation. This report gives just that facility and we have therefore great pleasure in recommending to our readers a perusal of the portion dealing with Co-operation, that is, pages 592 to 602.

In spite of peculiar features characterising the working of the Movement in different provinces, there are some general features common to all and among the general features may be mentioned the economic depression and the effect it has had upon the co-operative movement in general. Overdues have increased almost in every province. We hear, however, good reports of the working of Provincial Banks wherever they exist and the working of central banks is generally good, though not of the requisite standard of efficiency. Appreciative references are made to the work done by central propaganda institutions, which have taken up in some provinces the work

of audit and supervision as well. Certain provinces are specially noted for some particular forms of co-operative societies that have progressed well. The Anti-Malarial Societies and Milk Supply Unions of Bengal, Urban Banks and Cotton Sale Societies of Bombay, Land Mortgage Banks of Madras, Societies for Better Farming and Consolidation of Holdings of the Punjab are the most prominent amongst them. There is one feature of the movement in various provinces which deserves special mention. The rate of expansion has not been uniform at all. In Burma, where the movement has received a setback, the number of societies has been decreasing owing to the policy of liquidation vigorously carried on. In the United Provinces, where also the movement seems to have fallen upon evil days, the number of societies shows a decrease. In all other provinces, there is increase, though not at the same rate. The following table sets forth the figures as given in the report :—

Provinces.	Number of Societies at the end of the previous year.	Number of New Societies registered.	Number of Societies disregistered.	Net increase.	Percentage of item (4) to item (1).	Total at the end of the year.
	1	2	3	4	5	6
1. Assam ...	1,320	99	29	70	5.33	1,390
2. Bengal ...	19,877	2,796	141	2,655	13.3	22,532
3. Bihar & Orissa ...	9,379	286	261	25	.27	9,404
4. Bombay ...	5,472	363	101	262	4.8	5,734
5. Burma ...	4,151	...	936	Decrease 936	...	3,215
6. Central Provinces ...	3,954	...	...	183	4.6	4,137
7. Madras ...	15,086	534	383	151	1	15,237
8. N. W. Frontier ...	101	65	...	65	65	166
9. Punjab ...	19,462	1,212	341	871	4.45	20,333
10. United Provinces ...	5,752	...	...	...	...	5,467

The table reveals what may be called normal expansion in the provinces of Assam, Bombay, Central Provinces and the Punjab; very rapid expansion in the North Western Frontier Province. In Bengal, there has been pretty rapid expansion but in Madras (among the major provinces) expansion seems to be the slowest. Even in other provinces the policy of caution, consolidation rather than expansion and systematic weeding out of bad societies has been carried on. But it is only in our province that this process seems to have been carried even at the sacrifice of normal expansion. The contrast becomes glaring only when we take a comparative view of the state of affairs of the several provinces which the table given above enables the reader to have for himself.

We have always held that the coming generation should not be penalised for the mistakes of the past, that side by side with rectification work, we must carry on the work of organising new societies under better conditions in promising areas, no doubt with caution and circumspection. Let us survey the promising areas, carefully note the mistakes committed in the past and see that scrupulous care is taken to avoid those things in future. There is no need for expansion for its own sake, but there is every need for normal expansion for bringing the benefits of co-operation within the reach of the promising villages that are now denied, that advantage. It will be a sin to deny them the advantages of healthy co-operation, because in the past organisers have committed mistakes and landed the movement in difficulties. We cannot be too critical and exacting in our standards of efficiency when a new application is brought for registration. Subject to this, expansion should go on and it may not be impossible to organise fresh societies that may be capable of standing the severest of tests. If expansion is virtually stopped the Movement in the Province will tend to stagnate and deteriorate. We therefore advocate a policy of cautious expansion in our province.

The Ottawa Trade Agreement and India.

BY

V. RAMADAS PANTULU.

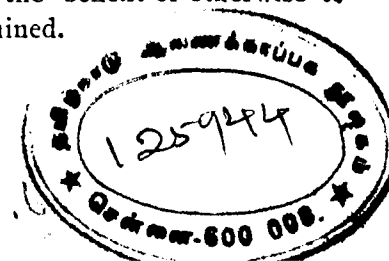
Its benefits to Indian Producers and Consumers.—The Real Test.

Interests of Agriculturists.—The trade Agreement entered into between Indian and British delegates at the Ottawa Conference and which the British Governments in India and England are endeavouring to implement is of more than ordinary interest to the Indian Agriculturist. Though the agriculturist in India knows nothing of the Ottawa Agreement and its reactions on him, it is *his interests* that form the main theme of the controversy that is now raging between the defenders and opponents of the Agreement—the Pro-Ottawites and the Anti-Ottawites. The Report of the British Indian delegation on the Ottawa Agreement primarily justifies the Agreement on the ground that it promotes the economic prosperity of the Indian producer. The Report, to put it briefly, asserts that, while the non-acceptance of the Agreement will have serious adverse effects on India's export trade with the United Kingdom and the Dominions, and with it on the productive enterprise of the Indian farmer, its acceptance will result in a substantial expansion of that trade, and with it of India's agricultural production. The opponents of the Agreement contend that the Report is "but a piece of propaganda in favour of British Industry under the guise of the so-called protection of the interests of the Indian farmer," and that while its non-acceptance will not have any disastrous effects on India's export trade and productive activities, its acceptance will probably entail reduced demands to his products from Non-Empire countries and will at best result in the diversion of a part of that trade from those countries to the United Kingdom and not in any real expansion of it or of any consequential increase in production. If we can put aside for a moment the political and semi-political issues which are no doubt inextricably mixed up with the Agreement, the interests of the Indian farmer therefore furnish the most important residuary test by which the benefit or otherwise to India from the Agreement is to be determined.

32 2

14th 21, 11/11/1917

1122.29.6



Interests of manufacturers.—It does not, of course, mean that the effect of the Agreement on our manufacturing industries is not also an equally important test by which it should be judged. While India is bound to continue to be an essentially agricultural country for a long time to come, she certainly does not wish to play the role of the producer of raw materials or of semi-manufactured articles for the benefit of other industrial countries, herself depending on such countries for the supply of manufactured goods required by her own people in their daily life. The Indian producer would like to produce more, but, at the same time, would like to reduce his dependence on overseas markets for the absorption of his exportable surpluses and would prefer his raw products being consumed more and more by his own people and by the factories of his own country. If he can grow better cotton, he would like the hand-looms and power-looms in India to turn it into finer varieties of cloth than are now manufactured, to stop the import of such cotton for the purpose from outside and to make it unnecessary for his people to import any foreign cloth. If he can increase and improve his production of oil-seeds, he would like his oil-mills to crush them in order to export the surplus of the finished oils not required for use in India and to retain the whole of the cake to feed his cattle and enrich his soil. In other words, the economic prosperity of the Indian farmer lies not merely in the improvement of Indian agriculture, but also in the regeneration of Indian industries simultaneously.

Interests of Consumers.—Again it must be remembered that the Indian farmer, who is the producer of the bulk of India's national wealth, is also the main consumer of the goods manufactured in India or imported from outside, because the rural population of India, which is directly or indirectly dependent on agriculture as the chief occupation, form 90 per cent. of the total population. So, another important related test by which the effects of the Ottawa Agreement on the economic life of the Indian farmer are to be judged is, does it increase his cost of living by leading to direct or indirect taxation? If it does, it will obviously operate as a serious handicap to Indian

agriculture as well as Indian industries. The Indian farmer's staying power and his standards of life are already so low that any factor, such as additional taxation, direct or indirect, which goes to reduce them further, cannot but cripple his productive activity and his purchasing power to the detriment of India's agricultural and industrial development.

Political issues eliminated.—It therefore follows that, before India accepts the Agreement, she must be satisfied that, on a balance, it will prove beneficial to Indian agricultural and industrial progress and that it will have beneficial repercussions on the economic life of the Indian farmer both as a producer and as a consumer. In the process of this ascertainment, many complex issues are involved. The economic, political and constitutional issues are often so inseparably interrelated that most economic problems cannot be solved without tackling their political and constitutional aspects as well. Granting that the delegates sent by the Government of India are the best that India can find to represent her and that the Government of India itself, in entering into the Agreement with His Majesty's Government, is actuated by the sole desire of placing India's interests in the forefront, still there are several other political and constitutional factors which require being investigated into in connection with any kind of trade agreements between India and other parts of the British Empire. I, however, propose to eliminate their consideration from my present examination of the Agreement and wish to confine myself to the economic and financial repercussions of the Agreement on Indian agriculture and industries.

The Agreement.

The essence of the Agreement is that India shall guarantee a preference of 10 per cent. on specified goods coming from the United Kingdom, other than motor vehicles on which the preference is to be 7½ per cent. In return for this, the United Kingdom shall guarantee a similar preference to certain specified articles imported from India. 'Preference' means that the goods from the favoured country pay import duty at a lower rate than the general duty or the duty paid on goods of the unfavoured country. It will be explained later how this preference is created in practice. The object of the preference is to make Non-Empire goods dearer than Empire goods with the help of customs duties and to thereby create a

greater demand for Empire goods. The Agreement is drawn up in the form of 14 articles and 8 related schedules and may be divided into four parts; (1) the part dealing with the undertakings given by His Majesty's Government in the United Kingdom in regard to the preferences to be given to the Indian commodities and the lists of such commodities; (2) the part dealing with the undertakings given on behalf of the Government of India in regard to the preferences to be given to the British commodities and the lists of such commodities; (3) the part dealing with the undertakings given and received by His Majesty's Government and the Government of India as regards the trade between India and the Colonial Empire (*i.e.* Non-Self-Governing Colonies, Protectorates and certain Mandated Territories); and (4) the part dealing with the reciprocal undertakings concerning the Government of His Majesty and the Indian Government. The Agreement embodies what in essence may be called a scheme of Inter-Imperial Preference on a basis of reciprocity in respect of a limited number of commodities, the United Kingdom undertaking to accord the same preferences to India and the Dominions, and India undertaking likewise to give the same preferences to the United Kingdom and the Dominions, with a declaration by both Britain and India of their intention to extend the scheme to the Colonial Empire.

It will be convenient to examine the Agreement in relation to its four parts separately in the first instance and then to take a general survey of it as a whole, to determine whether, on a balance, it operates to the gain or loss of India.

PART I OF THE AGREEMENT.

Preference by the United Kingdom to India.

Articles 1 to 8 and Schedules A to D contain the provisions relating to preferences to Indian goods in the United Kingdom. Schedule D gives a list of 6 articles which will be admitted into the United Kingdom free of duty from all sources, Indian or otherwise. They are shellac, raw jute, myrabolams, broken-rice, mica slabs, and varieties of Indian hemp. These are admittedly articles in which India has a monopoly and for which the United Kingdom has industrial and other uses. Their free admission involves no real concession to India while it benefits England. Schedules A, B and C contain lists of the articles on which new or increased preferences are agreed to be granted and those to which the continuance of

preferences is agreed. Such articles number about 30.* The Ottawa Report estimates the value of such imports into the United Kingdom in 1929 at £41·86 millions.

In order to understand the implications of the Agreement, it is necessary to state briefly the position of the trade relations between India and the United Kingdom on the date of the Agreement, and the circumstances under which the Indian delegates went to the Ottawa Conference. Though the United Kingdom was

*These articles are classified under the following four heads by Prof. C. N. Vakil of the Bombay University. The values of the total exports of India in those articles and of the exports to the United Kingdom are also given for 1929—30:—

	Total amount of exports in 1929—1930. Rs.	Exports to United Kingdom. Rs.
First Group:—		
10 articles in which India is the chief supplier to the United Kingdom.		
(1) Jute manufactures, (2) Tea, (3) Tanned hides and skins, (4) Goat skin, (5) Caster seed, (6) Teak wood, (7) Oil seeds, (8) Groundnuts, (9) Coir manufactures, and (10) Sandalwood Oil ...	115 crores	36·6 crores
Second Group:—		
7 articles in which Dominions also compete with India:—		
(1) Pig lead, (2) Coffee, (3) Spices (4) Tobacco, (5) Pulses, (6) Beans and (7) Barley ...	9 crores	3·2 crores
Third Group:—		
9 articles with limited capacity for expansion of trade:—		
(1) Cotton piece-goods, (2) Cotton twist and yarn, (3) Rice, (4) Carpets and rugs, (5) Non-essential vegetable oils, (6) Bran and pollards, (7) Manures, (8) Magnesite, (9) Granite and magnesium chloride ...	41 crores	184 lakhs
Fourth Group:—		
3 Special articles:—		
(1) Linseed ...	6·5 crores	1·8 crores
(2) Pig-iron ...	2·59 „	33 lakhs
(3) Cotton ...	100 „	4 crores.

and has been substantially a free trade country till 1931, when the National Government assumed control over her destinies, since 1919 she has been involved in a policy of encouraging Empire trade by grant of tariff preferences. It is the result of a plea that the Dominions, specially Canada, have been putting forward for Imperial preference since 1897. So, certain articles like coffee, tobacco, fruit and silk (to mention only those in which India is interested) have been for some years past allowed to enter into the United Kingdom at rates of duty substantially lower than those applicable to foreign products and still enjoy such preferences. The articles which are enjoying preferences in the United Kingdom in this manner are more numerous in the case of Dominions than those in which India is interested. Some Dominions have, on their part, given preference to some articles of the United Kingdom. The duty on tea imported into the United Kingdom was removed in 1929 and the preference which the Empire tea enjoyed in the United Kingdom till then was put an end to; but it was restored by the Finance Act in 1932 with an added preference of 2d. a pound. The National Government, soon after its accession to power in 1931, elaborated plans for the imposition of a general tariff both for protection and revenue purposes and passed early in this year the famous Import Duties Act. That Act contained a schedule of articles which the United Kingdom would import duty free, evidently in the interests of the British Consumer and the British Industries. The Act imposed a 10 per cent. duty, generally speaking, but ranging from 10 to 33 per cent. in some cases, on all commodities other than those included in that free schedule and those not liable to import duties under earlier Acts of Parliament which imposed certain duties from time to time on some commodities imported into the United Kingdom. The Import Duties Act of 1932 contained a provision by which the products of Dominions and India, to which the Act applied, were exempted from the operation of the new duties upto the 15th November 1932. His Majesty's Government made an announcement in the Parliament in this connection that, if Dominions and India entered into a satisfactory agreement with the United Kingdom at Ottawa, orders for the further exemption of the Dominion and Indian goods from the duties under the Act would be issued while, in the absence of such an agreement being concluded, no guarantee of the continuance of such an exemption could be given. The Dominions have been anxious at least since 1897 to evolve some schemes of reciprocal preferences with the United King-

dom. But it was the United Kingdom, for reasons which it is not necessary to state here, but mainly by reason of her dominant industrial position and free trade tendencies, that was not enthusiastic over the idea. It is now the United Kingdom's turn under the pressure of a combination of world factors which affected her trade, commerce and industry adversely, to take the initiative to materialise an elaborate scheme of reciprocal preferences, between the Empire countries. So, the Dominions and the United Kingdom went to Ottawa fully prepared to conclude an agreement which is but the culmination of a policy over which they have been working for a generation. But India's participation in that Conference was not due to any desire on the part of the people of India to evolve any scheme of imperial preference at Ottawa. Even the Government of India, so far as the public are aware, did not take any initiative in the matter. The Indian public were indeed in complete ignorance of the matter until the Government of India, in answer to a question put in the Assembly, casually revealed the fact that they nominated certain delegates to represent India at Ottawa. This participation of India at the Conference was obviously the result of a notice given to the Government of India by the Government of His Majesty that, unless a trade agreement was concluded by the Indian Government and ratified by the Indian Legislature before the 15th November, certain Indian commodities might be made liable to import duties under the Import Duties Act. It was under these circumstances that the Indian Government's delegates went to Ottawa and entered into the Agreement with the British Delegates.

The Agreement has been concluded. It has not yet become effective, for it awaits the ratification of the Legislative Assembly. Very likely it will be ratified by that body. The question still remains whether it is acceptable to the Indian people, whose interests the Assembly cannot be said to represent, both because it is constituted on a very limited franchise and even so, its decisions are not solely those of the elected members but also of the officials of the Government and the members nominated by them. The minority of the Indian Fiscal Commission said that India could consider schemes of Imperial Preference if the *Non-Official Members* of the Legislature Assembly were given power by legislation or other equally effective methods to initiate, grant, vary or withdraw preferences in the interests of India and the decisions thereof

did not depend on official votes. This request is now repeated but the authorities in England and India have declared their intention of implementing the Agreement with the help of the official votes.

Effects of the Agreement on India's Export Trade.

Retention of our Export Trade.—The supporters of the Agreement appear, *prima facie*, to stress more on the dangers to India which are certain to follow in the wake of its non-acceptance than on the positive gains that will accrue from its acceptance. They, no doubt, also urge in favour of its acceptance that, on a balance, it operates to the advantage of India. But, a reading of the report unmistakably discloses the mental attitude with which the Indian delegates approached the problem. At the very outset, they formulate the question with which they were confronted thus: "Whether India could afford to stand out of an agreement which seemed likely to include most, if not all, Empire countries other than herself. *It is no longer* a question of what India stood to gain but of what she stood to lose." It therefore becomes necessary to examine how far this fear of the Indian delegates is justified. The task may be said to involve, for its complete discharge, a detailed examination of the position regarding the exportable surpluses of each of the 30 articles for which India is promised preferences and see how far our export trade in respect of each of them will be affected adversely in the absence of those preferences, which other parts of the Empire will enjoy. But, the basis for the Indian delegates' apprehension can be effectively tested by confining our attention to some of the chief agricultural products of India such as tea, jute, cotton, rice and oil-seeds, for instance.

Tea.—Of the Articles mentioned above, tea occupies the foremost place in regard to Indian export trade with the United Kingdom. Indeed, out of the total value of £ 41·86 millions of Indian articles to which the United Kingdom agrees to give preference, tea covers one half, for the export of tea from India to the United Kingdom is in the neighbourhood of £ 20 millions. In 1929—30, the value of Indian tea exported to the United Kingdom was 23 crores of rupees. The other countries which supply tea to the United Kingdom are Ceylon and Java. Ceylon sends annually tea worth Rs. 18 crores and Java a comparatively small quantity. Assuming that a preference of 10 per cent is given to Ceylon while it is denied to India if she did

not accept the Ottawa Agreement, it is absolutely impossible for Ceylon to so expand her tea production as to replace India with its Rs. 22 crores worth of annual export to the United Kingdom and the British people will have to buy Indian tea with the duty added. Even assuming that Ceylon can expand to some extent, the position might at best be reversed and she might be able to supply Rs. 23 crores worth leaving India to supply 18 crores worth. Such supply from India to the United Kingdom must be at an extra cost of 10 per cent to the British consumer. The position of India in tea being strong in the market of the United Kingdom, the higher duty paid by Indian tea will govern the general price level of tea in the United Kingdom. So even Ceylon tea becomes dearer. It is therefore extremely unlikely, almost improbable, that the United Kingdom will tax Indian tea, and make it more costly for her people. Even in the regime of the National Government, there are powerful elements in British politics opposed to further taxing of food and increasing the cost of living. Moreover, the Indian tea industry is mainly in the hands of British capitalists and it is incredible that the United Kingdom will do anything to injure the vast and important interests of the British tea-planters and manufacturers. The Indian part of the tea industry cannot be singled out for being hit and the Indian labour on the tea plantations cannot similarly be injured unless the main British tea interests in India are injured. In the absence of more convincing arguments than are contained in the Report as to why England should think of making Indian tea more costly to her people and of injuring the interests of her countrymen, who have sunk a large British capital in tea-plantations and developed Indian tea trade with the United Kingdom, it must be said that the fears entertained by the Indian delegates in this matter are wholly unfounded. It must be further remembered that there is nothing in the Import Duties Act of 1932 to remove the preference which Indian tea had secured under the Finance Act of 1932, by the mere non-acceptance of the Ottawa Agreement, for articles liable to duties under the older Acts including the Finance Act are excluded from the operation of the Import Duties' Act. So, His Majesty's Government must go out of their way to undo the existing preference to Indian tea, by some action outside the scope of the Import Duties Act. The elaborate plea about Indian tea trade suffering by the non-acceptance of the Agreement therefore seems to be quite unreal to my mind and looks more like propaganda in favour

of the Agreement than an argument based on evidence and probabilities.

Jute.—India has a monopoly of raw jute and it is naturally put in the list of articles which are imported into the United Kingdom free of duty from all sources. So, the non-acceptance of the Agreement or the removal of raw jute from the free list will have no effect on it. As for our jute manufactures also, we have a virtual though not absolute monopoly, and the United Kingdom is only a small purchaser from us. Of the Rs. 52 crores worth of jute manufactures exported by us in 1929-30, the United Kingdom took about Rs. 3 crores worth and no more. So, we send 94 per cent of our jute manufactures to other countries than the United Kingdom. A duty of 10 per cent on our jute manufactures besides increasing the cost to the British consumers, will also affect the British capitalists in India in whose hands that industry is largely concentrated. If the United Kingdom were to tax our jute manufactures, may we not impose an export duty on our raw jute going to her? So, the plea that jute industry and jute trade will suffer by the non-acceptance of the Agreement is also unreal.

Cotton.—In regard to India's raw cotton, the Agreement does not give any preference for the obvious reason that the United Kingdom, by the imposition of import duties on foreign cotton, will increase the cost of production of cloth by Lancashire. Article 8 of the Agreement merely states that the United Kingdom will co-operate with India in schemes for "promoting whether by research, propaganda or improved marketing the greater use of Indian cotton in the United Kingdom." At present, England buys very little of Indian cotton. In 1929, out of Rs. 100 crores worth of cotton imported by the United Kingdom, she purchased only for 4 crores from India. India's chief purchasers of cotton are Japan and China. In 1929, India exported 65 crores worth of cotton, most of which she sold to those two countries. Assuming that by research and propaganda, India can be helped to produce better varieties of cotton, there is ample scope for its consumption by her own mills for the manufacture of higher counts of yarn, for which purpose they now import large quantities of foreign cotton. As regards India's cotton manufactures there is admittedly little demand for them in England. So the non-acceptance of the Agreement will have little adverse effect on our export trade in raw cotton or cotton manufactures, or will its acceptance help much its expansion of export trade in them with the United Kingdom.

Rice.—It is estimated that the Indian Empire (India and Burma) consumes 93 per cent of rice produced and exports only 7 per cent, of which 3 per cent is purchased by the United Kingdom. When Burma is separated from India, the latter's share of trade will be much less. Though the Indian rice, which supplies 1/3 of the United Kingdom's requirements, is cheaper than the American and Spanish rice, which supplies the remaining 2/3, there are other factors which determine consumption, such as methods of packing and polishing, which are no doubt matters of fashion, but are paramount with the consumer. Spain has, besides, peculiar advantages such as cheap transport facilities by coastal steamers and opportunities for direct contact with the grocers which will make it difficult for India to compete. Even if India's rice is subjected to Import duties, she will not be worse off than America and Spain who will come under the same duties. So, the export trade of India proper (less Burma) in rice, even though it may slightly profit by the preference, will be a negligible factor in estimating the effects of the Agreement. Wheat and other food grains are negligible factors likewise in our export trade.

Oil Seeds.—India has a virtual monopoly in certain kinds of oil seeds like castor seed, and the United Kingdom is not a large purchaser thereof. In 1929-30, of the Rs. 214 lakhs worth of castor seeds exported from India, the United Kingdom purchased only Rs. 49 lakhs worth. In groundnut also, the United Kingdom is not a large purchaser. In 1929-30, India exported Rs. 16.38 crores worth of groundnut, of which the United Kingdom purchased only Rs. 1.24 crores worth. I consider that India's endeavour should be to crush her oil seeds and not to find facilities in overseas markets for exporting her seed, so that other countries may crush it and send the finished oils into India, retaining the most valuable food and fertilising stuff, the cake, for themselves. There is use for any amount of cake to feed the Indian cattle and manure the Indian soil. With the growth of Indian industries there will be increased demand for her vegetable oils for internal consumption. I consider it a great catastrophe to Indian agriculture and industries to encourage the export of oil seeds and oil seed cakes. So, it is preference to Indian vegetable oils that ought to interest us more than preference to oil seeds. India can and does produce castor oil, cocoanut oil, linseed oil, rape oil, groundnut oil and sesamum oil. But, most of these are now absorbed by the eastern countries and England buys very little and gets

her supply of vegetable oils from the continent of Europe. Does the preference offered to these oils help Indian export trade in them with the United Kingdom? It is possible that the enhanced preference which these oils get in the United Kingdom by the duty on such Non-Empire oils being raised from 10 to 15 per cent may help Indian trade in vegetable oils. The report, however, points out that Indian oils have two serious handicaps, namely, expensive packing and high sea freight and it remains to be seen how far the promised preference will expand Indian export trade in those oils with the United Kingdom.

Other articles.—I have taken some of our chief agricultural products as instances in regard to which we may test, in the main, the foundation for the Indian delegates' grave apprehensions about the impending disaster to Indian export trade by the non-acceptance of the Agreement. The position of our export trade in these products with the United Kingdom and the other countries, is such as not to warrant that alarmist view. It is not my purpose to establish that the export trade in no Indian commodity will benefit at all by the preferences under the Agreement. It is possible that on an examination of the case with regard to each of the important articles to which preference is promised, it will be found that in the case of some a certain amount of advantage will be gained by the preferences. Take, for instance, coffee whose position now is very weak in the markets of the United Kingdom. Since 1919, it has been enjoying a preference of 2s. 4d. per cwt and India supplied only 8½ per cent. of the United Kingdom's requirements. The preference is now raised by the Agreement by 7 shillings, that is, to 9s. 4d. a cwt. So our export in coffee may improve to some extent though it is true that the other Empire countries, which also supply coffee to the United Kingdom, which gets 45 per cent. of its coffee from the Empire countries, would enjoy the same preference, and Central America and Brazil are very strong rivals to compete with. Similarly Indian Tobacco may have some benefits by the preference, but India will not suffer seriously even if no preference is given. Take again tanned hides and skins; it is true that our position in the United Kingdom market is strong. In 1930-31, the value of our total export of the commodity was Rs. 6·27 crores, of which Rs. 5·74 crores worth went to the United Kingdom. Nevertheless, our trade in tanned hides and skins not being altogether free from competition, the preference may give it some advantage. But,

taking our export trade in the articles covered by the Agreement as a whole, it must be said that even though the Agreement may benefit some of the articles, the non-acceptance of the agreement, if dictated by other paramount economic considerations, will not seriously jeopardize our export trade in the preferred articles.

Expansion of our Export Trade.—So much in regard to the negative argument against the Agreement. Then there remains the positive aspect of the case for the Agreement, namely, that its acceptance will result in a substantial expansion of our export trade and increased agricultural production in regard to the articles which obtain preference under the Agreement. Here again, the legitimate line of enquiry to follow will be to examine what margin there is in the total import trade from all countries of the several articles into the United Kingdom which India can capture by replacing the other countries from which the United Kingdom now obtains her supply of those articles. This enquiry, on further analysis, falls into two parts. We have first to determine what additional part of that portion of supplies, which the United Kingdom gets in these preferred articles from countries other than India, can be captured by India, *on the basis that India's production and exportable surplus remain the same as now.* The results obtained from this enquiry will only disclose what part of our existing export trade in these articles is divertable to the United Kingdom from the Non-Empire countries. I do not think that the possibility of such diversion alone, even if established, will be urged to be a sufficient reason in favour of accepting the Agreement. So it is not a fruitful enquiry on which the defenders of the Agreement need over-stress, for it cannot obviously justify by itself either the concluding or the ratification of the Agreement. The really important part of the enquiry must be what fresh stimulus India will get for her productive activity in the articles which obtain preferences and how much more can she produce to replace the foreign competitors in these articles in the Empire markets. The Report does not throw much light on this aspect of the question, which is really the crux of the matter. There are mere vague generalisations of the possibilities of expansion of India's production and export trade in some of the articles under the preference scheme. Let me take one outstanding example to which the Report devotes considerable space to test the soundness of the reasoning adopted in the Report.

Linseed.—Linseed is said to be an article in which there is considerable possibility of expansion of production and of finding larger market in the United Kingdom. It is true that the United Kingdom is a large buyer of linseed for the sake of its oil which is required for industrial purposes and for its cake as food stuff. She gets the bulk of her supply of linseed from Argentina and only about ¼ of her requirements from India. The total value of seeds imported by the United Kingdom in 1929-30 was Rs. 6·51 crores, out of which seed

worth Rs. 1·8 crores was from India and Rs. 4·7 crores from Argentine. In that year, India exported Rs. 5·72 crores worth of linseed, of which 3·92 crores was taken by France and Australia. Expressed in bulk instead of value, during the quinquennium 1926-30, the average imports of linseed into the United Kingdom was 314 thousand tons a year. In the same period, the average export from India to all countries was 215 thousand tons a year, of which 1/4 or about 50 thousand tons only went to the United Kingdom. The question is whether India can displace Argentine to any appreciable extent with the help of the 10 per cent preference and increase her annual production of linseed to export larger quantities to the United Kingdom, without losing any part of her trade with France and Australia. Only in that contingency will there be a real expansion in our export trade in linseed. The report asserts in a very general way that "India can without difficulty meet a very large part of the United Kingdom's requirements" but gives no reasons in support of the statement, except the belief in "the extraordinary elasticity of Indian agricultural production in response to variations in world demands."

This easy optimism is scarcely justified. Indeed, India's agricultural and marketing enterprises are perhaps the least organised in the world and are certainly not superior to those of Argentine. The materials placed before the Royal Commission on Agricultural and the Indian Central Banking Enquiry Committee disclose a depressing story about the capacity of India's products to make headway in overseas markets in competition with the foreign countries. In the case of linseed itself, the Indian production received a serious setback in recent years; while it reached a figure of 533 thousand tons in 1922-23, it has come down to 237 thousand tons in 1930-31, evidently due to want of demand for it in overseas markets. So to prophesy that a 10 per cent preference will enable India to enlarge the area under linseed by 2 million acres to obtain an additional annual production of 250 thousand tons is a hazardous economic venture. In the Argentine Republic, large British capital is invested and the Republic is negotiating for a separate trade agreement with the United Kingdom. It is not unlikely that with subsidies, rationalisation of agriculture, greater facilities for assemblage and transport and other forms of State Aid, Argentine can get over the 10 per cent preference and make her linseed cheaper than Indian seed in the United Kingdom's market.

There are again the tremendous factors of price level and monetary policies which may upset any calculations in regard to our capacity to capture larger markets for our products. Sir Attul Chatterjee himself pointed out in his opening speech at Ottawa that "the benefits to production and trade of a preferential system may easily be *swept away*, unless it is supported by a monetary and credit policy, which assures a reasonable measure of stability of general wholesale prices."

These general considerations which apply to linseed apply to many other articles. Here again, it is unnecessary to deny that in the case of no article, the Agreement will help. But, the effect on India's export trade in the shape of real expansion seems to be small. In some of the articles to which preference is promised, there is keen competition from the Dominions (See Group II foot note, page 5). Where the Dominions would enjoy the same preference as India, the latter cannot make much headway. In some others, there is little scope for expansion of export trade owing to India's limited capacity to produce them. (See Group III, foot note, page 5). Attempts were made by some critics of the Agreement to arrive at some mathematical results as to what the extent of the immediate and potential gains by the acceptance of the Agreement to Indian export trade will be and what the probable loss, by its non-acceptance. One estimate puts such gain at Rs. 13 crores per year and such loss at Rs. 8 crores a year. But, I consider those estimates very inconclusive as they are necessarily based on surmises and are not expected to take note of several extraneous factors which may upset the calculations. So, it is in my opinion far better not to widen the sphere of controversy by clothing hypothetical estimates with the dignity of mathematical conclusions. The other considerations adverted to by me are sufficient to justify the conclusion that both the negative and positive tests have failed, and that on the first part of the Agreement, namely, *preference to India by the United Kingdom*, it may be stated our export trade will not be appreciably jeopardized by the non-availability of those preferences, nor will it appreciably expand by coming under the Agreement.

Two outstanding factors :—In coming to these conclusions, a consideration of supreme importance, namely, how this Agreement between India and the Empire countries, which involves increase of duties on foreign goods, will be received by our non-Empire customers, to whom we sell 60 per cent of our exportable surpluses and what reactions it will have on our trade with them, has been left out. It will be adverted to in my general survey of the Agreement as a whole, for it is a more appropriate context. Then there also remains another crucial question; assuming the preferences we get under the Agreement will operate beneficially to some of our exportable commodities, what has India to give in return for such preferences? This is the topic which falls for consideration under part II of the Agreement.

PART II OF THE AGREEMENT

Preferences to the United Kingdom by India.

Articles 10 and 11 of the Agreement and the related schedules F. and G. embody the undertakings given by the Government of India to His Majesty's Government in regard to preferences which

certain British goods should enjoy in India. Article 10 provides for preference being given to 163 classes of goods enumerated in schedule F* and imported from the United Kingdom into India, the

* Prof. C. N. Vakil of the Bombay University has grouped them into 58 classes and divided the 58 classes into 2 categories, namely, articles mainly imported from the United Kingdom and articles mainly imported from countries other than the United Kingdom. They are given below:—

A.—ARTICLES MAINLY IMPORTED FROM THE UNITED KINGDOM.

Major: Total imports exceeding one crore.

- | | |
|---|--|
| 1. Cotton piece-goods. | 11. Drugs and medicines. |
| 2. Cotton twist and yarn. | 12. Apparel, haberdashery and millinery. |
| 3. Iron and steel goods. | 13. Paints and painter's materials. |
| 4. Machinery and mill-work. | 14. Building and Engineering materials. |
| 5. Instruments, Apparatus and appliances. | 15. Cycles. |
| 6. Hardware. | 16. Earthenware, Porcelain, furniture and cabinetware. |
| 7. Woolen manufactures. | 17. Stationery (excluding paper) |
| 8. Paper. | 18. Ale and Beer. |
| 9. Rubber manufactures. | |
| 10. Chemicals. | |

Minor: Total imports less than one crore.

- | | |
|---|---|
| 19. Toilet requisites. | 26. Oil cloth and floor cloth. |
| 20. Toilet Soap. | 27. Cordage and Rope. |
| 21. Leather manufactures (excluding boots and shoes). | 28. Perfumed spirit. |
| 22. Asbestos. | 29. Leather cloth and artificial leather. |
| 23. Confectionery. | 30. Fish oil. |
| 24. Filled cartridges and cartridge cases. | 31. Engine and Boiler packing. |
| 25. Brushes. | 32. Cocoa and Chocolate. |
| | 33. Paint solutions. |

B.—ARTICLES MAINLY IMPORTED FROM COUNTRIES OTHER THAN THE UNITED KINGDOM.

Major: Total Imports exceeding one crore.

- | | |
|-------------------------------|------------------------------------|
| 34. Copper. | 38. Artificial silk piece-goods. |
| 35. Motor vehicles. | 39. Aluminium. |
| 36. Brass and similar alloys. | 40. Canned and bottled provisions. |
| 37. Silk piece-goods. | 41. Mineral lubricating oil. |

Minor: Total imports less than one crore.

- | | |
|--------------------------------------|-------------------------------|
| 42. Condensed and preserved milk. | 50. Tinned and canned fish. |
| 43. Boots and shoes. | 51. German silver. |
| 44. Silk yarn. | 52. Canned and bottled fruit. |
| 45. Toys and requisites for games. | 53. Natural essential oil. |
| 46. Umbrellas and Umbrella fittings. | 54. Metal buttons. |
| 47. Vegetable and nonessential oil. | 55. Ghee. |
| 48. Cutlery. | 56. Smokers' requisites. |
| 49. Zinc. | 57. Cork manufactures. |
| | 58. Synthetic essential oil. |

margin of preference being 10 per cent on goods other than motor vehicles and 7½ per cent on motor vehicles. Article 11 deals separately with British cotton, silk and artificial silk goods enumerated in schedule G. The preference in the case of these goods also is to be 10 per cent and they are not now subjected in India to any scheme of protection. So, they might well have been included in schedule F. But the parties to the Agreement have reserved freedom to the Government of India to fix suitable differential duties on British and non-British cotton, silk and artificial silk goods, so as to give adequate encouragement to the British ones after the Tariff Board disposes off the reference now pending before it in regard to cotton and artificial silk goods and after the recommendations of the Board are considered by the Government of India. So, our attention may now be confined to the commodities listed in schedule F.

The range of Preference to British Goods.—The articles in schedule F cover a very wide field of imports into India. The special merit claimed by the Report for schedule F, from the standpoint of India, is this: Goods which are at present free of duty, or dutiable at specially low rates or subject to protective duties under the Indian Tariff system are excluded from the operation of the preference within the scope of schedule F. These are chiefly articles of machinery which help Indian agriculture or establishment of industrial plant in India.* The British Indian Delegation express their satisfaction at this achievement in these words: "It is in this way that we have been able to attain the objects which, from the outset, we set before us, viz., that, if an agreement was made, the preferences given should not involve a departure from the established principles of Indian Tariff Policy." But the really vital feature about Schedule F is that it covers such a very wide range of British imports as to practically include most manufactured goods in daily use in India. This aspect which is the most important objection to the Agreement, has not drawn any comment from the Indian delegates. In addition to these new preferences, it is well-known that the United Kingdom has been enjoying very important preferences in India already in the case of her two most important industries, namely, steel and cotton textiles. When protection was

*Agricultural implements, dairy and poultry farming appliances, machinery including textile machinery and apparatus, printing and lithographic material, railway plant and rolling stock.

given to Indian steel industry by the Act of 1927 and to Indian Cotton industry by the Act of 1930, British steel and cotton goods were given preferences over non-British steel and cotton goods. The preferential duties thus fixed on steel will remain in force till March 1934 and those on cotton goods till March 1933. The Indian cotton industry is now the subject of a fresh enquiry by the Tariff Board and a revision of the present preferential duties on imported cotton goods which were protected by the Act of 1930 would follow in the wake of the result of that enquiry and will become operative immediately after the expiry of the 3 year period ending with March 1933. It is not unlikely that the United Kingdom will receive enhanced preferences. In these circumstances, the admission into India, free of duty or at lower duties, of agricultural implements and machinery, becomes a negligible concession in the Agreement, which gives preferences to British goods, admittedly to the extent of at least 26 per cent. of the United Kingdom's total import trade with us.

An Emergent Supplementary Agreement.

In the case of steel and iron industry, no Agreement was concluded at Ottawa, it is said, owing to its "importance" and "difficulty," and the British Indian delegates were invited to England to settle it there with His Majesty's Government. The results of the further negotiations thus carried on in England are embodied in Chapter VI of the report and in a Supplementary Agreement. Notwithstanding the fact that the statutory enquiry into the steel industry will be held in 1933 in India and a revision of the duties will be taken up in the Budget session of the Assembly in 1934, some urgent necessity was discovered in England at the post-Ottawa negotiations to enter into a supplementary Agreement in regard to steel industry and to give important preferences to a certain class of British steel goods in the interval between now and March 1934, when the operation of the Indian Steel Protection Act of 1927 expires. The effect of this Supplementary Agreement in a nutshell is this: India is to export sheet bar (semi finished steel product used in the manufacture of galvanised sheets) to the United Kingdom to enable her to manufacture galvanised sheets (finished products) and to reimport the sheets into India at the preferential rate.

Till surcharges on import duties were imposed by the Indian Finance (Supplementary) Act of 1931, the duty on all galvanised sheet imported into India from any source was Rs. 67 a ton. With the

surcharge, it has risen to Rs. 83-12-0 a ton. This has undoubtedly given a great impetus for the manufacture of galvanised sheets by the Tata Iron and Steel works. In fact, in India's markets, Tata's galvanised sheets are largely in evidence. Now, under the Supplementary Agreement, the following preferential rates are agreed to by Indian delegates to be in force till the end of March 1934 when the present Steel Protection Act expires.

Sheets not made in the United Kingdom ...	Rs. 83-12-0 a ton
Sheets made in the United Kingdom with sheet bar obtained from other countries than India	Rs. 53-0-0 a ton
Sheets made in the United Kingdom from Indian sheet bar.	Rs. 30-0-0 a ton

The precise economic implication of the arrangement is thus set out in the Report itself, "Any increase in the sale of British galvanised sheet in India should be accompanied by an equivalent increase in the sale of Indian sheet bar in the United Kingdom." The British manufacturer must have an inducement to use Indian sheet bar when making sheet for India's markets. Lest continental competition in the Indian markets in this commodity with the British Producers should be so great as to overcome even these enhanced preferences, a special provision is made in the Agreement to enable the Government to increase the duty on Non-British galvanised sheets from Rs. 83-12-0 to any extent, to protect the British sheet industry. This power is to be exercised by the Government of India promptly and with a heavy hand. Provision is also made to permit the Government of India to impose additional duty on British sheet also, if the British manufactures resort to cutting down the price below a certain basic level so as to hit the Indian sheet industry; but a significant rider is added to the latter recommendation to the effect that "the danger is not a possible contingency." The justification for this Emergent Supplementary Agreement is thus put in the Report: "If we had not been able to reach the agreement, the almost inevitable result must have been the erection of new iron and steel furnaces in the United Kingdom and the accentuated establishment of additional galvanising plants in India, thereby aggravating the conditions from which the world is suffering." But, to an Indian, the plea will not, I believe, appeal. The expansion of India's galvanised sheet plant will be to meet the

requirements of the home market, while the new furnaces in the United Kingdom are contrived to capture Indian and other external markets. It must be added that this explanation about *the dangers of the accentuated establishment of additional sheet plants in India* is a bit inconsistent with an earlier assumption that "even when the new equipment at Jamshedpur is in full operation, half the consumption (of India) would still have to be met from outside India." Then, what is the danger in leaving the Indian sheet industry to expand till it is able to supply half the home market, (its utmost) and to whom is such expansion a danger?

I have devoted so much space to this Supplementary Agreement regarding galvanised sheet industry, because it gives a most penetrating insight into the manner in which the British delegates set about their work in gaining their vital objects through the Agreement. Incidentally, it may help to dispel the belief that is being instilled into some minds that the Indian delegates outwitted the British delegates and drove a clever bargain, the secrets of which it will not be in India's interests to reveal just at present. This Supplementary Agreement not only creates an increased market for British galvanised sheets in India, but will also give a double freight to British ships in carrying Indian sheet bar to England and bring it back to India in the shape of galvanised sheets. This is but an illustration of the traditional policy of encouraging the export of India's raw and half finished commercial products in order to send them back to India as finished goods for Indian consumption.

The preferences, which the United Kingdom gets under the Agreement, are said to extend to British imports of the value of £ 17·4 millions an year. This estimate excludes British imports of steel and cotton goods into India which at present enjoy preference. They amount to about £ 26·6 millions an year. The preference therefore really extends to British imports of £ 44 millions and not to £ 17·4 millions. In contrast to this mode of stating the British case, the value of Indian goods receiving preferences under the Agreement is given at £ 41·8 millions, though Indian tea of the value of £ 20 millions and other articles like coffee and tobacco have also been receiving preferences in England as British steel and cotton goods have been receiving in India. The reason given in the Report for this difference in the method of stating the case for India and the United Kingdom is that it is unfair to the United Kingdom to add

to the value of the goods receiving preferences under the Agreement the value of steel and cotton goods entering India subject to preferential duties. The Report says: "This is a crude test and the fairness of the Agreement cannot with any exactness be measured in this way." In addition to this plea it is further stated in the Report that 'the value of the imports from the United Kingdom which would actually be benefited by the preferences is somewhat over-stated, while the figure given for the value of imports into the United Kingdom from India is more precise!

To understand the effects on India of the preference given to British goods, it is necessary to know two things: (1) what part of the total imports into India of the goods in which the United Kingdom gets preference comes from the United Kingdom, and what part from the rest, and (2) what is the relative position of the United Kingdom in regard to the goods she imports into India in comparison with the other countries, which import the same kind of goods into India. It is estimated, taking the year 1929-30, that the total value of the imports into India, of the goods coming under the scheme of preference, is Rs. 157·39 crores. Out of these, those from the United Kingdom amount to Rs. 83·04 crores and those from other countries to Rs. 74·44 crores. In regard to the relative position of the British imports in comparison with those of other countries, it is stated that, of the 58 articles into which British imports are grouped, 33 come mainly from the United Kingdom and 25 mainly from other countries. (Vide foot note to page 16). As in the case of the Indian exports to the United Kingdom, some attempts are made to arrive at mathematical results as to the estimated margin of India's import trade, which the United Kingdom may capture with the help of the preferences. One estimate is that out of the present margin of 74 crores, the United Kingdom may capture about Rs. 33 crores. For the same reasons that I gave in regard to similar estimates of the extent to which the Indian exports may capture the margin in the United Kingdom, I consider that these estimates also are inconclusive.

There is one more important term of the Agreement which has to be mentioned in dealing with this part of the Agreement. What is guaranteed by India to the United Kingdom under the arrangement is merely a *margin* of preferences as is the case with the Indian goods receiving preferential treatment in the United Kingdom under the older Acts and not any particular level of duty.

This margin can be created either by reducing the present level of duty on British goods (other than motor vehicles) by 10 per cent, leaving the duty on non-British goods as it is, or by increasing the duty on the Non-British goods by 10 per cent, leaving the duty on the British goods as it is, or by a combination of both the methods. It is the last method that is adopted by the Government of India in the proposed Ottawa Tariff Bill. Taking the present level of revenue duties applicable to British and Non-British goods at 25 per cent. *ad valorem*, the proposal amounts to bringing down the duty on British goods to 20 per cent and increasing the duty on Non-British goods to 30 per cent, thus creating the 10 per cent margin. All that is guaranteed being a 10 per cent margin, it will be theoretically open for India to tax British goods at 100 per cent and Non-British goods at 110 per cent. How these several methods of creating the requisite margin affect the Indian consumer and Indian trade, commerce and industries, will be dealt with later in the general survey of the Agreement as a whole.

The laborious process through which we have gone to ascertain whether the preferences given to Indian articles by the United Kingdom will really benefit India's export trade and if so to what extent, need not be gone into in connection with the second part of the agreement, namely, the preferences to the United Kingdom by India. It is nobody's case that the United Kingdom will not profit by the preferences given by India to her goods. In fact it is common ground that it would. The British Indian delegates concede it and the British delegates feel happy over it. So, all that remains to be ascertained is, while these preferences to British imports into India unquestionably benefit the United Kingdom, what effect will they have on India. This will be the main question to which the general survey of the Agreement will be devoted.

PART III OF THE AGREEMENT.

India and the Colonial Empire.

Articles 9 and 12 with the related schedules E and H contain the undertakings given and received by His Majesty's Government and the Government of India as regards the trade between India and the Colonial Empire. For the purpose of this Agreement, the expression "Colonial Empire" must be understood to include the Non-Self-Governing Colonies, Protectorates and certain Mandated Territories. This part of the Agreement need not detain us long. There

is very little reciprocity involved in it. Certain parts of the Empire like Kenya, Uganda, Tanganyika, Zanzibar, Nyasaland and part of N. Rodeasia are precluded from giving any trade preferences to other countries by international conventions. Other Colonies and Protectorates have to examine the question of preferences to India with special regard to their own tariff policies. Parts of the Empire, like the Strait Settlements and Honkong, offer special difficulties by reason of their extensive entrepot trade which make it difficult to ascertain whether a particular article comes from that Colony. Moreover, there are no statistical trade returns from the colonies. Any attempt to ascertain the value of the preferences exchanged between India and the Colonial Empire is therefore not easy. So, the precise nature of the action which His Majesty's Government is expected to take under article 9 and that which the Government of India is expected to take under article 12 are to be awaited.

PART IV OF THE AGREEMENT.

Reciprocal undertakings between the United Kingdom and India.

Reciprocity.—Articles 13 and 14 are reciprocal and concern the Government of His Majesty and the Government of India. By article 13, His Majesty's Government undertakes to give to India any tariff preference accorded to the Dominions and the Government of India undertakes to extend to the United Kingdom any tariff preferences which they may accord to any Dominion. This is the natural corollary of an Inter-Imperial Scheme of reciprocal trade preferences. It is, generally speaking, the present policy of the United Kingdom to give the same preference to the Dominions and India, and in future, according to the spirit of the Agreement, the policy will be to extend similar preferences to the Colonies, Protectorates and Mandated Territories as well. It will indeed be necessary to do so in the interests of the British Consumers themselves, so that all parts of the Empire may compete on the same tariff level in the markets of the United Kingdom. If preference is given to the Dominions' goods excluding Indian and the colonial goods of the same description, it would obviously enable the Dominions' producers to take advantage of the absence of competition from India and the colonies and put up the prices to the British Consumers. Britain being committed to a policy of reciprocal preferences to the Dominions, its extension to India and the colonies is matter of necessity to the United Kingdom, in order to

safeguard the interests of her own consumers. So, the preferences given to India and promised to the Colonial Empire under the Ottawa Agreement, far from being a burden on the British consumer, essentially operate as safe-guards in his favour. Whether the preferences which the Government of India has agreed to give to the United Kingdom in return operate similarly, that is, not as a burden on the Indian Consumer but as a safeguard to his interests, is the question. If it is so, there is a case of real reciprocity and India must have been eager to accept the Agreement. It is, however, strange that, while all the British interests in India and England hail the Agreement with enthusiasm and put forth strenuous efforts to ensure its being quickly implemented by necessary legislation in India, most Indian interests and Indian economists are opposed to the Agreement in its present form. Unless all of them are suffering from economic illiteracy or intellectual dishonesty or mental aberration, there must be some good justification for the practically unanimous Indian opposition to the Agreement.

Freedom to terminate the Agreement.—Article 14 enables His Majesty's Government and the Government of India to terminate the Agreement by 6 month's notice of denunciation. Much is made of this term of the Agreement, and it is pressed largely into service as one of the arguments in favour of accepting the Agreement, at least as an experimental measure, to test whether its defenders may not, after all turn out to be better judges of its benefits to India. It will perhaps be found, on a correct examination of the constitutional position as to the powers of the legislature of a country entering into a trade agreement with another, that the power to terminate an agreement on a reasonable notice of denunciation, in the interests of the fiscal policies of its country, will remain in tact, notwithstanding the absence of an express provision in the agreement to that effect. This seems to have been the view expressed by Sir John Simon in the course of the debate in the House of Commons on the Ottawa Bill. Apart from this constitutional position, the very idea of ratifying the Agreement, if there is any likelihood of its being terminated six months hence, is preposterous. In fact, Sir John Simon ridiculed the suggestion to introduce a similar clause of denunciation in the agreements with the Dominions, which are made for five years, by quoting the following



MR. S. SANKARANARAYANA AIYAR, M.A., B.L.,
(Zamindar of Sankaranagar, Vannarpet, Tinnevely.)

THE OTTAWA TRADE AGREEMENT AND INDIA

epitaph in a Country churchyard on a baby that died soon after its birth :

" If I should be so soon done for
I wonder what I was begun for."

Moreover, once a trade agreement is ratified, numerous vested trade interests will grow up under it. It will be a futile agreement if it should be otherwise. Our experience is that, even without complications arising from trade agreements, it is an uphill task for the Indian Legislature to adjust her tariff policy to the real economic needs of India. How much more difficult it should be to do so, when new rights are created under solemn trade treaties which are acted upon for a certain period, must be evident to everyone who bestows any thought to the question.

(To be continued.)

Back to the Land.*

BY. MR. S. SANKARANARAYANA AIYER, M.A., B.L.,

(Zamindar of Sankaranagar, Vannarpet, Tinnevely.)

Permit me at the outset to thank the Provincial Co-operative Union for inviting me to deliver this lecture on a subject which is of vital importance for the welfare of our country. India to-day is faced with a tremendous problem—the problem of providing sufficient food for millions of her sons. Reformers we find everywhere who advocate industrialisation as one of the remedies, perhaps the most important remedy, for the many ills to which our country is subject. But it is my honest opinion that, though to a certain extent industrialisation may be needed, still, the mainstay of our countrymen should be agriculture and agriculture alone. On every side we hear cries of unemployment and those cries are cries in the wilderness. The Government in its own tardy way is trying to find a partial solution of this problem, but it has not gone to the root of the disease. If only the majority of our intelligent countrymen take to agriculture, and put their shoulders to the wheel and adopt the latest methods of scientific agriculture, even as it is being done in the advanced

* Text of a lecture delivered under the auspices of the P.C.U. on 27th September 1932.

countries of the west, I for one, am sure that the great problem will be tackled in the best possible manner. What is it that has made the teeming millions of China so prosperous? Is it not Agriculture and that pursued on the soundest lines? What is it that enabled England to weather the storm during the Great War against Napoleon? It was scientific Agriculture, or as it is termed by the economists, the Agrarian Revolution that was responsible for it. Similar instances might be multiplied of countries becoming great by paying an earnest attention to the latest advanced methods of Agriculture. Yesterday Russia was a needy country. But, to-day it bids fair to be the supplier of food for the world's markets. May we not hope that our countrymen, by taking to agriculture in large numbers, will be able to make our country self-sufficient in the matter of food supply, and more, even to supply other countries' needs? The bitter communal quarrels will fade away and I see visions of our land flowing with milk and honey. One word. The Government too has a duty in this connection. Whatever Government may come to power in the near future, one of its most important duties will be the development of agriculture. On it, lies the future of our country. Industrialisation leads to competition in the world's markets, which again results in war, whereas a country devoted to agriculture supplemented by necessary industries will put an end to warfare and lead to universal peace.

It will be admitted on all hands that wealth is the basis of national prosperity, and wealth comes from the development of our resources. To-day our resources are either left untouched or are being exploited by others and a large number of our intelligent countrymen think that it is the height of ambition to become a clerk in a Government Department drawing a magnificent salary of Rs. 30 per month. On the other hand, if that intelligence is put to the development of the resources of our soil, he will earn not less than Rs. 1,000 per year, which is the amount that he can hope to get when he is to retire from service. For instance, from the statistics supplied to us by the Department of Agriculture, we learn that a single acre of land cultivated with sugarcane yields us an annual income ranging from Rs. 1,000 to Rs. 1,500. If this is the case with an individual, may we not hope that the national dividend will be incredibly larger than it at present is, if only the majority of our countrymen take to agriculture with a certain zeal and earnestness. You all know how

millions upon millions of our money are carried away by the jute plantations of Bengal and the tea plantations of Assam. If our people had taken to this line, how great would be our wealth? We would have conserved it for our national needs. But by allowing foreigners to exploit these resources we allow so much wealth to be drained away from our country. What is it that is wanting in us? Is it intelligence, is it energy, is it capital, is it fertile soil, or is it intelligent labour? Every one of these we have. And yet we are not free from being exploited. It is because for a very long time our countrymen looked down upon the profession of agriculture that matters have come to this position. Shall we not wake up even now and shake off our age long delusion about the indignity of honest labour? The greatest of our countrymen who is now immured within the prison walls of Yerrawada, and whose life is such a sacred treasure to all of us, has more than once dinned into our ears that there is no loss of dignity even in being our own scavengers. Let us take that great lesson to our hearts and profit by it by taking to agriculture. I want that the resources of our country should be conserved not exploited. I want that all of our countrymen should be well fed and well clothed and not ill-fed and ill-clothed. I want that the beggar problem should disappear. I want that all should lead a wealthy and prosperous life, and I believe agriculture will be that Kamadhenu which will shower nectar and ambrosia even as it did in the past.

Agriculture, then, is a solution of the problem of unemployment. But how to take to it as a profession? What are the difficulties to be overcome and how to make it really paying? These can be answered only by practical agriculturists. Each locality has its own advantages and disadvantages, and I can give you only my own experiences as a practical Agriculturist. Lands may be classed as dry, waste and wet. I have put dry lands first as there are at present about 13 million acres which have yet to be brought under cultivation and which afford ample scope for the unemployed. Dry lands may further be subdivided into garden lands and dry crop lands. The main problem for this class of lands is supply of water. Water could be had only by artesian borings and by installation of water-lifting machinery. Water-diving by the Industrial Department costs us Rs. 100 and to set the power drills to work we have to deposit Rs. 175 and pay a daily hire of Rs. 6. The boring should be continued till we get a sufficiently strong spring. The initial cost

is almost prohibitive, and I strongly urged on the Director of Agriculture during his recent visit to Tinnevely that they should be reduced to a considerable extent. You have heard of the famous artesian spring in Chidambaram Taluk spouting forth 1000 gallons per minute. That boring has cost the owner all his property and it was not till after severe trials that he was successful. The Government have a duty to help bonafide ryots by affording facilities for cultivation. It will not be long before we can persuade the Government to help us in this direction. The implements that are imported from foreign countries are, many of them, very costly. Our traditional method of ploughing with bulls is more efficacious and less costly and the motor tractors are found to be very costly, though for ploughing virgin soil at the beginning it can be used. Moreover ploughing is the best use to which our bulls could be put as we require bulls otherwise for preparation of organic manure. We must be very sparing in the use of implements and machinery as too much use of them leads to the extinction of cattle. Further, the use of artificial manure is not found to be as efficacious as organic manure. Besides the cost of water, ploughing, manuring, etc., at present we have to hire labour which we can dispense with if only we realise the dignity of labour. The next difficulty is finding out a market for the products. The brokers sit like leeches sucking the life-blood of the producer and buyer, and it is to put an end to the middleman that the Commercial Crops Markets Bill is proposed to be introduced into the Madras Legislative Council. When the Honourable the Minister and the Director of Agriculture were at Tinnevely sounding public opinion about the Bill, I impressed upon them the necessity for such a measure at present and urged upon the Honourable the Minister to see that the Bill is soon passed into law. The Bill is proposed to be applied only to cotton at present as a commercial crop and other products like gingelly etc. will be declared as commercial crops in due course.

After noting the few difficulties above-said in pursuing agriculture as a profession, it is profitable for us to note the crops that may and ought to be raised in order to make agriculture a paying concern. Raising of crops which will supply our daily necessities will not only make us self-sufficient, but also conserve the resources that are at present flowing out of our country. Sugar comes first. Money is at present flowing out to Java and other countries. Cultivation of sugar cane in large quantities will bring about this

result. The Government have already set up an experimental farm at Anakapalle and I have urged upon the Director of Agriculture the urgent necessity of taking speedy measures to spread sugar cane cultivation in South India also. So much about dry crop dry lands. As regards garden lands, there is enough scope to produce honey in large quantities. The production of artificial beehives in Travaucore has taught us an easy way of procuring honey from fruit trees. I have now learnt that the theory that honey has no smell of its own is wrong. It is found that honey taken from beehives in a particular tree has the flavour of that tree only. Honey taken from a beehive in a mango tree has the smell of a mango fruit and so on. Cultivation of fruit trees suited to the particular locality, and production of honey, will therefore be paying jobs so far as the garden lands are concerned.

So much about the dry lands. As regards waste lands we can choose to grow only such trees as do not require watering and which can grow with the water that they get during rainy season from rain. In the Tinnevely District we can raise palmyra in abundance. Each palm if leased out will give us Re. 1 per year and calculated at this rate we can make a large amount out of the waste lands themselves. Palmyra sugar candy which is very popular in South India can be produced in abundance. Further, there are very many fuel trees suited to the particular locality which can grow with the aid of rain water alone. These can be grown on the waste lands.

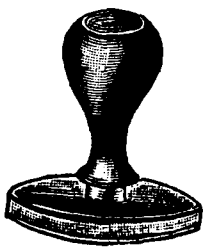
So much about the waste lands. India being mainly an agricultural country from ancient times each locality has taken to particular varieties of grain and with the application of improved scientific methods of agriculture we must be able to get a greater yield from those areas.

Thus then, we see that land if properly cultivated will yield us a goodly sum, and it is a thousand pities that that field is eschewed by many of our intelligent young men in favour of more showy but less profitable concerns. How long are we going to be quill-drivers earning a miserable pittance? How long are we going to be the instruments of foreign exploitation? How long are we going to be helpless victims of a system which grinds us down to poverty and as the poet has it "Half ignorant they turn'd the easy wheel that set sharp racks at work to pierce and peel." There is a great awakening in this land. A mighty impulse is surging

through the hearts of our countrymen for elevating us in the scale of nations. Only the energy has to be turned into proper channels, and the one channel to national prosperity is, I believe, through a rapid development of scientific agriculture, and through many taking to this as an honourable profession. I believe that in years to come our country, if only we proceed on right lines, is sure to feed all her sons and not be famished as it now is. It is a great problem. It has to be tackled by many willing workers. Now and then a great man comes forward to advocate this cause, but a handful of men are not enough. We want armies of workers to inoculate our minds with such ideas. The days of these old time-honoured caste distinctions are over. No longer is it possible for a few to plume themselves as born of a high family and so not willing to do any work, or to treat honourable callings like agriculture with contempt. I see before me a grand vision, a vision of the whole of the Indian soil being developed to its fullest extent and feeding all her sons, and I see those men manly, erect, and able to take their part in the country's regeneration. Then will our country be a power to be reckoned with, and other nations will come to regard us as a mighty nation.

THE CHEAPEST HOUSE FOR

RUBBER-STAMPS



Any design Rubber-stamps viz :—Oval, circle & oblong shapes fitted with air-cushion, complete with one self-inking pad, ink bottle, brush & one tin box will cost only

...	Rs. 3/2
Rubber-stamp alone	...
...	Rs. 2/4
Package & Postage	...
...	As. 8

SATISFACTION GUARANTEED or MONEY REFUNDED.

Please send your orders to-day.

THE BEST RUBBER-STAMP MFG., Co.,

19, Kasi Chetty St., G.T., MADRAS.

The Co-operative Movement and the Housing Problem. *

By V. SRINIVASAN, M.A.,

India. Owing to urban congestion, the movement has taken deep roots in India too, particularly in Bombay. Some progress has been shown in Madras and a beginning has been made in the United Provinces and in the Punjab and to a little extent in Assam too.

In 1922 there were in all 150 building societies in India, of which 22 were situated at Bombay itself. The Building Society in India is usually a consumers society organised by those who wish to live in the houses built. The ownership is surrendered to the member as soon as payment has been made to the fullest extent. The societies are to this extent of the nature of credit rather than of co-operative tenancy.†

Bombay.—Rao Bahadur S. S. Talmaki is the soul of the Co-operative Housing Movement in Bombay. The Saraswat Housing Society (established in 1915) was the first of its kind in that presidency and it found favour with men of limited means. It has been working on the co-partnership tenancy system. At the outset a member contributes by share a fourth of the estimated cost; the rest is raised by loans or by issue of debenture. Buildings are divided into blocks which are rented and it is 'so calculated as to cover not only the economic rent of the tenement or house but also an amortisation or Sinking Fund payment which at the end of 25 or 30 years repays the value of the building.'‡ Difficulties have arisen from time to time involving the question of the right of individual ownership as against the ownership of the society on the property of the members. Sound bye-laws have however been framed from the time of Mr. Otto Rothfield when he was Registrar and these are considered to be more advanced than the regulations adopted by similar bodies in the West

Madras.—There is nothing in the working of building societies in Madras that resembles the co-partnership tenancy system of

* Continued from page 252 of the November issue of this journal.

† C. F. Strickland: An introduction to Co-operation in India p. 72.

‡ J. L. Raina: The Co-operative Movement in India, Pp. 56-7.

Bombay. The Societies here neither own houses nor let them. They simply get loans and transfer them to the members requiring them. They work on what is generally called the individual ownership system.

Loans are not always so easily obtained. The Townsend Report of 1927-28 has noted the great difficulty of finding long term money at a reasonable rate of interest and this 'retarded development'. (P. 15).

Mention however should be made of one flourishing society, perhaps the only one working on a sound basis. The Madras Government Servants Co-operative Building Society has more than a hundred members and a subscribed capital of Rs. 38,000. Lands have been acquired in Gopalpuram in Mylapore. Some 114 plots are available but 20 have been reserved for roads and lanes. The Society can borrow only from Government at $6\frac{1}{2}$ per cent and the members are charged $7\frac{1}{2}$ per cent; the margin covers working expenses.

United Provinces.—At Cawnpore the Christian Co-operative Housing Society has done some work but paucity of funds has made it difficult to make much headway. In Bulandshahar a society has been formed for erecting houses for middle class government servants on co-operative lines*.

The Punjab.—The Model Town Society, Lahore, has what is considered to be by far the most ambitious scheme in India of house-building on co-operative lines. We are told that three miles from Lahore a residential town is being built on the garden city plan. The Society was registered about a decade ago and the membership went up to about 800 in three years. A Post Office and motor bus service have been opened. Only the members of the Society can acquire sites and none more than 2 plots. So far resort has not been had to loans and "the middle class housing problem," says Dr. Gupta "has been solved without any cost to anybody and in a most satisfactory manner"†

We come now to the Government's share in the solution of the housing problem in this country. Principally it assists by loans. The Saraswat Society has been granted loans at the rate of $5\frac{1}{2}$ to 6

* Rai Bahadur Gupta: Labour and Housing in India, P. 213.

† Ibid, P. 215.

per cent. and in Madras as we have seen the Mylapore Society can borrow only from the Government.

It was in 1914, when the Coimbatore Society borrowed from the Municipality Rs. 50,000, that the Madras Government recognised that State loans represented a legitimate contribution towards the solution of the problem. Since then this decision has been acted up to in no niggardly spirit and the co-operative efforts in the line really received a stimulus. By the time the Townsend enquiry was set up the number of building societies in the province had risen to 109 with a paid up advance capital of 6.80 lakhs. Membership stood at 3383 and the loans outstanding with them amounted to $13\frac{1}{2}$ lakhs on the 30th June 1927. In 1926-27 alone 681 houses were built by these societies and $5\frac{1}{2}$ lakhs advanced to members. Government lent at $6\frac{1}{2}$ per cent and the same was lent by societies to members at $7\frac{1}{2}$ per cent. Loans are ordinarily given for 20 years and with the Registrar's permission for 30 years.*

Beyond assistance of this kind nothing has been done by the Government in India. (The Municipalities who have been empowered to administer building regulations have not been able to do much.) In Bombay the Government had taken up an industrial housing scheme and in pursuance of a large programme, provision has been made for over 16,000 workers. With this possible exception, the activity of Government in respect of the provision of housing for industrial workers "has been practically confined to the provision of houses for a number of their own employees"†

It is a pity that Government is too deeply engrossed with other problems to be sufficiently alive to its responsibility in the matter. And even in the sphere of co-operative effort, owing to the pure accident of the draftsmen of our first Co-operative Societies Act (1904) having had the credit aspect alone in their view, the co-operative movement has ever gone too far in the way of a credit organisation. It is time that conditions change, high time indeed, to quote Prof. Kaji, that "we turned from the narrow beaten paths of co operative credit to the broader though more baffling paths of co-operative distribution".‡

* Report of the Committee of Co-operation in Madras, 1927-28, P.16.

† A. G. Clow, C.I.E., I.C.S.: The State and Industry, P. 147.

‡ H. L. Kaji: Co-operation in Bombay, P. 202.

The State can do much and we can guess how a communist society for instance would act when confronted with a problem of this kind. Says Herr Orne: 'The community would quite naturally order a sufficient number of workers to proceed to learn the building crafts and then to build the dwelling houses needed.* We are however far from that stage and beyond some financial assistance through loans, Government could not do anything. The true co-operative method however is by subscription and hence members should slowly collect their own funds without looking to external assistance. After all prolonged and indiscriminate State aid is destructive of of self-help as Mr. Wolff put it.

The fact is all men cannot become co-operators in the best sense of the word. What is required is selfless altruism. The sway of profit has, as has been pointed out by Herr Orne,† not infrequently blocked the way and the vast majority have tacitly accepted its dominance as normal. Such an idea should be corrected. The process will be but by slow and easy change.

Hope lies in education. Especially where, as in India, activities of the kind are yet in an early stage much progress cannot be achieved until the masses have been educated to an appreciable degree.

* Andres Orne: Co-operative Ideals and Problems, P. 133.

† do do P. 134.

(concluded.)

ALL IN HALF A MINUTE'S TIME.

You can know the SEX of an UN-BORN CHILD, the SEX of UN-HATCHED EGGS and of Birds and INSECTS by the most wonderfull "IKRIKI" (Appliance.)

IS IT NOT A WONDER TO KNOW AS TO WHETHER

A Pregnant woman will give Birth to a MALE or a FEMALE CHILD???

all in half a minute's TIME Guranteed accurate appliance of Reliable GERMAN MANUFACTURE WHICH can conveniently be carried in your WAIST COAT POCKET.

PRICE (Complete with instructions) Rs. 1/- Only 87 appliances left in Stock.

Order to:— **THE NOVELTIES SUPPLYING COMPANY,**
DIRECT IMPORTERS, QILA SHEIKHUPURA, (PUNJAB).

The Madras Provincial Co-operative Bank, Ltd.

RECTIFICATION AND CONSOLIDATION OF SOCIETIES IN 1931-32.

I. Preliminary.

1. 1931-32 was the second year of working of the subvention scheme. For some years prior to 1930-31, the question of the continuous growth of overdues from societies to the central banks and the deterioration of primary societies, were under consideration of central banks and the Provincial Bank. In April 1930, the Provincial Bank drew up a scheme for rectification and consolidation of societies and promised financial assistance to banks that were willing to undertake the work. In the budget for the year 1930-31, the Board of Management sanctioned an allotment of Rs. 50,000 for subvention to central banks in aid of rectification work.

2. Almost all banks took advantage of the offer of the Provincial Bank and work was started in 1930-31. Banks sent quarterly reports to the Provincial Bank and these were reviewed by the administrative section of the Provincial Bank. The Executive Committee considered the reports and reviews at the meetings.

3. The Provincial Bank sanctioned subvention to 28 central banks for rectification work during the year 1931-32. (Vizianagram, Rajahmundry and South Arcot Banks did not apply for subvention). The grant to Guntur Bank was subsequently cancelled. 25 Banks have sent complete reports of work done to the Provincial Bank, while two banks, Hospet and Madras, have sent incomplete reports. This report deals with the activities of 25 banks.

II. Number of Societies taken up for Rectification.

4. 9318 societies were affiliated to the 25 central banks referred to, out of which 2676 societies were taken up for rectification. In addition to the supervisors in charge of normal supervision work, 160 inspectors were specially employed on account of rectification work. 12 banks employed whole time administrative officers. 3 banks carried on the work through the agency of the Federation and the rest carried out the work themselves. In 4 banks the rectification work was shared by the normal supervisors also.

III. Individual Examination of Loans.

5. The work of rectification and consolidation mainly involves (i) the examination of individual loans due to societies, (ii) collection of loans and (iii) where there is human material and a panchayat willing to undertake the responsibilities, to set the society going.

The most important item of work is undoubtedly the examination of individual loans. This work was attended to by all the 25 banks during the year. The examination of loans, it is reported, is under various stages of progress and the results of the examination can be tabulated only at the end of the current co-operative year, by which time, the work is expected to be completed. The Provincial Bank, in its reviews of the quarterly progress reports of central banks, is constantly emphasising the importance of this item of work.

During the year under report, the examination of individual loans is reported to have been taken up in 2245 societies and that the examination of the loans in 1065 societies was completed by 30th June 1932.

IV. Collection.

6. During the year, Rs. 8.45 lakhs was collected from members of the societies under rectification out of *decreed debts* and Rs. 31.45 lakhs out of *other debts*. At the end of the year Rs. 71.12 lakhs was overdue from members of the societies under rectification, and further there was a sum of Rs. 44.11 lakhs involved in coercive processes.

V. Societies Rectified.

7. The central banks report that the work of rectification was completed in 604 societies during the course of the year. Of the 1604 loss societies, 378 are reported to have entirely recouped the loss of the previous years.

VI. Normal Work of the Banks.

8. The banks disbursed loans during the year to the extent of Rs. 70.18 lakhs to the affiliated societies, as against Rs. 126.93 lakhs in the preceding year. On 30-6-32, the loans outstanding against societies was Rs. 344.20 lakhs as against Rs. 414.27 lakhs on 30-6-31. The number of indebted societies on 30-6-32 was 8207 out of which 6291 were defaulters. The amount overdue to the banks on 30-6-32 was Rs. 151.66 lakhs under principal and Rs. 3.04 lakhs under interest as against Rs. 129.26 lakhs and Rs. 2.56 lakhs under principal and interest respectively on 30-6-31.

9. The overdues have increased in almost every bank, while the loan outstandings have shrunk.

VII. Cost of the Scheme.

10. The amount of subvention granted to central banks by the Provincial Bank for work during the year 1931-32 was Rs. 50,269, while the central banks spent Rs. 1,30,686 (inclusive of the Provincial Bank's subvention.)

Recent Utterances.

INTERNATIONAL CO-OPERATION AND CO-OPERATIVE SPIRIT.*

BY. MR. P. S. LOKANATHAN M. A.

On an occasion like this, when we are assembled here to celebrate the International Co-operators' Day, it would not be inappropriate if we forget for a moment our own internal problems and difficulties and consider some of the deeper implications and wider objectives of the Co-operative Movement. To some of us co-operation may mean nothing more than an organisation which provides an agency from which we buy some of the goods we want or borrow some of the money we need. Although it is true that the Rochdale Pioneers started with very practical aims, they were not blind to the ultimate ideal of the co-operative movement. That ideal was no less than the reconstruction of society on a more just and ethical basis. And looking back over the years that have passed since the movement originated, while perhaps we have no reason to gloat over its achievements, we have every reason to be gratified with the results, and to look forward with optimism. The retail societies which were started soon began to establish productive departments, and the organisation of the English Wholesale Society with its numerous factories and industrial establishments marked a great step in the construction of a new type of industrial organisation. For, there can be little doubt that the consumers' organisation represents a great industrial achievement. It is a supreme example of industrial democracy, and a vast improvement over other types of industrial structure.

The capitalistic form of industrial organisation which co-operation seeks to replace is anti-social, and inconsistent with the democratic ideal. The motive of private profit which is the mainspring of industrial effort under the capitalistic regime is not a soul-satisfying one, and even from the narrow technical point of view, the capitalistic structure is not without some glaring defects. The capitalist produced goods because it was profitable for him to do so, and not because they were really needed by the consumers. Industry which should be the servant of the consumer became its master, and goods were forced on the consumer by wasteful advertisement and other methods. The most urgent needs of the consumers were on the other hand not met, unless they were clothed in the form of money. The identity of interests between the capitalist

* Address delivered on the International Co-operators' Day celebrated at Madras on 5th November 1932.

and the rest of the community on which the whole capitalist system was built up was found to be lacking in many cases, and the gain to the capitalist was often not consistent with the welfare of the consumer. Thus the production of shoddy goods, adulterated stuff, slum houses has been going on to the great injury of the public. Economic competition too has failed to secure to the consumer any real guarantee of cheapness, for capitalists finding competition injurious to themselves began to combine with a view to eliminating competition and to charge high prices. But above all, the weakness of the capitalist economy is at no time more clearly evident than at the present moment, when the whole machinery of production, exchange, distribution and consumption has been thrown out of gear, and society is faced with a great economic depression which cannot be lifted along capitalist lines. For it is clear that in the very nature of the capitalistic system there lie the roots of depression and boom; for unless consumption keeps pace with production, and production is adjusted to the expressed needs of the consumer, there inevitably must occur these periodical maladjustments between production and consumption, one of which we witness on such a tremendous scale at the present time.

We believe that the world depression cannot be solved except on co-operative lines and by the application of the truly co-operative principles. One of the significant features of the present depression is that it has affected all countries alike, and this has brought out the essential unity of the interests of all the nations. At no time has there been greater need for an international outlook than now, and co-operators of every country must seek to unite their efforts in hastening the solution at this grave emergency. That solution lies in the securing of a proper adjustment between consumers' needs and productive resources. Whilst the capitalistic system has concerned itself only with production and allowed consumption to remain unorganised and to be almost anarchical, it is only co-operation that can tackle the problem at both ends. But to enable this to be done successfully, we as co-operators must consider what adjustments we have to make in our methods and what improvements we should effect in our technique.

So far the co-operative movement has confined itself to certain narrow directions. It has only touched the fringe of the capitalistic citadel. In the production of the usual commodities of domestic consumption, it has achieved great success at least in one great country, but it has still to win its laurels in directions other than the limited field of some staple articles of consumption. Into the fields of transport industry, of investment banking and the manufacture of machinery and other intermediate goods, it has not entered at all. But there is no doubt

that the sphere of its operation is likely to grow; for the great idea for which it stands, and the motive by which it is actuated, i. e., of public spirit and public good have permeated the minds of other classes of people besides the so-called co-operators. The importance of the co-operative principle has been recognised in several directions. Nearly all industries of great magnitude have been so far influenced by the co-operative ideals of service and public good, that they are tending to be socialised. It has been said for instance that "there is no class of persons in the Kingdom of whom the Governor of the Bank of England thinks less when he decides on his policy than of his share-holders." In the field of banking and currency, there is international co-operation of some sort, which is likely to increase in the future. The constant meetings of the Governors of the Central Banks with a view to taking action on agreed policy and understanding mark a decisive step in International Economic Co-operation. Another experiment in the sphere of world's economic co-operation is the establishment of the Bank for International Settlements, which may be considered to be truly a co-operative institution. The institution in 1930 at Geneva of the International Committee for Inter-Co-operative Relations with the object of promoting the development of moral and economic relations between agricultural co-operation and consumers' co-operation is another notable event in the world of co-operation. Already there exist trade and economic relations between consumers' organisations in certain countries and co-operative producers in others in regard to such commodities as wheat, flour and bread, eggs and other commodities.

The above is thus an indication that the atmosphere is favourable to a further development of the co-operative ideal. But success depends upon a clear realisation of the objectives of international co-operative policy. The object of international co-operation is no less than the rationalisation of production and consumption on a national and international basis with a view to eliminating all social waste and realising the best interests of the whole community. But this unity of ideal can only be achieved by reconciling different national interests, wherever such differences occur. There is first the problem of a proper distribution of industrial activities among the nations of the world. In any such distribution, the place of the tropical and less advanced countries will have to be considered. These should not be regarded merely "as depots for the raw material and foodstuff of the industrialised countries of the west and as the dumping ground for their products." As far as possible the resources of each country must be utilised and the needs of each country should be met by industrial activity within the country. The reconciling of different interests will be made easier if co-operators always stress their common ideal and common interest. In

each country therefore there should be a national organisation of consumers and a national organisation of producers, and these associations must be linked to an international association of consumers' and producers' societies.

It is not to be expected that these things will come about in a day, but if the outline plan is kept steadily in view, it is possible to go forward and each step will take us nearer the goal. Secondly, co-operators must spare no efforts in converting the State to a 'co-operative' frame of mind. The present capitalist environment in which Government machinery functions is hardly conducive to the achievement of the co-operative ideal. We, therefore, need the organs and institutions of Government to be permeated by the co-operative spirit of service to the community, and should use our political power to compel the State to use its powers in the co-operative direction. Thirdly, we shall have to define our attitude in regard to certain other organisations which now exist and which, it would be foolish to hope, can be supplanted by co-operative organisations. It is a mistake for co-operators to think that there is one universal type of organisation suited to all kinds of industrial activity. Wisdom lies in recognising the fact that there is room in this world for different types of organisations to function usefully and efficiently, and that we as co-operators should aim not at replacing them all by organisations in the narrow 'co-operative' sense but at transforming them into agencies which are imbued with the true co-operative spirit of service and not with the capitalist idea of private profit. If this criterion is accepted, we shall have no hesitation in recognising that those municipal and national industries which are managed by public authorities with a view to public welfare are to be regarded as co-operative, although our Registrar of Co-operative Societies will not include them in his official definition. But the problem which international combines and trusts raise is somewhat more complicated. On the one hand these institutions claim that they are actuated by public welfare and that they make for stability of prices and employment. In many countries they are accorded a distinct place in the scheme of rationalisation and are supposed to be performing functions useful and highly efficient. On the other hand, we, as co-operators, know that they are in a high degree monopolistic and often abuse their powers by charging high prices and by breaking co-operative organisations. What should be our policy in respect of the trusts and combines? Clearly, it will be absurd to hope to eliminate them altogether. Nor will it be possible for co-operators to organise on parallel lines with a view to forcing them to follow co-operative principles by force of circumstances. The right line of approach seems to be to compel them to shed their monopolistic character and to accept the co-operative idea of limitation of profit. To this end

co-operators will have to use the machinery of the State, and when this is achieved, the combines and cartels may be recognised as associations of producers with whom contact may be established.

Another difficulty which the co-operators have to face in their task is the existence of a strong feeling of economic nationalism which expresses itself in the form of high tariff barriers. The existence of high tariff walls in each country is at once a measure of the failure of co-operators in realising their objects. Had strong consumers' organisations been built up in each country and had they used their powers to resist the increase of tariffs, the present deplorable state of affairs might not have existed. The scaling down of tariffs must be one of the objectives of international co-operative policy. But in the achieving of this object difficulties will have to be faced, which arise from differences in the stage of economic development in each country. Prudence lies in accepting tariffs which exist solely for the purpose of developing native industries, provided there is real scope for such development. An International Tariff Board will have to be constituted for such a purpose, though at the present time the prospects of agreement on an international organisation of this kind seem to be somewhat remote.

But before such measures are attempted, co-operation must solve some of its own internal problems and difficulties with which it is faced. It cannot be said that complete success has been achieved in the reconciling of the interests of producers' and consumers' societies. The International Co-operative Alliance has only recently tried to face that issue squarely. Nor can we say that the workers in some of the industries owned by the co-operatives are wholly satisfied with their position and status. But above all, the co-operative movement requires in a greater measure than in the past a large body of workers who have fully imbibed the co-operative spirit and who will put service and devotion to the community beyond personal profit or gain. The great merit of co-operation lies in this, that it has contributed, in however small a degree, to the creation and growth of a public spirit among a growing body of men and women. Indeed, of late years, even the narrow-minded capitalist businessman has come to feel that he must defend his ground not on the fact that the industry which he controls and manages pays him but rather that it is pursued in the interests of the community. Nearly all the more important industries tend to become socialised, and the object of all industry is recognised to be service to the community and not private gain. In the bringing about of this altered view of industrial activity and industrial organisation, the co-operative movement has played a great part, and we have to judge of it not alone by its direct work but also by the indirect effects it has contributed to produce. If co-operation succeeds in bringing about a true socialisation of production and organisation of consumption, it must be held to have succeeded fully, although the institutions by means of which this is brought about may not be 'co-operative' in the technical or legal sense of the term.

ADDRESS DELIVERED.

BY. MR. E. S. GANAPATHY IYER,

On the 15th Anniversary day celebration of the Erode Co-operative Purchase Society Ltd.

1. "A real faith in the store movement will arise, only when we perceive what the movement is for and how it will be useful to us individually and collectively. One of the several causes that has so far tended to prevent the progress of the movement is that we have not all yet become fully convinced of the utility or the potentiality for good in the movement. In this vast country of ours where unemployment is rampant, cut-throat competition has blinded our imagination, and sapped our energy and enthusiasm for the cause. It is time we shake off this stupor, that has possessed us so long. By a wide spread development of the Store Movement, both the low and the high will stand to gain. In this life of ours, we do require things to make our living. From the barest article of necessity to the highest one of luxury we look forward to others to minister to our wants. It means we have and are prepared, to pay to our supplier what he demands of us for them. Individually we may, none of us be able to supplant him. Experience and experiments elsewhere point out that by a conjoint endeavour we would be able to command the capital that we require, that we can make a direct approach to the producer, and in course of time be a producer ourselves, that we can avoid accumulations made on the price by the intermediaries that we can make a selection of things we require, and in fact we can resort to all such steps as will assure us of reliable and good things at as near the production price as possible. We are told that calculations have brought to light, that each one will have to spend considerably less than what we are now doing, that the sum so saved will be appreciably attractive to us individually and that the same collectively will be heavy and large. It is for us then to consider whether it will not be worth our while to devote our attention in the direction, if we are thereby to save amounts that cannot be either ignored or neglected. Incidentally there will also be the satisfaction that we get trained to organisation and administration and that we set up a small state within ourselves. The habit of association that we cultivate thereby and the spirit of co-operation that we imbibe, will be no small factors in befitting us for wielding larger responsibilities and guiding the larger destinies of the country. There could not therefore be the slightest doubt that the development of the Store movement is a great necessity with us and that further failure on our part to speed up the same will be nothing short of dereliction of duty.

ADDRESS DELIVERED

2. I must however point out to you that to hold up an ideal is not the same as to live up to it. There are numerous practical difficulties that we have to combat with, before we can work up to demonstration, the ideals of the movement. In most cases the chilling effect of the forces of antagonism from both within and without, retards the little enthusiasm that we can command. The result is more often a failure than success and failures of this kind produce an adverse effect on our mental vision. We have therefore to be more careful about a failure than even the high success that we want to attain. Our members do not bestow even a small thought, when they deal with the competing merchant but become very critical and sharp to a point, in picking holes in their dealings with a Store Society. That toleration and desire to encourage that are so necessary at least in the early stages, are scarcely to be found. This must certainly give way if we are to succeed. We must cease to think of the store as an independent trader with profiteering motives and must learn to treat the defects therein as our own defects and must endeavour to set right. We must take an intelligent interest and watch the course of the administration of the Society and should never be sparing in making the benefit of our experience and knowledge available to the administration of the Society. We must never allow anything but the good interests of the Society to guide us in our relationship with the Society. We must learn to prescribe rules and regulations, as well as obey them. More than all, we must be true to ourselves and to the cause that we represent. The strength and success in the movement depends more upon the standard of moral strength that we maintain than upon anything else. An inherent strong faith in the cause and purpose of the movement can alone contribute to the exhibition of those other virtues that have been referred to above as necessary.

3. It is impossible to omit to refer herein that great purifying and corrective influence of a well-conducted store movement, apart from the direct advantages that the members of a store society derive by being members thereof. The influence of the movement in creating a desire on the part of the outside dealers to give up their old habits and ideals, adapt themselves to the standard prevailing elsewhere could not be ignored. The value of the same as a corrective factor cannot be exaggerated. The Store Movement has its own ideals. When starting with retail dealing, it has contributed towards the welfare and advantage of members and has also raised up the prevailing moral standard of the market, it has next to take the role of the wholesale dealer and finally that of the producer. If by a net-work of store societies started here and there and all-round and with the guidance of a central wholesale distributing agency, a rigorous programme of store activity is carried on, there can be no doubt that even in our country which has no record of good work done in the direction so far, success will be assured and the result satisfactory. It is necessary that we send our greetings on this occasion to those who are in charge of this branch of the movement and wish them a wider outlook and more beneficent activity."

Co-operative News.

INTERNATIONAL CO-OPERATORS' DAY
CELEBRATION, MADRAS.

Under the auspices of the Madras Provincial Co-operative Union the Third International Co-operators' Day was celebrated on Saturday the 5th of November, 1932 in the premises of the Union. Many distinguished co-operators including Rt. Hon'ble Mr. V. S. Srinivasa Sastri, D. N. Strathie Esq., I.C.S., Registrar of Co-operative Societies, S. H. Slater Esq., I.C.S., Secretary to Government, Development Department were present on the occasion.

Mr. V. Ramadas Pantulu, the President of the Provincial Co-operative Union requested M. R. Ry. Diwan Bahadur M. Ramachandra Rao Garu to occupy the chair temporarily till the arrival of Mr. T. R. Venkatarama Sastriar (the proposed Chairman). Then he said that in many countries the International Co-operators' Day was celebrated on the 1st Saturday in July, but the Indian co-operators, who attended the All-India Institutes' Conference had decided to change the date to 1st Saturday in November, because it was considered that November would suit Indian conditions better.

Then the Chairman in his introduction speech said that in the sphere of co-operation, there was no place for politics and hoped that every gentleman whatever his own political persuasion, would not mix his politics with co-operation. He said that the co-operative movement was suffering at the present time from various disabilities. Quarrels in Local Boards, communal squabbles in the political field all these retarded the progress of the movement. It was therefore the duty of co-operators to see that this great and beneficent movement was not affected by those differences.

Prof. S. K. Yegnanarayana Iyer then read out the messages of greetings received from the Hyderabad Central Co-operative Union and from Mr. S. Satyamurthi wishing success for the function.

Mr. P. S. Loganathan, of the Economics Department, Madras University moved the following resolution:—

"This meeting of co-operators assembled on the occasion of celebrating the International Co-operators' Day declares that the only efficient means of overcoming the present economic crisis and preventing the recurrence of disaster lies in the universal application of the principles of Co-operation—democratic control—production for service instead of profit;

and the adjustment of production to consumption for which the co-operative movement supplies the only sound economic basis.

This assembly therefore calls upon fellow co-operators throughout the world to join with them in renewing their faith, their enthusiasm and their energies with the single purpose of developing the national and international activities of co-operation to the highest possible degree, and thus contributing to the restoration of universal peace and prosperity."

A full text of Mr. P. S. Loganathan's speech in moving the above resolution is given elsewhere.*

At this stage Mr. T. R. Venkatarama Sastriar arrived and occupied the chair.

Mr. K. G. Sivaswamy Iyer seconded the resolution in Tamil and laid stress on the fact that mere profiteering and competition would not conduce to the prosperity and well-being of the society and also added that common people ought to understand the true value of making effective use of their votes. He pleaded for the elimination of middlemen who stood to gain on account of lack of understanding between producers and consumers.

Sister Balambal, who next spoke also in Tamil, supported the resolution. She said that Co-operation was not alien to our country. Even to-day in some of the remote villages the fundamental principles of Co-operation were followed and practised by the people. The producer tries to understand the wants of the consumer and the quantity required and thus the two are linked together. She was also of opinion that if the old practice of payment in kind was restored and if all the countries of world would follow it, much of the rivalry and animosity that were to be found between one nation and another could be effectively checked. She also laid stress on the fact that for a rapid progress of the movement it was necessary to enlist the sympathy and co-operation of women as well.

Mr. N. Satyanarayana in a Telugu speech further supported the resolution. Mr. Anantaraghavan, who spoke next, clearly explained the significance of the celebration of the International Co-operators' Day. He said that Co-operative Movement had world wide aspirations and that it was not a parochial solution of a local problem and that on the progress of the movement lay the economic reconstruction of the world. He emphasised the importance of propaganda and the sterling qualities that were required to do the same. He was of opinion that the young

* See page 337 of this Journal.

men were best fitted to take up this work and that Madras had already set an example to other provinces in this direction.

Dr. P. J. Thomas also supported the resolution, which was then put to vote and carried unanimously.

Then the President Mr. T. R. Venkatarama Sastriar spoke and said that the spread of the co-operative movement meant universal brotherhood in action in their daily life. Most people might regard it as a pious hope. But pious hopes had their influences in their lives in a smaller or a greater degree, as they tried to give effect to their hopes. Proceeding he referred to the present world depression and pointed out that it was due to the maldistribution of products. Until all the nations agreed that production was for the benefit of the whole world and it should be distributed in an equitable basis, the present depression would inevitably continue. The problem could be solved only by the application of the co-operative principles and ideals.

Mr. V. Ramadas Pantulu then proposed vote of thanks to the Chairman and the distinguished visitors, and made an appeal to the co-operators not to non-co-operate with each other as was seen in some places. He also said that people should come forward to work for the movement not for the sake of patronage and power it confers, but for using their influence for the good of the movement. He thanked the Registrar of Co-operative Societies for the great encouragement he was giving to non-official co-operators and S. H. Slater Esq., Secretary to Government, Development department, for the deep interest he evinced for the cause of Co-operation.

With the distribution of pansupari and flowers, the function came to a close.

THE MADRAS AGRICULTURAL JOURNAL.

An English monthly, which helps to develop your land your stock, your purse and your country. Rs. 4/- per annum.

Apply :—

MANAGER,

The Madras Agricultural Journal,

Agricultural College & Research Institute,

Lawley Road P.O. Coimbatore.

MOFUSSIL CELEBRATIONS.

(1) Madura City.

The City-wide function was celebrated in the Urban Bank's Building under the presidency of Dr. B. S. Stoffer M. A., D. Phil., F. M. U. Principal of the American College. After photo and Light Refreshments, the proceedings began with prayer. Dr. Staffer in his introductory speech traced his early life as a Farmer and urged the importance of agricultural Co-operation for India. The following lectures were delivered (1) Prof. C. A. Krishnamurthi Rao. M. A., of the Madura College on "Co-operative Bias" (2) Mr. S. R. Varadarajulu Naidu, D. E. Com. the labour leader on "Co-operation and Labour." (3) Prof. T. S. Ponnai M.A. of American College "Students' place in the movement" (4) Mr. T. Purushotham Secretary of the Ramnad District Board "Local Bodies activities with co-operative movement" (5) Mr. K. M. Narasimha B. Sc. (Agri) on "Co-operative Dairying" and suggested the formation of a Co-operative Milk Supply Society. (6) Rao Sahib R. Narasimha Iyengar gave a vivid account of his "Co-operative Experiences", the merits and pitfalls in the movement.

Dr. Stoffer's concluding speech was eminently practical and passionate. He offered his services for the movement. He instanced his abiding interest in it by the formation of the "American College, Committee of Extension and Research" in which he was happy to find his valued and trusted friend Mr. E. S. Sunda as a member. The committee has already started a village centre for practical demonstration and work at Narasingham at the foot of the Yanamalai Hills 4 miles off Madura on the Melur Road.

The function came to a close with vote of thanks to the president and the lecturers by Mr. E. S. Sunda, the Secretary.

Madura Ramnad Central Co-operative Bank.

The Bank observed the International Co-operator's Day early in the morning at 8. A. M. under the presidency of Rao Sahib R. Narasimha Iyengar, one of the oldest co-operators, after morning "Coffee". Mr. V. R. Venkatraman M. A. Principal of the Hindu College Jaffna, spoke on the unco-operative ways and he showed the positive economic side of non-co-operation which was pure co-operation. Prof. K. S. Srikantan urged the importance of the Central Bank being more forward to help the produce of commercial crops. Mr. E. S. Sunda spoke on the new addition in the co-operative movement, the Co-operative Insurance, and requested the Urban gentry to take it as at least a sort of Provident Fund for their Private Servants and Employees (clerks and servants) and their farmers in the villages close by by paying a very small fraction of their salary plus their own contribution (which will be still little, as it is a part of the fraction of the salary), towards

the premium. Rao Sahib N. Ramaswami Iyer pleaded passionately for the disappearance of the communal aspect from the movement.

Prof. N. Ramaswami Iyer, the Vice-President of the Bank, proposed vote of thanks to the chairman and speakers on behalf of the Bank and the function ended by 9-30 A. M.

(2) Tanjore.

The Co-operators of Tanjore in a meeting assembled to celebrate the Co-operators' Day passed not only the two resolutions recommended by the P. C. U. but also another resolution which runs as follows.—“In view of the fact that the only hope of salvation of Rural India is through co-operative effort, with a view to inculcate sound notions about the movement in the minds of the rising generation, this meeting of co-operators of Tanjore appeals to the Madras Provincial Co-operative Union and to the Government of Madras to take immediate steps to introduce the study of co-operation and allied rural activities in the curriculum of studies for the S. S. L. C. and the T. S. L. C. courses.”

(3) Tadpatri.

The International Co-operators' Day was celebrated by the Local Co-operative Union, Tadpatri under the Presidentship of M. R. Ry. S. Vaideswara Iyer Avergal B. A. L. T., Head-Master Municipal High School, Tadpatri. The function beginning with prayer was followed by an address on the credit and non-credit activities of the movement in India by the President. He traced the origin and growth of the non-credit aspect of the movement, in the continent.

He further emphasised on the need of developing the thrift aspect of the credit section. This was followed by a series of lectures on the working of the movement in India by M. R. Ry. A. Sreenivasiah Garu, the energetic and enthusiastic Secretary of the Local Co-operative Union, and some others including the Senior Inspector of Co-operative Societies. The President concluded the evening function by appealing to the co-operators present to convey the message of co-operation to the villagers. After the distribution of light refreshments and Pansupari, the pleasant function of the evening came to a close.

(4) Srivilliputtur.

The growth and the evils of the capitalistic system, the ideals that ought to acuate every individual and country, the system of co-operation and its importance for the reformation and progress of humanity and the fundamental principles underlaying it were vividly described in a leaflet and 1,000 copies of it were distributed broadcast in the village societies affiliated to the Union. An Agricultural and Co-operative Drama by the name of “Pondivala Nadu” written by M. R. Ry. R. G. Nallakuthalam Pillai Avergal, President of the Co-operative Supervising Union Ltd., for the

purpose, was staged that night in the premises of the local Hindu High School by some of the teachers of the local elementary schools and the same was attended by more than 1,000 people of the town and neighbouring villages.

(5) Tiruchengod.

The International Co-operators' Day was celebrated with great eclat under the auspices of the local co-operative societies. A procession started from the office of the Local Co-operative Union at 5 p.m and stoped at the Local High School premises where a public meeting was held under the presidency of M.R.Ry. Vivakanandamoorthi Pantulu Garu, Sub-magistrate, Tiruchengod. Messrs. K. Srinivasan, M.A., R. Rajagopala Iyengar, B.A., L.T. and some others spoke on the significance of the day and the movement. The meeting terminated with the distribution of Pansupari and fruits. An essay competition among the High School students on “How you will help co-operation in your village during a summer vacation” was announced by the celebration committee and a prize will be awarded to the contributor of the best essay in due course.

(6) Indore City.

A public meeting to celebrate the Co-operators' Day was held in the King Edward Hall, Indore, on Saturday the 5th November 1932, at 9 A. M. The Hall was thronged with a large number of local Co-operators including ladies. Her Highness Indira Bai Ma Saheb took the Presidential Chair on the dais at about 9-15 A.M. The proceedings then opened with a melodious song of welcome sung by Mr. Maheshwarkar.

Prof. W. G. Urdhwareshe and S. M. Dharma in their speeches traced the development of the Co-operative Movement in the dominions of His Highness the Maharaj Holkar, since its inception in the year 1914, and pointed how this popular movement had gradually brought under its fold educated men and women throughout the State. The interest evinced by the Royal personages like Her Highness Indira Bai Ma Saheb and Princess Manorama Raje by their august presence really enlivened the occasion of the meeting.

Prof. Urdhwarshe alluded to a number of ladies' meetings held under the leadership of Her Highness Indira Bai Ma Saheb and referred to Her Highness' active sympathy with the Movement ; especially its growth among the women.

Her Highness amidst loud applause delivered a short but very encouraging address in which Her Highness expressed her appreciation of the work done ; and desired to further the activities in an intensive manner so as to make the poor subjects happy and contented.

Mrs. Kamala Bai Kibe thereafter made a stirring speech appealing to the women present to co-operate and organize women's Co-operative Societies and if possible to educate their sisters in the villages to improve their ways of living and thinking.

Mr. S. T. David who spoke next impressed on the audience the significance of the Co-operators' Day and its celebration. He concluded by exhorting the audience to come forward and join the Universal Brotherhood of Co-operators.

Mr. B. L. Tambe read out the following message which was intended to be sent to the All-India Co-operative Institutes' Association:—

" This Conference of the Co-operators of Indore State held on Saturday the 5th November, 1932 to celebrate the Third All-India Co-operators' Day conveys its hearty congratulations to all the Co-operators of the world especially those of India ; and renews its declaration of faith in the efficiency of our Co-operative System to unite in fraternal sympathy in economic unity and social well-being ; all the members of human family who are desirous of raising civilization to a high level and of realizing the brotherhood of man."

The message was received with the approval of the Co-operators assembled.

Prof. V. G. Gole thanked the President and Princess Manoraja Raje and the meeting terminated on singing the National Anthem.

ALWAYS INSIST ON BUYING "SAPRU'S" Genuine System of "HEIGHT INCREASE" with Prof: Sapru's signatures thereon. All others are forgeries & imitations! BEWARE!

Increase YOUR HEIGHT!

Increase your Height

Complete Illustrated, Scientific and Guaranteed Course-English Edition Cloth-bound, Gold-lettered, with CHART etc. ... **Rs. 3 only.**

Why remain short statured, meek and absurd? Become taller, add 3 to 5 inches & become smart, handsome and commanding.

Full illustrated course **Rs. 3 only.**

'THIRD EDITION' of this UNIQUE PUBLICATION is in Press?
PRE-PUBLICATION PRICE :—**Rs. 2.8/-** by M. O.

IMPERIAL STORES, KASUR. (Punjab)

THE MADRAS PROVINCIAL CO-OPERATIVE BANK LIMITED.

Proceedings of the Annual General Meeting of the Share-holders held on Saturday the 19th November 1932.

Seventeen Preference Share-holders and 25 Central Banks and Societies holding ordinary shares through their representatives were present. D. N. Strathie Esq., I. C. S. the Registrar of Co-operative Societies was also present.

The President in opening the day's proceedings said :—" We have been working under very difficult times. One of the foremost bankers has been pleased to say that our loans have been placed well. The Provincial Bank feels gratified that its investments have proved sound. During the course of 18 months, the Bank had been able to collect Rs. 100 lakhs. The loan business reached the high peak of Rs. 121 lakhs in April 1931; at present the outstanding balance is Rs. 21 lakhs. This has necessarily left us in surplus. We have to find ways and means to expand our business. It has been remarked in certain quarters that we have been very strict with regard to our loan policy. Greater scrutiny is being made with regard to loan applications received. Information is called for to enable the Bank to know whether the loan is being granted to non-defaulting societies and non-defaulting members. This strictness is responsible to a certain extent for the contraction in the business of the bank. We have found that it is necessary to take this step. This ensures that our investments are safe and the depositors are assured that their deposits are safe. The question of surplus is the same everywhere. Go to the commercial bank, it is the same story. In view of the heavy surplus, the rate on deposits has been reduced to 3½ per cent, and in spite of this reduction, I am glad to say, the deposits have been increasing, showing the confidence of the depositors."

After some discussion*, the statement of accounts, the administration report, and the recommendations of the Executive Committee regarding the appropriation of profits for the year, were unanimously adopted.

Messrs. Sastri and Shah were re-appointed as auditors for another year.

The dues of Sinnavadi R. C S., Ramnad District, amounting to Rs. 3,726-7-5 was written off.

With a vote of thanks to the Chair, the meeting terminated.

* See page 335 of this Journal for a statement about Rectification Scheme which was made at the meeting.

THE MADRAS JOURNAL OF CO-OPERATION

The following office bearers and members to the Executive Committee of the Provincial Bank have been chosen :—

M. R. Ry. V. Ramadas Pantulu Garu	...	President
Mr. K. Bashyam Iyengar	...	Vice-President.

OTHER DIRECTORS.

Messrs. N. Satyanarayana	...	(Ramachandrapuram)
„ R. Vencoba Rao	...	(Hospet)
„ K. V. Raghavachariar	...	(Nellore)
„ K. M. Singaravelu Mudaliar	...	(Vellore)
„ Rao Bahadur T. A. Ramalingam Chettiar	...	(Coimbatore)
„ R. V. Ramasundaram Pillai	...	(Srivilliputtur)
„ T. Adinarayana Chettiar.	...	

THE ERODE CO-OPERATIVE PURCHASE SOCIETY LIMITED.

The Fifteenth Anniversary Day of the Society was celebrated with great enthusiasm on the 12th November 1932. The society's premises were decorated gaily with flags, festoons and thoranams. A manifesto in Tamil in the form of a dialogue between a husband and wife pointing out the utility of supporting the store movement was printed and circulated broad cast among the public. There was a meeting of the members of the society in the morning when the President of the Society presented a message to the members.

Then the resolutions noted below were made at the meeting.

1. Resolved that the hearty greetings of the society be extended to all those interested in the cause of the store movement.

2. Resolved to place on record the considered opinion of this society, that the development of the store movement on proper lines will be conducive of greatest good to the consumers and as such to the producers also, and that it is therefore necessary to give a new impetus to the movement.

3. Resolved that in the interest of speedy and successful development of the store movement in the Presidency the organisation of a wholesale distributive agency is imminently necessary and that the early attention of those interested in the movement should be devoted to the question.

In the afternoon, a huge procession with flags, placards and music went round the important streets. In the evening there was a public meeting held, presided over by M.R.Ry. Rao Sahib V. Narayana Aiyer Avl., Retired Dist. Forest Officer. A number of prominent co-operators addressed the meeting. The proceedings then terminated with the usual vote of thanks. The celebration was of great advantage in creating an impression in the minds of the public about the need for the store movement.

The Mysore Economic Journal.

BANGALORE.

Published on the 7th of each month.

(The only English monthly Journal in Mysore State which has the largest circulation of any Newspaper or other periodical published in it.)

An Advertising Certainty and not a Mere Speculation.

Annual Subscription Rs. 6/- always payable in Advance.

For Advertisement rates, special positions and other, apply to :—

The Manager,

“ MYSORE ECONOMIC JOURNAL ”

No. 19, Gundopunt Buildings, Siddicutta,
BANGALORE CITY.

Correspondence.

THE MADRAS CO-OPERATIVE
CENTRAL LAND MORTGAGE BANK LTD, MADRAS.
UTILISATION OF RESERVE FUNDS OF CO-OPERATIVE
SOCIETIES—A REPLY TO CRITICISM

BY

DEWAN BAHADUR M. RAMACHANDRA RAO.

I have read with considerable surprise your editorial note under the heading "Task before the Central Land Mortgage Bank" and also the reply by Mr Ramadas Pantulu to my note on the subject of "Utilisation of the Reserve Funds of the Co-operative Societies." As both your note and Mr. Ramadas Pantulu's reply contain some statements which require correction, I venture to write a few lines by way of reply to both. In the first place, you ask the Central Land Mortgage Bank to realise "that they exist for the agriculturists rather than for the capitalist who is seeking investment for his surpluses." I cannot understand the grounds on which this homily is preached to the bank. The Directors of the Central Land Mortgage Bank are not so ignorant as to think that the bank exists not for the relief of the agriculturists, but for finding investment for the capitalists without any regard to the needs of the agriculturists. You even express a doubt whether myself and the other Directors will be prepared to concede this point. The Directors have given no occasion for any doubts on this matter. But in this world, as it is constituted, we cannot altogether ignore capitalist. The bank is mainly financed by debentures sold to those who have money to invest. You state that the bank must try to secure loans repayable in as long a period as possible—20-year period being the minimum. This is exactly what we began doing. After the establishment of the bank, we started with the issue of 20 year debentures on 20th April 1930 and by the end of December 1930, the flow of money for 20 year debentures ceased altogether. The reasons for the stoppage were explained in the second annual report of the bank, the main reason being the issue in July 1930 of the Government of India loan at 6 per cent per annum. The investing public naturally preferred the Government of India securities carrying the same rate of interest as the bank's debentures, as the former are more easily negotiable than the latter. For four or five months after December 1930, the bank was considerably embarrassed for funds, having sanctioned 20 year loan applications for over two lakhs of rupees without any money to meet them. The bank applied to the Provincial Co-operative Bank to purchase 20 year debentures for a lakh of rupees in order to work off the 20 year pending applications. But there was no response from this quarter. The bank then secured an overdraft account from the Government and extricated itself from difficulties by operating on it and clearing off all the sanctioned 20 year loans.

2. At about that time representations were made to the Registrar in his tours that there was need for 10 year loans in the districts. In view of this request and in view of the then financial stringency, the bank issued 10 year debentures from April 1931 and also temporarily raised the rate of interest with a view to attract capital till the conditions of the money market became more favourable. A part of the 10 year money to the extent of 2 lakhs had to be used to clear off the overdraft account for meeting pending 20 year loan applications. As the rate of interest came down and pending further reduction of interest, the issue of 10 year debentures was again suspended on 29-6-'32 and pending a further change in the money market, 15 year debentures were issued for which subscriptions amounting to nearly 2 lakhs of rupees have been received up-to-date. Mr. Ramadas (in his first note) admits these facts and says that "the inflow of 20 year money did not keep pace with the demand for 20 year loans and that the bank, therefore, offered 10 year debentures carrying 6½ per cent and as the 10 year loans did not satisfy the bulk of the borrowers, the bank hit upon the plan of 15 year debentures as a compromise." You will, therefore, see that the bank did its best to secure 20 year money from the outset, but the conditions of the money market were not favourable for the continuance of the 20 year debentures. The only alternative in the circumstance was either to stop the operations of the bank or to grant 10 or 15 year loans with the money raised by short-dated debentures till favourable conditions were again established. The bank chose the latter alternative. It was neither a permanent change of policy nor cussedness on the part of the Directors that induced them to issue 10 and 15 year debentures, but the inability to raise 20 year money till the rate of interest came down. Now that the rate of interest in the market is reduced to 5 per cent, it will be possible to attract 20 year money at 6 per cent per annum. Even when 10 and 15 year debentures were issued, 20 year debentures were kept open all the time, but there were no purchasers for the same for the reasons explained already. I regret that you and Mr. Ramadas should ignore all these facts and should try to make out that there is a deliberate abandonment of the issue of 20 year loans for all time to come. There is no such thing. The obvious fact is that 20 year loans can be entertained only when 20 year money can be raised by debentures and so long as there is no flow of subscriptions for these debentures, 20 year loans could not have been entertained. The issue of 20 year loans with funds raised by short-dated debentures is obviously undesirable. Mr. Ramadas himself has condemned the policy of Central Banks issuing 10 year loans with short-term money. In these circumstances, I should like to leave it to the co-operators of this Province to judge for themselves what justification there is for Mr. Ramadas for stating that in acting as it did in the circumstances above mentioned, the Central Land Mortgage Bank "cast to the winds the agreed policy of long term credit in the manner it did and still does at its sweet will and pleasure".

3. Mr. Ramadas and yourself contend that we did something wicked in issuing 10 and 15 year loans for a short period pending the time when 20 year money will become available and that the issue of these loans is altogether "indefensible". He calls this "a most deplorable change of policy". On the other hand I should like to point out that in issuing 10 and 15 year loans we were meeting the pressing needs of the borrowers. After considerable discussion, the rural credit societies in this province were rightly confined to short term and intermediate credit, and long term loans through societies for periods over 5 years were stopped. There was no other agency to give these loans and as pointed out by me, representations were made to the Registrar for facilities for 10 year loans. In issuing, therefore, 10 and 15 year loans, till we could get money for longer periods, the Central Land Mortgage Bank has been able to meet at least partly the immediate demands of the borrowers to the extent of nearly 10 lakhs during the last one year. We are now blamed for doing this and for minimising the inconvenience caused by the stoppage of 10 year loans through the co-operative societies. Several of the borrowers have taken these loans for clearing the debts due to co-operative societies. At the present time there is a sum of Rs. 1,24,00,000 invested by the Central Banks in loans for periods over 5 years. The borrowers have no means of paying back these large amounts to Co-operative Societies except by taking the long term loans from the Primary Land Mortgage Banks. With a view to enable them to do so, the Registrar of Co-operative Societies in consultation with the Central Land Mortgage Bank has issued a circular a few months ago to all the Central Banks, the Co-operative Federations, Unions, and other co-operative organisations to arrange for the transfer of such of these debts as are capable of being transferred to Land Mortgage Banks. We have received so far no help in this matter from the co-operative organisations. They could bring to the notice of the borrowers the facilities for obtaining moneys for long term loans from the Land Mortgage Banks. They have done nothing of the kind.

4. This brings me to your point about the period of the loan. You seem to be of opinion that the minimum period of the loan should be in all cases 20 years. We have the high authority of the Central Banking Enquiry Committee "that the amount and the period of the loan should be fixed with due regard to the repaying capacity of the borrower and also the purpose for which money is advanced. Loan might be granted for 5, 10, 15 and 20 years and for the present the maximum period should be 20 years". What the Committee has suggested as the maximum is your minimum. As stated by the Central Banking Enquiry Committee, there can be no fixed rule that all loans should invariably be for the same period. A man may want a loan for 10 years, another for 15 years and a third man for 20 years, and we cannot force everybody to borrow for the same period. In saying all those, I hope you will not

draw the inference that I am opposed to the issue of 20 year loans and I realise as much as anybody that the longer the term, the easier the instalment. As soon as I got Mr. Ramadas's note published in October Journal, I wrote to him at once that I shall be delighted to receive 20 year money immediately both from the Provincial Bank and the Central Banks and to utilise the same in the disbursement of 20 year loans. I again repeated the offer through the Registrar and stated that as soon as I am assured from the Provincial Co-operative Bank and the Central Banks that they would place 20 year money at my disposal the 15 year loans could be stopped. The Registrar informed Mr Ramadas that "the President is prepared to obtain the sanction of the Directors to stop 15 year debentures as soon as he is assured of 20 year money at 6 per cent and from that date the public would not be allotted 15 year debentures". Notwithstanding these assurances, yourself and Mr. Ramadas have proceeded in this controversy ignoring the fact that 10 year debentures have already been stopped and that 15 year debentures could be stopped also on the assurance that 20 year money would be forthcoming.

5. You also suggest that I am unwilling to avail myself of the offer of co-operative credit institutions within the co-operative movement itself for supplying the money needed for us and that the Central Land Mortgage Bank prefers the moneys of the capitalists and accept their own terms. This is a gratuitous assumption on your part. The scheme for 20 year money from within the movement was put forward by Mr. Ramadas only last month. Before then, no such offer has come from him or from the Central Banks. As I pointed out in my note, I felt all along that without waiting for public subscriptions, it was possible to find the requisite money for starting the operations of the bank from the reserves of the Provincial Co-operative Bank and the Central Banks and also partly from the surpluses and I mentioned in my note various steps that I took from time to time in order to induce the Registrar to divert the reserves for the purpose of long term loans. Without his permission, the reserves cannot be utilised for long term loans. I addressed him on various occasions during the last 2 years to secure his consent for the diversion. On 8th March last and long before Mr. Ramadas has put forward his scheme, I wrote to the Registrar suggesting that a definite portion of the accumulated and current reserves of the Central Banks and the Provincial Bank may be invested in the debentures of the Central Land Mortgage Bank. I again urged on him on 25th July last the desirability of investing the present and future reserve funds of the Provincial Bank and the Central Banks in the bank's debentures at least to the extent of one-fourth. Thereafterwards, the Registrar gave permission to the Central Banks to invest only the current reserves in the debentures of the Central Land Mortgage Bank leaving open the utilisation of the past reserves for future con- sider-

ration. It was after this permission was given that Mr. Ramadas has put forward his scheme only a month ago that not only the current reserves, but past reserves should be utilised for the purpose. Till then neither the Central Banks nor the Provincial Co-operative Bank suggested the utilisation of the reserves for the purpose of long term loans. In these circumstances, what is the foundation for the charges that you bring forward, namely that the Central Land Mortgage Bank prefers the money of the capitalists to the funds of the Co-operative Banks and that no attempt was made to secure the money needed from within the movement? Mr. Ramadas's scheme has been put forward 6 months after I made the proposals to the Registrar and though he was aware of these facts, he now says that the Central Land Mortgage Bank made no attempt to ascertain whether funds are available from within the movement. This is to say the least very surprising.

6. Finally, I should like to add a few words in regard to Mr. Ramadas's Scheme. When Mr. Ramadas framed his scheme for the utilisation of 50 lakhs of reserve funds of the Provincial Co-operative Bank and the Central Banks, he could not have been unaware of the fact that there is another party who has a decisive voice in the matter. The Registrar is the final authority in the matter of the investment of the reserve funds and after considering his scheme, the Registrar has intimated to Mr. Ramadas that he could not possibly bind himself or his successors to agree to the annual investments of five lakhs of co-operative money, specially reserve funds in the debentures of Central Land Mortgage Bank for a period of even 5 years, and as the custodian of the movement on behalf of the public and bearing in mind the fact that part of the reserves may be required at any time, he intimated that he would permit half of the reserve funds of the Central Banks and the Provincial Bank to be invested in the Land Mortgage Bank debentures. He also stated that in saying this he must not be construed as implying any distrust of the Central Land Mortgage Bank debentures as permanent investments. He is satisfied that they are perfectly sound. "Reserve funds are very sacred. They must be available to meet urgent needs and would be a breach of the trust imposed on me if I allowed them to be placed in an investment which could not be immediately realised". So the whole basis of this discussion about a definite scheme of utilisation of 50 lakhs of the accumulated reserve funds for a period of 10 years has fallen to the ground.

The present position, therefore, is that the Provincial Co-operative Bank can only spare 4 lakhs of rupees. As regards the Central Banks, they are investing their current reserves already in the debentures of the Central Land Mortgage Bank and as regards the accumulated reserves, the question has to be negotiated with the Central Banks. The Provincial Bank has stated that the condition and terms on which the Central Banks should invest their reserves, is a matter for negotiation between the Central Banks

and the Central Land Mortgage Bank and it does not wish to take any part in these negotiations. This is regrettable especially after Mr. Ramadas's scheme which was put forward on behalf of the Central Banks also. As the financing bank to the Central Banks, the Provincial Co-operative Bank should have decided to give them such advice and assistance as may be necessary in this matter. I understand that the Registrar would make later on definite proposals for the investment of about $\frac{1}{3}$ of the reserves of the Central Banks in the Central Land Mortgage Bank debentures. You make an appeal to the Registrar to use his good offices to bring about an understanding between the Central Land Mortgage Bank and the co-operative organisations for the utilisation of these funds for long term loans. Such an appeal is altogether unnecessary. The Registrar, after perusing my note and Mr. Ramadas's note, has already put forward certain definite proposals to the Provincial Co-operative Bank after discussion with me and if you had asked Mr. Ramadas what these proposals were before writing your notes, you would have found out how the matter stood. As a result of these proposals, the Provincial Bank has resolved to invest 4 lakhs of rupees in the debentures of the Central Land Mortgage Bank without asking for special terms and conditions such as those suggested in Mr. Ramadas's note. This is so far satisfactory and I am thankful for the step which the Provincial Co-operative Bank has taken. I beg to express the hope that the Central Banks will fall into line and take the opportunity of investing their accumulated reserves in the debentures of this Bank. I regret the length of this note. This controversy is altogether unnecessary, but I am in no way responsible for it.

PROVINCIAL BANK'S REPLY TO THE ABOVE.

[*The Dewan Bahadur's reply was sent to the Provincial Bank with a request to send their views. The reply received from the Secretary of the Bank is given below (Editor, M.J.C.)*]

With regard to the observations made by Mr. Ramachandra Rao in his criticism, I have to inform you that this Bank has taken debentures in the Central Land Mortgage Bank to the extent of Rs. 1,95,000. The bulk of this viz, Rs. 1,20,000 is invested in the 20 years' six per cent series. Further, in 1930, the Executive Committee resolved to invest in the aggregate three lakhs in the 20 year debentures of the Land Mortgage Bank and the Bank was not able to absorb even one lakh of the amount offered to them.

It is reported that the Bank was embarrassed for want of funds during the first quarter of 1931. At that time there was an outstanding offer of 2 lakhs for investment in 20 year debentures unabsorbed by the Central Land Mortgage Bank. It is surprising that, without taking advantage of the facilities offered, they should now come forward with a complaint that this Bank did not respond at the time of need.

I am enclosing copies of the resolutions of the Executive Committee authorising the investment in the debentures of the Land Mortgage Bank from time to time and copies of letters sent to them communicating the resolutions of the Executive Committee. It will be seen therefrom that in all, Rs. 4,20,000 were offered to the Land Mortgage Bank, but they were able to avail themselves of only Rs. 1,95,000.

We may, however, add for your information that the Land Mortgage Bank applied for an overdraft accommodation of 3 lakhs in August 1930. In disposing off this application, the following resolution was recorded showing the preparedness of this Bank to accommodate the Land Mortgage Bank provided they furnish the necessary security.

"The Committee desires to know whether the Bank is able to furnish any security for the overdraft applied for and if so, what security? The Committee further wishes to point out that even if the Bank can give security, the Co-operative Societies Act, Section 29 (1) does not permit it to lend to a non-member. The proviso to that section permits such loaning with the special sanction of the Registrar. The real question therefore is one of security."

It will be thus seen that all along, the Provincial Bank had been ready to accommodate the Land Mortgage Bank to the fullest extent possible and that it is they, that have not taken advantage of the facilities offered.

(Sd.) V. C. RANGASWAMI,
Secretary, M. P. C. Bank.

E. C. Meeting dated 25-8-1930.

Subject No. 10.

Letter dated 9-8-1930 from the President Madras Co-operative Central Land Mortgage Bank requesting the investments of long term money in their debentures.

Resolution.

The M. C. U. B. will apply for the first series of debentures of the Central Land Mortgage Bank to the extent of one lakh.

E. C. Meeting dated 6-12-1930.

Resolution No. 21.

Resolved to authorise the President to arrange for the purchase of debentures of the Central Land Mortgage Bank up to the maximum of Rs. 2 lakhs as and when the necessity arises.

E. C. Meeting dated 1-5-1931.

Resolution No. 14.

Resolved to purchase debentures of the Central Land Mortgage Bank for Rs. 20,000 at 6 per cent interest and Rs. 1,00,000 for 10 years at 6½ per cent interest.

N. B.—The whole of this amount was offered for 20 years but the Registrar who was present at the meetings said that the Central Land Mortgage Bank could only take Rs. 20,000 for 20 years and no more. He wants the rest for 10 year debentures alone.

E. C. Meeting dated 23-7-1932,

Subject No. 10

Resolution.

Demi-official of the President, Central Land Mortgage Bank re: purchase of their debentures by the Provincial Bank.

The balance may be lent at 6½ per cent for 15 years

Copy of letter No. 3908 dated 3-9-1930 from the Secretary, Madras Provincial Co-operative Bank Ltd., Luz, Mylapore, to the Secretary, Madras Co-operative Central Land Mortgage Bank Ltd., Mount Road, Madras.

"We beg to forward herewith our formal application for the first series of your 6 per cent debentures for one lakh.

As already intimated to you, we shall pay the amount as and when you have secured sufficient mortgages. Kindly intimate to us therefore, when you require the amount to be remitted."

Copy of letter No. 10325 dated 12-12-30 from the Secretary, Madras Provincial Co-operative Bank Ltd., Luz, Mylapore, to the Secretary, Madras Co-operative Central Land Mortgage Bank Ltd.

"In reply to your letter No. 104/33 of the 11th instant, we have to state that our President has been authorised by the Executive Committee to invest in your debentures up to a maximum of Rs. 2,00,000 as and when funds are available."

Copy of letter No. 10534 dated 16-12-1930 from the Secretary, Madras Provincial Co-operative Bank Ltd., Luz, Mylapore, to the Secretary, Madras Co-operative Central Land Mortgage Bank Ltd.

"In reply to your letter No. 104/33 of the date, the authorisation to the President referred to is to buy debentures up to the extent of Rs. 2,00,000 in addition to the one lakh already purchased."

Copy of letter No. 20262 dated 12-5-31 from the Secretary, Madras Provincial Co-operative Bank Ltd., Luz, Mylapore, to the Secretary, Madras Co-operative Central Land Mortgage Bank Ltd.

"Reference; Your letter No. 125/33 dated 11th May 1931.

A copy of the application for the debentures of your Bank is herein enclosed duly completed."

Copy of letter No. C 1945 dated 25-7-1932 from the Madras Provincial Co-operative Bank Ltd., Luz, Mylapore, to the Madras Co-operative Central Land Mortgage Bank Ltd.

"Your letter dated 20-7-1932 regarding the investment of Rs. 1,25,000 in the new series of 6½ 15 year debentures was placed before the meeting of the Executive Committee and they have been pleased to sanction the investment in the new series. The amount will be made available to you as and when you are in need of funds and when sufficient mortgages are secured."

STATEMENT OF THE INVESTMENTS IN THE MADRAS CO-OPERATIVE CENTRAL LAND MORTGAGE BANK.

R. C. SANCTION.		AMOUNT PAID.		DEBENTURES ISSUED.		
Date.	Amount.	Date.	Amount.	Date.	Amount.	Denomination.
1	2	3	4	5	6	7
25—8—30...	Rs. 1,00,000	16—9—30...	Rs. 30,000	16—9—30 ...	Rs. 30,000	6½ 20 years.
6—12—30...	2,00,000	29—10—30...	70,000	16—1—31 ...	70,000	Do.
1—5—31...	1,20,000	20—5—31...	20,000	29—6—31 ...	20,000	Do.
23—7—32...	Balance uninvested in the above.	19—2—32...	25,000	4—4—32 ...	33,000	6½ 10 years.
		7—3—32...	25,000	11—5—32 ...	17,000	Do.
		19—4—32...	25,000	20—7—32 ...	25,000	Do.
	4,20,000		1,95,000			

Reviews.

An Introduction to the Principles of Civics by Mr. Lahiri and Banerjea, available at the Book Company, 4/3-A, College Square, Calcutta, Price Rs. 1-12-0.

The publication of a book on the problems relating to citizenship at this juncture in the history of our country is particularly opportune, as the franchise is about to be thrown open to a wider section of the public. It is but right that the people who are the ultimate authority must be willing and able to discharge their civic duties and guard their rights. The authors of this small book have spared no efforts to make it useful and interesting. The book though of an introductory nature gives the reader a clear grasp of the problems relating to citizenship.

The evolution of the State from the society and the development of the modern State occupy the first few chapters. In the chapter on "Forms of Government" the different types of Government are discussed and the dictum "Good Government is no substitute to Self-Government" is reasoned out. In the following chapters the various forms of democratic Governments are discussed. That on Unitary and Federal Constitutions is of particular importance to us Indians at the present time.

The reasons that led to the separation of the functions of the Government into Legislative, Judicial and Executive and the functioning of these three departments of a government are well explained and the chapter on Local Self-Government will be read with much interest. The best school of democracy and the best guarantee for its success is the practice of Local Self-Government and the chapter dealing with the subject throws a good deal of light on the same. Towards the close of the book, the authors deal with elections and the principles of a sound system and proper use of elections by the citizens for "good citizenship is in the nature of a trust for the community". For this proper education is an imperative necessity and this book we hope will be of much use in this direction.

PRAKASAPURAM CO-OPERATIVE CREDIT SOCIETY.

We have received a copy of the Fifth Annual Report of the Prakasapuram Co-operative Credit Society (Tinnevely District) for the year ending 30th June, 1932. The Society did very good work considering that there was increase of deposits and decrease in loans sanctioned. The Collection of overdues was steady at the high level maintained last year. We are glad to note that out of the Common Good Fund a library is being formed.

Magic Lantern and Slides.

PREPARED BY THE
Madras Provincial Co-operative Union,
ROYAPETTAH, MADRAS.

Magic Lantern. This is a Swadeshi article, very suitable for Village Propaganda and quite cheap. It is worked by a Baby Petromax light, which, unlike carbide light, can be used for other purposes as well. The mechanism of the Lantern is very simple. Running cost very little, less than one anna per lecture. **Price of the Lantern Rs. 45 only.**

SLIDES.

The Provincial Co-operative Union has prepared so far three sets of slides for co-operative propaganda.

I. The Evils of Drink and Benefits of Co-operation. This set of 33 slides depicts a very interesting and edifying story of village life. **Price Uncoloured Rs. 35; Coloured Rs. 50**

II. Thrift and Co-operation. An urban story. It shows how an educated man in Madras got into trouble owing to his thriftless ways and how he was saved by a Co-operator. 40 slides. **Price Uncoloured Rs. 40; Coloured Rs. 60.**

III. Rural Reconstruction in Alamuru. These slides illustrate the activities of the Rural Reconstruction Centre at Alamuru and the various benefits conferred on the people by Co-operative Societies and Village Panchayats. Educational and Inspiring. 62 slides. **Price Uncoloured Rs. 62. Coloured Rs. 95.**

SUPPLEMENT TO THIS ISSUE.

The Madras Provincial Co-operative Union.

SYLLABUS ON AUDITING FOR CO-OPERATIVE TRAINING CLASSES.

1. *Principles of Auditing.*—Differences between accountancy and audit. Meaning of audit, its object, scope and advantages. Conduct of audit, method of work, different classes of errors and fraud. Audit programmes, Notes and Working sheets and their importance. Different kinds of audit. Rights, duties and responsibilities of the auditor. Qualifications of an auditor. Special considerations in co-operative audit.

2. *Accounts.*—Various kinds of account books maintained by different types of societies. Statutory books under 65 (K) and (L) of Madras Co-operative Societies Law 1932. Their purpose and use. Verification of accounts. Importance of such verification.

3. *Internal check.*—Internal check as regards cash receipts and payments. Bank petty cash, Sales, Purchases, Stock. Importance of Internal check. Auditor's duty as regards internal check.

4. *Routine checking.*—Castings and postings of various books. Trial Balance. Difference in balancing of books and the detection thereof.

5. *Vouching defined.*—Importance of vouchers—vouching of cash and credit transactions, trading transactions, vouching of receipts and payments. General considerations.

6. *Valuation and verification of assets.*—(a) Cash, Petty cash and bank balances. Investments in lands, buildings, furniture and fittings, machinery and plant, stocks and shares, Government Securities. Loans on personal security, on produce and crop or other's security. Mortgages, Examination of values—Sufficiency of security. Personal verification of loans. Overdue loans. Bad and doubtful and time-barred debts. Assets abroad and at branches. Bills receivable and suspense items.

(b) Fixed, floating and wasting assets. Depreciation. Different methods for providing for depreciation as affecting different classes of assets.

7. *Verification of Liabilities*.—Share capital, mortgages, debentures, deposits and loans and interest due thereon. Suspense and contingent liabilities. Creditors for purchases. Payments due for work executed—Service performed. Bills outstanding. Claims due. Liabilities under reserve fund. Unclaimed dividend. Undivided profits. Building fund. Supervision fund and other liabilities. Bad debts reserve fund. Investment fluctuation fund.

8. *Final account*.—Outstanding assets and liabilities. Adjusting entries. Calculation of Supervision fund.

9. *Profit and Loss Account*.—Principles governing the preparation of Trading and Profit and Loss account and appropriation of accounts. Branch transactions. Incorporation in Head office accounts. Branch reconciliation. Difference between capital and revenue expenditure. Deferred expenditure. Reconciliation statement. Accrued interest. Calculation with reference to by-laws.

10. *Balance sheet*.—Marshalling of assets and liabilities. Receipts and disbursements statements. The annual statement.

11. *Co-operative Societies' Act*.—Auditor's duties. Examination and valuation of assets. Scrutiny of transactions. Verification of genuineness thereof. Conformity to bye-laws. Interim, final and super audit and test audit.

12. *Examination of Minute books of General Body*.—Directors and Executive Committee. Bye-laws of the society with reference to accounts and management.

13. *Audit of Joint Stock Company and Co-operative Society compared*.—

14. *Divisible profits*.—Appropriation. Dividends in Companies and Co-operative Societies.

15. *Audit report for different types of societies*.—Classification of societies. Audit certificate. Comparison with that issued under the Companies' Act.

16. *Audit Programme*.—Special points in audit of different types of societies—

(a) *Unlimited liability Primary Credit Society*.—Liability register. Property Statement register. Overdue debts.

(b) *Limited liability Primary Credit Society*.—Share Capital. Distribution of profits. Fluid resources.

(c) *Co-operative Stores Society*.—Internal check regarding stock verification and valuation of stock on hand.

(d) *Central Banks*.—Statement of collateral Securities. Fluid resources. Quarterly financial statement.

(e) *Land Mortgage Banks*.—Mortgages. Debentures and redemption thereof. Valuation of property offered as security.

(f) *Building Societies*.—Examination of mortgages. Valuation of houses.

(g) *Loan and Sale Societies*.—Valuation of securities taken. Periodical re-valuation register. Sufficiency of security. Examination of the insurance of the securities.

(h) *Supervision and propaganda organisations*.—Federations, Unions and Institutes. Income and Expenditure accounts.

17. *Co-operative Societies Act of 1912 and the Madras Co-operative Societies Act VI of 1932 and rules thereunder*.—Government notifications regarding income-tax, Registration, Stamp and Arbitration. Rules relating to grant of Government loans to societies.

18. *Audit, Inspection and Supervision*.—Differences in scope.

19. *Investigation*.—Fraud, Misappropriation, under Sections 35 and 36 of the Co-operative Societies' Act of 1912; (or sections 38 and 39 of the Madras Co-operative Societies' Act VI of 1932.)

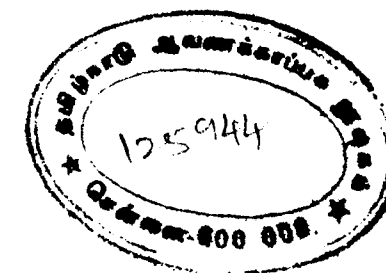
BOOKS RECOMMENDED.

1. Co-operative Audit—

By Mr. R. Balakrishna Iyer, The Hood Co-operative Institute, Limited., Tanjore, Price Rs. 2-8-0.

2. The principles of Auditing—

By F. R. M. DePaula, O.B.E., Publishers, Sir Isaac Pitmans Sons, Limited, Parker Street, Kingsway W.C. 2.



The Madras Provincial Co-operative Bank, Ltd.

(Formerly The Madras Central Urban Bank, Ltd.)

HEAD OFFICE: Luz, Mylapore.

BRANCH OFFICE: 117, Armenian Street, G. T.

Current Accounts opened free of charge and interest allowed on daily balances at $2\frac{1}{2}$ per cent. per annum from January to June and 2 per cent from July to December.

Fixed Deposits are received at rates of interest which may be ascertained on application.

Prudential Deposits. (Saving Bank) Accounts opened with a minimum balance of Rs. 5 and interest allowed at $4\frac{1}{2}$ per cent. per annum.

Provident Deposits. Monthly deposits of Re. 1 or its exact multiple for periods of 7 years and more are received. The aggregate amount will be repaid at maturity together with interest at 5 per cent. per annum. Compound.

GOVERNMENT SECURITIES Bought or Sold.

Banking business of every description is undertaken.

THE GOVERNMENT have authorised the investment in this Bank of the Funds of the Corporation of Madras, University of Madras, Local Boards and Municipalities, and the security money tendered by Government, Local and Municipal Servants, Renters and Contractors and other quasi-public funds.

For terms and other particulars apply to:—

V. C. RANGASWAMI, *Secretary*

LEAGUE OF NATIONS.

Publications of the International Labour Office.

INTERNATIONAL LABOUR REVIEW.

The **International Labour Review**, published monthly by the International Labour Office (League of Nations), is widely read by those engaged in industry in all countries,

Because it contains Special Articles by recognised Authorities on problems connected with the treatment of Labour in Industry;

Because it summarises important Reports and Enquiries on labour conditions in all countries, and thus makes their findings easily available in English;

Because it contains up-to-date Statistics of Unemployment, Wages, Cost of Living, Industrial Disputes Industrial Accidents, etc., on an international basis which are nowhere else available;

Because its Bibliography is the most complete record of new Labour Laws and new Industrial Publications.

Price : 2s. 6d. per monthly Number. Yearly : £1 4s. 0d. post free.

The **International labour Review** is published monthly in the United Kingdom by Geo. Allen & Unwin, Ltd.

Publications are obtainable from

THE INTERNATIONAL LABOUR OFFICE, Geneva, Switzerland,
or from the City Book Company, Post 283, Madras.

BEWARE OF IMITATIONS

TONICS

ESKAPLE



RELIABLE MEDICINES FOR CHILDREN

2 oz. As. 3 **CASTROLIX** 6 oz. As. 8
PURIFIED AND MEDICATED CASTOR OIL

BALASUDHA
 Regd. TONIC. 4 oz. Re. 1.

SREEKARA KASTURI PILLS.
GOROJAN PILLS.
BALASANJEEVINI.
 (LAXATIVE PILLS)



BOON TO BONY BABIES

CHANDANADI
PLEASANT GRAIN TONIC

VOICE TONIC **AMADINI** THIRST PILLS

IDL CHYAVANPRASH AMRUTHAMALAKA THAILA GOROJANA PILLS
"NANJANGUD TOOTH POWDER"
OPORARY IN RILIA PACKET OR IN IDL GL MEDICATED IN 4 DINA TIN

Sole Agents: UNITED CONCERN, Bunder St., MADRAS.
DEPOITS AT: MADURA, BOMBAY, DELHI, CALCUTTA.
(Special facilities for Co-operative Stores, Societies and Panchayats.)

THAILAS

JVARAGUE

Edited by Prof. S. K. Vegnanarayana Iyer, M.A.,
 and Printed at the C. C. P. Works, Chintadripet, Madras.