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Vol. I.

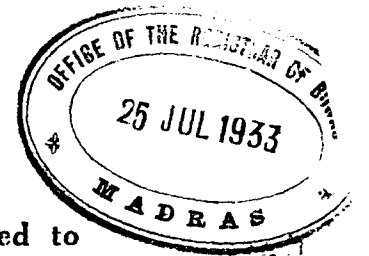
July, 1933.

No. 7.

Poor India.

It is indeed unfortunate that in spite of the protests all over the country against the policy of the Government of India in not putting an embargo upon the flow of gold from the country for the last 21 months, the India Government has thought it advisable to sell silver on the 15th of the last month to the extent of 20 million ounces to Britain towards her payment of War Debts to the United States of America. If we may quote an analogy, the action of the Government of India is similar to that of a great Queen of the Chola Dynasty who put two bolts to the songs of the great Tamil Poet Ottakutha. Ever since the export of gold from the country has become a weekly affair, the public opinion was, and is even now, much against it and the various Chambers of Commerce in the land have not been wanting in protesting against the action of the Government of India, again and again and as vehemently as possible and probably the reply to such protests is the latest action

—sale of silver. The only explanation that the Government of India can offer in support of their present action is that they are carrying out the recommendations of the Hilton Young Report, but the present conditions are far from those that were in existence at the time when the above report was written and presented. This point was strongly criticised at the sixth Annual meeting of the Federation of Indian Chambers of Commerce and Industry, held at Delhi on the 15th April last, by a resolution reading "The Federation regrets that the Government of India should continue their policy of silver sales in spite of continued protests from the public. The Federation is of opinion that since the recommendations of the Hilton Young Report are not now operating, Government should stop further sales of silver" and it was carried unanimously. From this readers can gauge the feeling among businessmen in the country on this point. Taking for granted that the silver sold is a mere surplus and needs unload-



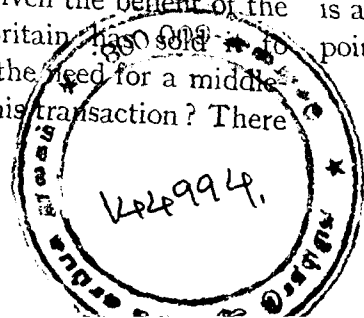
ing, let us see whether the present time is an opportune one to effect a sale of the surplus. At a time when the world's supply of gold is not sufficient for currency purposes, when the United States of America, the largest creditor nation of the world to-day, is prepared to accept the War Debt instalments in silver instead of gold as hitherto with the main object of seeing that its price is raised at an early date, and when all the leading nations of the world are considering somewhat seriously as to whether it would not be advisable on their part to give the same status of gold to silver and thus resort to bimetallism, there is every likelihood of the price of silver going up in the near future. In the face of these future chances of a high price, if the Government of India have sold such a huge quantity as 20 million ounces at a price fixed by the British Government, it is really something unexplicable. It is stated that the sale price as agreed between the U.S.A. and Britain is 50 cents per ounce fine and that Britain has purchased from India at the then market price of about 36 cents, with an understanding that the resulting profit on this deal shall be equally divided between them. If to-day India is politically subordinate to Whitehall, is it necessary that even in the sale of her accumulated silver to Britain, to pay her War Debts, she should not be given the benefit of the price at which Britain has sold to the U.S.A? What is the need for a middle man's interest in this transaction? There

is only one way of defence. Britain may say that she has purchased her requirements from India at the rate at which she could easily do from the open market, only with the object of helping her in her desire to unload her surplus and thus really did a favour to her. Further, she may say that whether purchased from India or elsewhere at the market rate, she would have secured her profit. If this is Britain's view, we would like to state in reply that India has no need to sell her silver now, especially when in the near future its price is likely to go up. This again raises another question of importance, viz., whether the India Government have of their own accord agreed to the sale or they have been influenced or even coerced by Britain placed as she is in a privileged position. In this connection we publish in another column the opinion of Mr. Nalini Ranjan Sarcar, President of the Bengal National Chamber of Commerce, Calcutta, as expressed by him in a statement to the Associated Press, which deals with the question in a masterly manner in a nutshell. There are other aspects of this affair, namely, constitutional and financial and we hope that in the next session of the Assembly our Legislators will raise them and see that India gets her due consideration for the sale of her white metal, whether willingly or unwillingly and see that she is able to assert her financial rights in a pointed manner.

Education for a Business Career.

In these days when the educated youths of the country—S. S. L. Cs., Intermediates, Graduates and Masters of Arts—are all trying and competing with one another to secure a job, sometimes spending some years in the prime of their life with no better results, and thus creating a new kind of profession called "trying for a job" to be added to the already numerous sub-divisions in the 'occupation' column in the census report, we feel sorry how a career in business and industry has not appealed to them. Is it because they think that the occupation of a trader or businessman is intended only for those who have never seen a school-house or for those who have had only a low standard of education? Probably, a business life for an educated youth of the present day is considered to be degrading and it seems it is due to some extent to the fault of some of the aged parents who think that business life needs no education. If, out of love, a Graduate or an Intermediate, of his own free will and with a firm determination, actually starts his life as a businessman, he soon becomes a laughing-stock by his close relations, with a phrase similar to the following, in the lips of all: "After all a business career after having studied so much" as if the so much of study is of no use to him as a trader. What a fun is this? How long will it take to explode this false impression that a business life is the monopoly of the uneducated! What is the cause of this false idea? It is because in the olden days business was carried on within the borders of a village or a town and it seldom extended over two or three

districts at the most, resulting in a small income and as such it did not attract the educated young men who had numerous chances of obtaining a highly paid Government job. But now-a-days, the boundaries of a market for any ware cannot be easily drawn up, as a modern market extends over the whole world and over any additional region that may hereafter be brought to the notice of the public by the geographer and the world explorers. So modern trade has assumed large proportions, requiring a special knowledge of manufacture, marketing, finance, transport etc., and it has received such a great attention as other modern sciences that a businessman of the olden day type with his knowledge based upon his costly and in some cases bitter experience and with the false impression that business lies in the mere purchasing a commodity at a lower price and selling it at a higher price, has no chance of thriving. Even in the matter of capitalising a modern business, the Joint Stock Company system is rapidly replacing the one man's investment, requiring an expert to control the financial side. Thus, a modern business to be properly managed needs, and urgently too, a highly qualified staff, qualified in both general and professional education. It is only in this view that in England, America and Germany a large number of educated youths first choose a business career and that it is only if it cannot be had, they think of some other service and always as a last resort they enter into Government service. But what a pity it is that in India the Government service is considered to be a seat in the Heaven? We know of one instance where an European Government Official drawing about Rs 3,500 per mensem as the head of a Department in a Presidency Town in



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India resigned his job about 15 years ago in a single stroke of the pen and chose a business career in a leading firm in the same city and earned not only a name as an excellent businessman but also some lakhs of rupees every year to the surprise, nay even jealousy, of his ex-official friends. Opportunities in business are many and if they have to be reaped in full, really efficient and qualified men are needed, in large numbers. If every other profession, say, Law, Medicine or Engineering requires both a minimum general education and professional qualifications, the profession of a trader also equally needs a decent standard of general education coupled with a specialised technical knowledge. Just as the Doctor gives health, the policeman safety and the Judge justice, the trader as one of the valuable members of the society looks after the needs of the general public in the matter of supplying their daily wants or necessities of life. He is not a mere buyer and seller of goods. His duties according to the present day needs are something more. He has to study human psychology, and has to make a judicious purchase of articles that are needed by the public. He has to change his methods of business according to the ever-changing needs and fashions of his customers. In addition to all these, he has to study carefully not only the business and financial problems pertaining to his own trade but also those of others together with the political questions of his country and the world at large, if his business is to be a high class one. To quote a recent example in this connection, the business ingenuity of Japan and the U. S. A., allowing their currencies to be purposely depreciated is worth noting,

and it is receiving the best and most careful attention of world economists. From all these, one can easily understand that a business career is as exacting as other modern professions, requiring a very great skill which can be exhibited only by the highly educated.

Our brethren have not been found wanting in the exhibition of their skill in any walk of life, provided they only actually enter into it. Recently it has been brought to the notice of the public by the "*Buy Indian*", Madras, that one of our countrymen Mr. M. V. Parekh of Junagah, Kathiawar, has constructed an aeroplane (with only the engine imported) that is capable of doing 90 miles per hour and that another Mr. B. B. Das of Calcutta has already constructed a few motor cars and that an order has been placed with him for making several cars for the use of the Calcutta Corporation. These are the latest proofs of what our brethren could do if they have only the will.

So we think the time has come when the educated youths of the country can no longer treat the business life as a thing sacred not to be polluted. Industrial and Commercial India needs them more and more. Already much has been lost by the country by their being carried away by the enthusiasm and love for a monthly paid Government service. We hope our educated young men will not hereafter waste their valuable time in job hunting but will focus their attention to the study of industrial subjects, both big and small and other scientific business problems so that they may earn their livelihood independently and in a dignified manner.

The Tragedy of Ivar Kreuger.

BY

A. RAMIAH, ESQ., B. A., F. R. E. S.

During the prosperous years which succeeded the World War, of the several industrialists and financiers that came into international prominence none won the admiration and envy of the world so steadily for a decade, as Ivar Kreuger. He had won the complete confidence of the world, was able to raise funds to the extent of a hundred and fifty to two hundred million pounds, lend many millions to needy European Governments, organise an almost world-wide monopoly in the manufacture and sale of matches, and win for himself the title of the world's Match King.

And now after his death he is considered to be the world's most fantastic swindler. His industrial and financial thefts are believed to extend to a colossal figure of 750 million dollars. The Kreuger and Toll stock which stood at 40½ when first listed on the New York Stock Exchange in October 1928 crumbled to 1/32 (about 3 cents a share) on his death in March 1932. In a search that was made after his death in the safe-deposit vaults of his concerns throughout the world, nothing more than a hundred thousand dollars worth of cash and securities could be found. What became of the hundreds of millions of dollars raised by him in the various countries is a mystery still to be known. It was only after his death that a shocked world discovered that far from being a great constructive financier

which he posed to be, he was an arch-embezzler.

Until after the years of the War, Kreuger's life was uneventful. Though he came out of the family of Kreugers who had been identified with the match industry of Sweden for two generations and formed a partnership with Paul Toll under the style of Kreuger and Toll, it was not until 1917 when his firm got merged with its largest competitor the Swedish Match Company, that he became prominent in the match industry itself.

If Kreuger had been content with making and selling matches, all might have been well. But he quietly changed his concern into a financing company. This was the beginning of his fatal career which robbed millions of people of their savings. He started with a logical plan of making the Swedish Match Industry self-sufficient, but soon extended his activity to the financing of various other industries such as pulp and paper mills, power companies, potash and phosphorous plants, iron mines and banks. He borrowed heavily for these, and the era of Easy Money which characterised the world of finance in the post-war period helped him enormously. Kreuger then began dreaming of the day when he could control absolutely the manufacture of matches throughout the world and earn monopoly profits. This however required

capital, much more capital than the European money markets were in a position to supply and Kreuger's thoughts turned naturally towards the United States of America, a nation which he knew was swollen with wealth and anxious to invest it. He so intrigued the bankers and financiers in New York that they agreed with alacrity to float a 15 million dollar stock issue in London for the Swedish Match Company.

No one then doubted his honesty or the correctness of his balance sheets. His next step was the formation in the United States of the International Match Corporation which though American in the sense that it was incorporated in Delaware and its directors were citizens of the United States, was completely dominated by Ivar Kreuger himself, as nearly all of its voting stock was owned by the Swedish Match Company which was also under his complete control.

In the light of subsequent events it is now very easy to criticise the American financiers who believed in Kreuger so blindly. No doubt their faith in him let them abandon their normal caution. As one of the directors of the International Match Corporation testified, 'the board had every reliance in him'. It seemed justified when Kreuger's plans for loans to foreign Governments in return for match concessions were getting fruitful. When it was known to the world that even as a private individual he had undertaken to lend 75 million dollars to the Government of France, 42 millions to Poland, 30 millions to Roumania, 22 millions to Yugoslavia, 10 millions to Turkey and so on and later on 125 million dollars

to the Republic of Germany, while yet the balance sheets of Kreuger and Toll and the International Match Corporation showed increased profits and respectable dividends were declared, no one could dare suspect or question his integrity or honesty. Even men closest to him were mesmerised. His own stenographer became a victim and lost a good portion of her savings in Kreuger Stocks. "I had always heard that Mr. Kreuger was a genius" she said "and I thought this was my experience with it. I was very enthusiastic and went out and placed my savings in his stock". Everyone who came into contact with Kreuger had been charmed by his manners. He had an amazing facility of expression, a plausibility which captivated even the most careful financier. Further he surrounded himself with mystery and thought that mystery was the best policy. In his own words, "Whatever success I have had may be attributed to three things. One is silence. The second is more silence, while the third is still more silence". Another interesting thing about his manner of dealing is reported by one of the largest New York banks, that Kreuger telephoned for an appointment insisting that it should be arranged at a moment which best suited his convenience. He grew indignant and departed when by some mischance he was kept waiting for more than a few seconds.

Investigations conducted after his death into the state of affairs of the Kreuger concerns revealed the following:—(1) That he paid dividends of 25 and 30% on the stock of Kreuger and Toll when the state of things did not warrant even a payment of 1½% and that funds were switched from one company

to another to give an appearance of prosperity. Balance sheets were falsified and accounts cooked up wholesale. It is reported that before his death the last balance sheet for Kreuger and Toll was dictated by him to the stenographer purely from imagination without the aid of memoranda or reports. (2) That a fifty million dollar bond issue sold in the United States, was theoretically secured by first class Government bonds but when the portfolio was finally examined it was discovered that the marketable securities were largely non-existent. (3) That in order to obtain additional credit, Kreuger had managed to engrave 80 million dollars worth of counterfeit Italian bonds by forging the signature of the Italian Finance Minister, and no banker thought it necessary to see the bonds at any time which remained in a safe in the home office of Kreuger and Toll. (4) That according to the balance sheets, a corporation called the Continental Corporation, a subsidiary of the International Match Corporation was said to have received 75 million dollars from the parent company but no trace of this had been found. So also a mysterious Dutch company alleged to owe 15 million dollars to the International Match Corporation has never been traced. (5) That some of the supposed match concessions, the key-stone of the Kreuger financial enterprises have been found never to have existed. No one ever demanded to see these concessions though enormous loans were granted because of them. Such was the confidence of bankers and financiers in Kreuger's business integrity.

Kreuger got on with his frauds, falsifications and defalcations undetected till the end of the year 1931. The beginning of his

tragic end came however in June 1931 when Kreuger went to New York and arranged to sell to the International Telegraph and Telephone Company (I. T. & T.) a large share in the Ericsson Company, one of the oldest manufacturers of telephone equipments, with factories in England, France and many other countries, which Kreuger had acquired in 1930. Under this sale agreement Kreuger managed to receive 11 million dollars in cash. In the meantime owing to the world wide economic depression and the financial crisis in Germany and other countries Kreuger was hard pressed for money and cabled his New York Bankers from Stockholm asking whether a loan of 5 or 6 million dollars could be obtained for him. Four large American Banks readily agreed to lend 4 million for him. Their belief in his financial position was so unshaken that they required no collateral security from him at all. It did not surprise them that a man whose companies were supposed to be worth hundreds of millions was embarrassed for want of so trifling a sum as four million dollars. A little wakefulness would have disclosed to them that the Match King was then confronted with a very grave crisis at that time.

The climax was rapidly approaching. The Chairman of the International Telegraph and Telephone Company who had sent an expert accountant to Stockholm to examine the books of the Ericsson Company reported that there was falsification of the balance sheets of that company. Kreuger argued in vain to convince Mr. Behn, the Chairman of the I. T. and T. that there was no more than an honest mistake in the balance sheets. The matter dragged on for some weeks and finally in February 1933

Mr. Behn cancelling the contract for the purchase of the Ericsson interests demanded the return of the 11 million dollars. In the meantime the loan of 4 million dollars advanced by the American banks also fell due on the 25th of February 1932. Kreuger had then no sufficient funds to answer any one of these two demands. The Match King who only a few years ago had advanced large loans to save European kingdoms was now actually looking in the face of doom. He spent many a sleepless night, at times grew hysterical and wept when the bankers called upon him. He gave out vain excuses that the Swedish Banks had granted a credit of 2 million dollars in addition to an earlier loan of some 8 millions and also spoke about a payment from Spain long overdue. At last when his position became critical a physician was summoned and he gave warning that the patient was suffering from brain-fag and needed complete rest. He then sailed for Paris on the 4th March and during the voyage seemed to have regained his poise and magnetism and for all outward appearance, looked 'almost a hundred per cent normal'. He arrived in Paris on the 11th March and was staying in his apartment on the Avenue Victor-Emmanuel. The next

day a group of financiers waited for an appointment with him, the object being to discuss the repayment of the 11 million dollars to the International Telephone and Telegraph Company and how Kreuger was going to raise the sum. The hour for the appointment which had been fixed at 11 o'clock already passed and at 1 o'clock some one suggested that it might be well to go into Kreuger's apartment and see what was the cause for the delay. The messenger returned a short time later and reported that Kreuger was dead. He had shot himself.

The tragedy was complete. American bankers and financiers saw their fortunes swept away when the Kreuger stocks fell to unimaginably low points.

In the meantime Kreuger's corpse which lay in Paris for some days was taken to Stockholm and there cremated. And then when it was discovered that he was a great swindler, rumours began to spread that Kreuger was not actually dead but only a wax dummy of his had been cremated and that he had actually fled to Sumatra. The legend that he is alive is still persisting, though Ivar Kreuger is as dead as his dream of a world match monopoly.

Commercial Law & Practice.

*Infringement of Literary Copyright.**

Mr. H. G. WELLS ATTACKED.

BY

E. S. SUNDA, ESQ., B. A., B. L., F. A. U., Madura.

Readers of the "*Indian Commerce*" need not necessarily be lawyers or merchants. Whoever they are, they should be interested in one of the recent literary copyright cases wherein figured one of the well-known writers of modern times, Mr. H. G. Wells. It is something surprising, if not curious, that such a charge of 'stealing other's ideas or matter' should be levelled against such a great thinker and literary architect. But as it is, the lay public has to understand that such a charge was made. The case is of importance as a guiding factor in literary commerce and it is in this view this article ventures to find a place here.

The action is by Miss. Florence Deeks for breach of copyright. In fact it is a case of alleged use of plaintiff's manuscripts without her consent. The defendant is Mr. H. G. Wells. The attack is that he has used her manuscript entitled "*The Web*"—given by her to Macmillan Company of Canada, who it is alleged have given it to Mr. Wells for use—as the foundation of his book "*The Outlines of History*".

'*The Web*' is a work which involved the whole history of the world from its very beginning to the present. The book was entrusted to Macmillan on 8-8-1918. It was

not returned to Miss Deeks till 4th April, 1919.

During this period (August 1918-April 1919) Mr. Wells completed the manuscript of his book '*The Outlines of History*' which is a history of the world on the same lines as '*The Web*'. Miss. Deeks relies upon the intrinsic evidence obtainable in the two works and compares "the accumulation of similarities and like omissions, of plan, of phrases, of mistakes" and concludes that Mr. Wells did in fact have her work before him when he composed his work.

But, on facts, in this case it has been proved that Mr. Wells really had no access to the book from Macmillans and Miss. Deeks failed to prove that aspect of her charge.

But evidence has been let in "The witnesses were apparently permitted to say, not only that there were similarities but in their opinion the result of the similarities was such that in fact Mr. Wells did copy from this work. Of course, one witness was permitted to give evidence to the effect that in his opinion Mr. Wells wrote his own book with the manuscript of Miss Deeks's book upon the desk before him." But Their Lordships of the Privy Council feel that the *opinion* of the experts in this

**Deeks versus H. G. Wells*, 64 M.L.J. 193.

matter and the result of their opinions are not within the domain of expert evidence at all.

There may be similarities in plan and scheme of the book. Chapters and passages may be close imitations. "Phrasal identities and similarities and mistakes may be so numerous that an accumulation of them may afford the strongest evidence of copying."

But all these were found not to be quite to the mark of absolute proof re copying. They feel that "The evidence is insufficient to displace the conviction that is derived from the direct evidence that there was in this case no copying at all. The suggested similarities can be explained by the nature of the work which has common elements and by the fact that both writers must have had recourse to authorities which were common to both. After all neither Miss. Deeks nor Mr. Wells was present at the beginning of the world or until a very considerable time later and they have had to rely upon the accumulation of information which has been made by many authors before them and to which they have had to have recourse in writing such a book as this. . . . Such actual coincidences as do exist are explicable and should be explained in the manner suggested."

Mr. S. N. Pochkhanawala on Reserve Bank.

An Associated Press Message of Simla dated June 15, published in the *Hindu* of Madras dated June 20, is as follows :—

Mr. Pochkhanawala in the course of one memorandum, writes:

These are the words of Lord Atkin, one of the Judges of the Privy Council and he sets the Law in unmistakable terms. Unless the actual access to the manuscripts from which portions are alleged to have been stolen, the charge of copying cannot be proved. It is obviously based on the argument that "great men—women too—think alike" and probably alike too. In literary commerce, both the publishers and printers have a duty. Literary business involves excellent Literary advice, first hand; it implies also a great responsibility and also knowledge that the matter and manner of the contents are original and they are really the products of the apparent producer. Commerce in Books, book-publication and in fact editorship of literary productions in this wide-world are on the increase. They require skilled men both in literary and business aspects. This case is enough to show that even the foremost men of the times can be impeached for want of originality, if not at least for copying. Indian Book Trade ought to take to newer channels and ought to attract better men. A Natesan, a Srinivasachari (of Srinivasa Varadachari), a Vasan (*Ananda Vikadan*) are too small for a literary-growing country. That is the lesson of the latest case on copyright in literary productions.

Banking business in India, as constituted at present, may be divided thus: Imperial Bank; Foreign Exchange Banks; Indigenous Joint Stock Banks; Co-operative

Banks; and Indian Banks, e.g., Sowcars, Multanis and Chettyars.

The interests of the Imperial Bank, Foreign Exchange Banks and Indigenous Banks are very closely interconnected, and, as matters stand, the latter are working at a great disadvantage. It is desirable, therefore, that proper safeguards should be introduced in the Reserve Bank Bill, if Indigenous Banks are to assert themselves in the midst of keen competition which is sure to result from the establishment of the Reserve Bank.

With the setting up of the Reserve Bank, the banking group will be divided as follows in order of merit:—Reserve Bank; Imperial Bank; Foreign Exchange Banks; Indigenous Joint Stock Banks; Co-operative Banks; and Indian Bankers.

Thus, with the advent of the Reserve Bank, Indigenous Banks would occupy in the banking group a position subordinate to the present.

It is the Imperial Bank with which Indigenous Banks will be vitally concerned under the Reserve Bank scheme. As soon as the Imperial Bank gets relegated to a secondary position through the establishment of the Reserve Bank, it would naturally endeavour to consolidate its position by removal of its existing restrictions and by securing all possible rights and privileges to be in a position to get all the business at present confined to Indigenous Banks, by offering better terms. Indigenous Banking, therefore, would be faced with a situation

difficult to meet, unless provided with proper safeguards. The Imperial Bank will, presumably, act as Agent to the Reserve Bank at places where the latter has no branches and will continue to be in charge of Government Treasuries at such stations receiving compensation for this work from the Reserve Bank.

The Imperial Bank will hence enjoy facilities and privileges from the Reserve Bank and continue to retain the prestige of being a Government depository at certain stations. The restrictions under which it carries on commercial banking business at present will be removed, rendering it free to compete with Foreign Exchange Banks in their Import and Export business and with Indigenous Banks in their local business of receiving deposits, discounting bills, making advances, etc. The Imperial Bank, no doubt, will lose a portion of Government deposits, but it will be partly compensated for such loss through an interest-free deposit of Rs. 3 crores intended to be transferred to them by the Reserve Bank. With the reputation of being Agent to the Reserve Bank, it will continue to receive deposits at cheaper rates, and with a huge capital and reserve at its disposal and the Reserve Bank at its back, the Imperial Bank will naturally be the master in the banking field in India, and will be in a position to dictate its own terms to Indigenous Banks.

The Foreign Exchange Banks, however, will be more independent of the Imperial Bank than at present, inasmuch as they will find in the Reserve Bank a better supporter than the Imperial.

Due to restrictions imposed on it under the Act, the Imperial Bank of India, unlike other Banking Institutions, is debarred from transacting certain kinds of banking business. Owing to these restrictions, Indigenous Banks have a wide field of banking and are able to get a fair share of commercial and industrial business of the country. If the Reserve Bank be allowed to receive deposits at interest, make advances even against securities or discounting bills of parties other than its Member-Banks, the business of the Imperial Bank and leading Indigenous Banks would considerably be impaired.

Banking conditions in India are different from those prevalent in other countries, and therefore, demand special consideration. What may hold in other countries may not do for India. Mr. Benjamin Strong, Governor of the Federal Reserve Bank of New York, prominently brought this fact out before the Royal Commission.

In no other country do foreign banks have such a sway over the country's import and export business as in India, and perhaps in no country in the world does there simultaneously exist a Central Bank and a semi-government bank in the field to compete with smaller indigenous institutions. To take an analogy, should there be established in London, besides the Bank of England, a Central Bank and a dozen other powerful foreign banks with branches all over the country to control

the import and export business of the United Kingdom, and should the Bank of England, as Agent to the Central Bank, be extended certain rights and privileges and allowed to establish branches all over the country and set free to do all kinds of banking business, it would be easy to imagine the plight that the indigenous institutions would be reduced to, in spite of their great strength and solidarity.

As Agent to the Reserve Bank, the Imperial Bank would sustain its present prestige and would be gaining a particularly formidable position for borrowing and lending at advantageous rates, and, being in charge of the Government Treasuries at different centres, it would be the drawing and remitting agency of the Reserve Bank, using a portion of its funds for banking purposes and would demand from the indigenous banks for transferring funds from one part of the country to another, rates that would make their "bills purchased" business unremunerative.

The Imperial Bank now enjoys a monopoly of having funds of public bodies deposited with it only in certain Provinces. With the establishment of the Reserve Bank it is possible that the monopoly may be extended to other provinces as well, and, with the support of the Reserve Bank, it might render impossible for indigenous banks to obtain deposits from corporate bodies like municipalities and the port and improvement trusts.

The trade and industry of every country thrives through the help of indigenous banks, which form an important entity in its banking system. It is but proper, therefore, that indigenous banks in India should play the same prominent part, and to enable them to do so their interests should be adequately protected by proper safeguards in the Reserve Bank Bill.

SAFEGUARDS FOR INDIGENOUS BANKS.

The following are a few suggestions in this direction:—

(1) The Reserve Bank should be allowed to act as the Bankers' Bank, and not enter into competition with scheduled Member-Banks.

(2) It should open accounts and receive call-deposits free of interest.

(3) Term deposits may be allowed from Scheduled Member-Banks only.

(4) It should discount Bills bearing endorsements of Scheduled Member-Banks only, to the extent of 50 per cent of their paid-up capitals and reserves.

(5) The discount rate of the Reserve Bank for Member Banks should be 1 per cent under the official bank rate. (As is well known, the Bank rate in India is not identical with the discount rate, but represents the rate at which the Imperial Bank makes advances against gilt-edged securities.)

(6) The Reserve Bank should not appoint any bank as its agent, but should open its own offices at necessary centres to manage Government Treasuries. At smaller centres, it should entrust the Treasury work to Member Banks against adequate securities and at competitive rates.

(7) The Reserve Bank should make advances against securities to Scheduled Member-Banks only at a uniform rate of 1 per cent under the official bank rate, so that the margin in their favour may enable them to make advances at bank rate to their constituents.

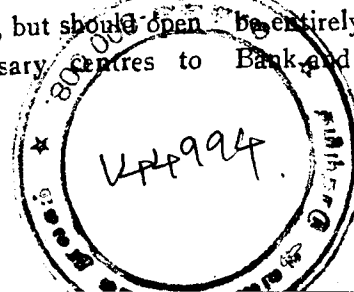
(8) The Reserve Bank should treat the Scheduled Member-Banks alike and no special facilities or privileges or preference of any kind be accorded to any particular Member-Bank.

(9) The Scheduled Member-Bank should deposit in cash with the Reserve Bank 5 per cent of their demand liabilities under Call and Current Accounts deposits, 3 per cent of Savings Bank Accounts deposits and 1½ per cent of period deposits.

(10) These deposits may be placed by the Member-Banks as may suit them at Head Office or at any of the branches of the Reserve Bank.

(12) The Reserve Bank should sell Telegraphic Transfers throughout the country at par to Scheduled Member-Banks.

(13) The Reserve Bank should buy T.Ts. or drafts on Scheduled Member-Banks at par, commensurate with their deposits against demand and term liabilities. (Clauses 12 and 13 are essential for the protection of indigenous banks, as otherwise, they would be entirely at the mercy of the Imperial Bank and foreign banks for such remittances)



and drawings to and from their Head Offices and Branches in different parts of the country).

(14) The Reserve Bank should be invested with powers similar to those allowed to the Imperial Bank under the Imperial Bank of India Amendment Act, 1924, to enable it to help sound banking concerns in cases of emergency.

(15) The Imperial Bank should be registered under the Indian Companies Act.

The term of ten years of the Imperial Bank's contract with Government having expired, an extension has been granted without charging, in the interests of tax-payers, any premium for facilities and privileges they enjoy from Government and for the free use of their funds. In the bill of 1927, the unexpired term of four years of their contract was a serious consideration in the minds of those responsible for the Bill. This consideration now no longer exists, and in all fairness to Banks of India, the Imperial Bank's past services to Government must not be recognised in a manner antagonistic to the very principles of a Central Bank in relation to its members by special facilities and privileges being granted only to one at the cost of others. For aught I am aware, this has never been the case with other Central Banks and it would not be proper to allow this in India where indigenous banks, most of them still in their infancy, are working as it is at such a great disadvantage, and striving to do their bit for the commercial and industrial development of the country.

THE IMPERIAL BANK.

In the course of a second memorandum, Mr. Pochkhanawala writes:—

The Imperial Bank of India, as at present constituted, discharges amongst others, the following functions of a Central Bank:— (1) it is a depository of Government funds, being in charge of Government Treasuries at a considerable number of stations in India; (2) it is the principal depository of of Banks, Railways, public and corporate bodies; (3) it conducts the Bankers' Clearing House; (4) the Public Debts of the Government of India and other Provincial Governments are managed by it; (5) it controls the money market and credit to a certain extent by determining the Bank Rate; (6) it discounts bills; and (7) it receives deposits free of interest.

In order, however, that it should function as a purely Central Bank, some modifications are necessary in its present constitution. It would not be difficult to divide the present Imperial Bank into two separate entities—the Imperial Reserve Bank to carry on the functions of a Central Bank; and the Imperial Bank of India, Ltd., to continue the commercial banking business of the present Imperial Bank of India.

As suggested by the Central Bank of India, Ltd., in its Memorandum to the Indian Central Banking Enquiry Committee, the Reserve Bank should not, for reasons set out therein, raise its capital on joint stock principles, and I suggest that the capital of the Reserve Bank whether the latter is formed independently or through conversion

of the Imperial Bank of India into a Reserve Bank, should be in 4½% (tax-free) debentures guaranteed by Government.

The Imperial Bank of India has at present a Capital and a Reserve of about Rs. 11 crores. A sum of Rs. 5 crores therefrom should form the capital of the "Imperial Reserve Bank" and Rs. 5 crores, the capital of the "Imperial Reserve Bank of India, Ltd." which should be registered under the Indian Companies Act.

Every holder of one Rs. 500 paid up share or four Rs. 125 paid up shares of the Imperial Bank of India would be entitled to one Debenture of Rs. 500 of the Imperial Reserve Bank and one Rs. 500 paid up share in the Imperial Bank of India, Ltd. Balance remaining after the allotment of the above issues would be treated as the reserve of the Imperial Bank of India, Ltd.

If Government be not prepared to guarantee the Debenture Issue of the Reserve Bank, and should the latter be established as a shareholders' bank, shares may be issued in place of debentures to the present Imperial Bank shareholders subject to dividend on these shares being limited to a maximum of 5 per cent (tax-free) and subject to the control of a Central Board, in addition to another directorate to be appointed for the Imperial Reserve Bank. The issue whether in debentures or shares will not, I think, materially affect the working of the Imperial Reserve Bank, provided a maximum rate of dividend be fixed. The obligatory payment, however, of dividend throughout its existence would inflict a permanent liability on the taxpayer, whereas

in the case of debentures this liability would be extinguished on their being paid off. Besides, in a Bank promoted by shareholders they would lay claim to the Reserve Fund created out of profits, whereas in the case of a debenture issue such Reserve would be the property of the State. Personally, I do not think it advisable to promote a Reserve Bank of shareholders, since the representation on the Board of Directors would be more or less guided by undue influence to the exclusion of the best type of men. Though the statutory right of appointment of Directors vests in shareholders, in practice, such right is exercised primarily by the promoters of a company.

DIRECTORATE.

The question of the composition of a Directorate of the Imperial Reserve Bank would need serious consideration. I still hold that, in order to efficiently manage the Reserve Bank, the members of the Central Board should be men free from Government and political influences and be experts, well-versed with the commercial, economic and financial conditions of the country and of those abroad.

The Directorate of the Reserve Bank would have to look after the internal affairs of the Bank alone, severed entirely from the policy and other higher problems pertaining to currency, credit and finance. They may hold fortnightly or monthly meetings, and deal with questions arising from routine business only of the Bank at the Head Office and its branches, and should be directly responsible to the Central Board.

There appear to be serious differences over the question of divorcing the Reserve Bank Directorate from the Legislatures. If the supreme controlling authority of the Reserve Bank be vested in the Central Board as suggested, there should not be any serious objection to commercial representatives being appointed Directors, even though they may hold seats on the Legislatures. It would be however for such individuals themselves to decide whether in view of their prolonged absence from headquarters, when the Legislatures are in session, they would be in a position to give their entire attention to the working of the Bank as would, in its interests, be so imperative. It should further be remembered that, contemplated as it is to establish the Head Office of the Reserve Bank at Bombay, if Directors are as is probable, appointed from different parts of the country, they would naturally find it often

inconvenient, if not impossible, to attend the fortnightly or monthly meetings.

Such appointments from the Legislatures by the members themselves however, are, in my opinion, open to grave objection, inasmuch as they would be, oftener than not, on political lines. Merits in that case would be at a discount, and the party in power, be it Government or non-official, would seek to return its own representatives. If politics were allowed to play an important role in the appointment of Directors, it is unlikely that the Reserve Bank would be able to secure services of men with expert knowledge of finance and banking, and the Bank would not, in consequence, be in the complete confidence of the public, and its credit would be affected both in India and abroad, and Government appear to be rightly opposed to politics playing a part in the functioning of the Reserve Bank.

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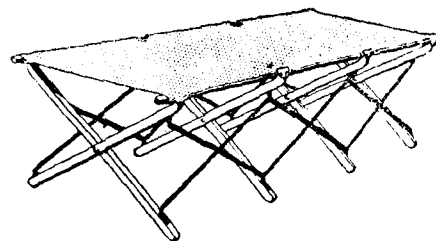
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Indian Silver and British Debts.

By Mr. NALINI RANJAN SARKAR.

In a statement to the Associated Press on the recent war debts payment, Mr. Nalini Ranjan Sarkar, President of the Federation of Indian Chambers of Commerce, says:—

"The report regarding the payment which Britain has made to America with silver acquired from India must seriously perturb Indian minds as much for the extraordinary character of the transaction as for the mysterious paucity of details made available to us. We have not had any statement of this three-cornered deal from our own Government and have therefore to rely upon what has appeared in the press. All that may be gathered from Mr. Chamberlain's statement in the House of Commons on the 14th instant is that America had intimated her willingness to accept payment from Britain of 10 million dollars in silver at 50 cents per ounce and that Britain had acquired this silver from the Government of India. We should like to know who negotiated the deal on behalf of India. If it was the Secretary of State, was the Government of India consulted and their approval sought and at what stage?

While India may not have objections to the sale of her surplus silver for adequate considerations, it is important to know at once in what form India has received payment and at what price. Payment by Britain to India in gold is unbelievable, although Hilton Young Commission had recommended the sale of silver and the acquiring of gold in exchange. Though nothing is definitely

made known to us the payment must presumably be in sterling securities only. Did the Secretary of State, who must have acted on behalf of India, specify the form of payment at the time the selling agreement between India and Britain was concluded?

The question of price should of course be considered the essence of the transaction. If India is receiving payment in sterling, the price should immediately be announced. Was Britain's buying price fixed with India before Britain knew the price she was going to receive from America? I cannot believe that Britain could have offered a price in advance on which she ran the risk of losing. Why was the price India was to receive from England not made to correspond to or depend upon the price Britain might receive from America? From all indications it would seem that Britain first knew the price at which America would accept silver from her and then fixed her purchase price from India. It would be no excuse for the people who negotiated the deal in the name of India to say that they sold at the market rate, because they should have known that America's object in accepting payment in silver was to raise its price.

Exact figures are not at present available to us. From press reports it would seem that when the market price was about 36.5 cents per fine ounce Britain acquired silver from India at about 32.5 cents and sold it to America at 50 cents, and that with silver acquired from India after payment of

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about 1.6 million sterling, Britain has been able to clear debts of the value of £2.5 million, making a profit of more than one crore of rupees. For the sake of international financial decency, let me hope, that these figures are not correct. If they are, I can only characterise it as the most shady international financial transaction in recent years.

If Britain argues that her selling price to America was not known when she fixed the buying price from India, she must in all honesty make over to India whatever profit she may have made on the transaction to which she has absolutely no moral claim. America's object in accepting payment in silver was to raise the price of that metal and to benefit its holders. Actually it

appears that India, the holder, has received nothing and Britain has taken full advantage of her influence over India's financial affairs to make an unconscionable profit.

The strange mystery that surrounds the transaction, is the Government of India's enigmatic silence and its apparently unsavoury nature has caused dismay in Indian commercial circles. Only the other day Sir Samuel Hoare stated how little his country has exploited India, and this one transaction will enable the world to test its truth. The Government of India should immediately issue a communique explaining the complete circumstances and answering all the pertinent points."

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A Lesson from British Agriculture.

BY

J. S. PONNIAH, ESQ., M.A., Dip. Econ.

The existence of fragmented and uneconomic holdings is certainly the foremost agricultural problem in our country, and it will be instructive to see how similar problems were solved in Britain, once as great an agricultural country as ours is at the present time.

The real beginnings of British agriculture may be placed in the 5th century A. D. after the Saxon Conquest. The new Saxon immigrants settled in small family or tribal groups and were held together by ties of brotherhood and kinship. In the little village communities which they had established, the entire land, with its meadows and pastures, woods and wastes, belonged to the whole community; but the arable land was divided into a number of one or half of acre strips and every family was allotted a number of these strips amounting to 120 acres. But these strips were not all in one block, but were scattered and inter-mixed in such a way that every family was given a share alike of soil that was good and bad and soil that was near and far. The scattered and intermixed strips remained the framework of agricultural organisation and the unit of cultivation, strange to say, down to the 18th century.

One would immediately compare these scattered strips to our fragmented and uneconomic holdings with all their attendant disadvantages. But it is important to em-

phasise two differences. One was that the total holdings of a family, at no time, were uneconomic. Secondly, the scattered strip system was the result of a deliberate communistic policy of the first Saxon settlers and not the result of the operation of the law of inheritance as is the case in our country; for in the history of British agriculture there has been a steady upward progress of consolidation of these strips and the creation of large farms, whereas in our country there is a downward move in the direction of a continuous sub-division and fragmentation of holdings.

Britain very early escaped the evils of the strip system on account of the so called "enclosures" movement when, after the Black Death on account of the scarcity of labour, several landlords turned their arable land into pastures and took to sheep farming instead of corn growing from the 14th century onwards, enclosures of the strips were not only a necessity but also a great opportunity to make profits.

Climatic conditions do not permit the introduction of sheep-farming in our agricultural economy. Nor would, perhaps, the religious views of the majority of the Hindu population favour it. But, never the less, consolidation of holdings can be effected for the sake of agricultural improvement as was done in England in the 18th century during the period of the great Agrarian Revolution.

By legislation, England did away with her scattered strip system and since then, it has become a classic example of a country of large estates, where the unit of cultivation and the unit of ownership is larger than in most countries. It is this aspect of compulsory consolidation which has a great lesson for India.

The details of this legislation are as follows:—Whenever a petition was presented to Parliament by a majority of persons in the locality for enclosures, an Act was passed permitting consolidation. Then commissioners proceeded to the spot, heard the claims of the parties interested, measured and valued the land and finally decided to whom the separate strips and the portions of the common and wastes should go. Of course those having lesser rights were compensated by money payments by those who took over such strips. Such Acts of Parliament numbered over four thousand during this period of the transformation of the agricultural organisation in England.

If our scattered and uneconomic holdings are to be consolidated and built as compact farms, surely the English example is instructive. The Central Provinces Act for consolidation of holdings, it is interesting to remark, closely follows the principles of British legislation in the 18th century. There is no reason why similar measures should not be enacted in this province and elsewhere. The Punjab system for consolidation of holdings based upon co-operative methods may be better suited to particular areas, but it is difficult to expect any large results except by compulsory legislation.

But unfortunately, consolidation is not an unmixed blessing in this country as it was in England. When the scattered strips were enclosed for sheep-forming, it will be recalled that several small farmers and tenants were dispossessed and were thrown out of employment. There was an alarming and widespread growth of poverty and vagrancy with an unprecedented distress in the rural parts. Hence the medieval legislatures placed serious obstacles in the way of consolidation of holdings! But since consolidation was an economic necessity as well as an opportunity, state legislation proved ineffective to check private action. But the wise statesmanship of Elizabeth, provided a remedy for the effects of consolidation.

It was the famous Poor Law system by which an organized and national system of relief of poverty, distress and unemployment was organised. It was a bold and gigantic measure and from the economic stand point its value could hardly be under-rated. The expenditure on poor relief was more than off-set by the gains of improved farming on consolidated strips. Whether our country could resort to a remedy of this kind, if consolidation is effected by compulsory legislation, is a matter on which one could express no opinion, on account of the formidable obstacles to administration and the huge costs that it would involve. But medieval England, without any industries to absorb the surplus population drawn from the land had certainly no other remedy, but to offer relief to the distressed.

The same difficulties arose during the 18th century, when a similar but more

complete system of consolidation was effected as we have described above. But this time England's growing industries (after the Industrial Revolution) were more than able to absorb the population that was released from land. This was a happy coincidence in the case of England. But in our country a deliberate and planned programme of industrial development is absolutely necessary if agriculture is to be rationalized.

We have another great problem which was almost non-existent in England in connection with the consolidation of holdings. If our existing laws of inheritance are not altered, the consolidated economic holdings would soon be sub-divided and fragmented and we shall, then, revert to the old conditions. The evil will not be permanently cured. The solution of this problem is surely baffling. Unless the law of inheritance is changed or the consolidated hold-

ings are declared in law "impartible" as Keatinge put it before the Royal Commission on Agriculture in India, there is little prospect of any permanent effect of consolidation.

If we succeed in creating and making permanent economic holdings and provide at the same time alternative outlets for the surplus population that land would release our major problem in agriculture would be solved. We shall then have created a class of substantial farmers who will be the backbone of the countryside and would be in the forefront of all agricultural improvements. Rural poverty may, then, be a thing of the past. Rationalisation in agriculture in the temporary-settled areas in most parts of British India demands bold measures along these lines. "Things need to be thought out and constructively planned and put into train on really big lines."

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The Ethics and Economics of Advertisement.

BY

C. A. KRISHNAMURTHI RAO, Esq., M.A., F. R. Econ. S.

Advertisement is the youngest child of modern conditions. It is the bridge between the consumer and the producer. It is double-faced—drawing the attention of the consumer and showing the commodity advertised in the most advantageous light. It renders singular service to the modern community. But the danger lies in the fact that it gives rise to advertisement of a sort—persistent, aggressive and obtrusive to a degree that makes it appear rather overdone. We want light but not a glare; we want light directed to a multiplicity of things, showing all in the same light as the day light, and not light that obscures a number of other things.

The economics of advertisement lies in the fact that the information is based on genuine production, associating the producer and the product with a quality that must always be a bye-word for honesty in the sense of there being no mistake about its quality. The very name ought to be a guarantee for genuine merit, thus enabling the public to distinguish the really valuable from the merely cheap. "Made in England", "Made in Germany", "Made in Japan" has each its own effect on the purchaser. A single trial resulting adversely becomes advertisement in the opposite direction, for customers are shrewd. But, for the time being, there is discomfort and even annoyance to the public, and a temporary success to the advertiser.

So, the ethics of advertisement is as important as its economics. We have been told that economics has nothing to do with ethics. But it will be realised that economics running counter to ethics cannot succeed. By ethics is not meant sentimentalism or religiousness. The vendor of liquor does not worry himself about the encouragement

he indirectly offers to imprudence, but a society demoralised by drinking, though for the time being apparently getting on well, cannot be said to be treading the path of welfare. So advertisement must not only be not deceptive but also encourage the true and the morally healthy.

There is feverish activity to-day in the field of advertisement on account of a misconceived and misdirected competition. True competition lies in bringing out cheaper and better things which alone will contribute to human progress. Other things will only confuse and even injure. Advertisement is indispensable and inevitable and therefore must be worked on the right lines. The press has an onerous duty to discharge by the public as it is an important organ of public information. The "advertisement sense" of the public gets blunted by having to read or listen to advertisements of goods or qualities which solely depend for their success on mere advertising strength or ability. Often the less advertised is the better advertised and the public is spared the tedium and the sight of barrenness vainly struggling to appear otherwise. It is not even the case of the twice-told tale but the case of the tale told for the hundredth time.

Advertisement to be effective, must be modest and true. Coffee clubs are named "model" but a person going once and discovering that it is anything but model not only shuns the particular club but anything of high sounding advertisement. The word "model" has acquired an opposite significance. The public may not be wrong if they demand a sort of censorship in such matters.

The sublimest and most enduring things of nature have a charm of working in the

most silent manner. The test of the most perfect mechanism lies in its capacity to function with the least noise and no smoke. The sun appears every morning, the least advertised force in the world. Man must model himself after nature.

"O spare mine eyes" said Arthur to

Hubert. To the angels of modern advertisement of a particular variety we have to cry "O spare our ears, so that we may occasionally catch some of the accents of a truer, more distant and non-advertising voice! Let not advertisement hide the true man from our gaze."

CURRENCY DEPARTMENT.

Calcutta the 26th June, 1933.

Abstract of the Accounts of the Currency Department on the 22nd June, 1933.

		Increase + or decrease—on previous week.
	Rs.	Rs.
Notes in circulation	1,75,74,70,192	+7,85,817
Reserve—Coin and Bullion:		
In India—		
Silver coin	93,73,17,850	+6,66,616
Gold bullion	29,06,56,704	+16,53,334
Silver bullion	9,12,36,841	+1,01,930
In England—		
Gold bullion	nil	...
Silver bullion	nil	...
In His Majesty's Dominions—		
Gold bullion	nil	...
In transit between India, England and His Majesty's Dominions—		
Gold bullion	nil	...
Silver bullion	nil	...
Total coin and bullion	1,31,92,11,395	+24,21,880
Securities (purchase price)—		
In India of the nominal value of Rs. 44,28,97,600	43,82,58,797	—16,36,063
In England	...	...
Total Securities	43,82,58,797	—16,36,063
Grand Total of Reserve	1,75,74,70,192	+7,85,817
International Bills of Exchange held on account of Government under Section 20 of the Indian Paper Currency Act, 1923	...	...

Percentage of metallic reserve to circulation is 75.06.

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July, 1933.

Indian Commerce.

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Economic Depression in Travancore.

BY

R. KAJMAL, M. A., LL. B., *High Court Vakil, Trivandrum.*

II.—BANKING.

A Banking House is where the King's Coin is being counted and discounted. It is the Palace of the Emperor of Finance. Miscellaneous varieties of Credit Tokens come within the range of operations by counter. There are jingling coins and Paper, all made current under the authority of the constitutional Head. When international credit is at par, the rates of conversion are also standardized. But Exchange is at once affected, the ratio of Pound to Dollar for instance, according to the credit fluctuations of the respective authorities responsible for the issue of the Tokens. The Tokens of discredited nations are always at a discount in the Banking House. To counteract the effect, loans at a higher interest are floated; and the public treasury is replenished. 3½ per cent. Government Promissory Notes, for example, which were selling at par at the time of issue, have to go many times at a discount when Money is dear at 6½ per cent. What applies to nations does apply to individuals as well with equal force. A constituent of a particular Bank can safely issue Bills of Exchange, Promissory Notes and Cheques to pass current so long as his credit does not go below par. In Banking operations there are what are called the prerogatives of the Crown against individuals whether bankers or not. Currency notes issued by the Government illustrate the point best. The currency notes are simple

promissory notes payable to bearer on Demand. An ordinary individual cannot issue such a negotiable instrument, save with severe penalties under law. He may promise to pay on demand to Jack or order; not on any account to bearer of the instrument. A bank carries on business at fixed hours of the day. No transactions are possible out of business hours. The great principle that guides the business relations of the Bank with the outside world is of time. To give the widest possible latitude to erring human nature, the three days of Grace are allowed by common consent to close ordinary money transactions between the Bank and its customer. At the termination of the period of Grace, the transactions must necessarily close of itself. The parties are inviolably debtor and creditor in the books of the Bank. Accounts are both personal and impersonal. The defaulting party's credit falls; and, he becomes irretrievably bankrupt. Foundation of every Banking is Interest for Creditor against Debtor. Paraphrased, Money grows of itself in its passage from the right hand to the left hand or in its remaining in deposit for howsoever small length of time. Time, distance, and nature of parties and tokens simultaneously enter into Money, Trade or Banking.

The Banker and the Customer do not greet each other on equal terms in business. Banker's money is always at a premium and customer's, at a discount. Illustrations from

deposit account may be multiplied to any extent. The customer is the creditor and the banker is the debtor in such accounts. Take the loan account *contra*, where the Banker is the creditor and the customer is the debtor. In deposit account the customer's interest is lower; and, in loan account, the Banker's interest is higher. The amount of money to each other's credit is the same notwithstanding. What is the result of these inequalities in the conventionalities of Banking? Economically, customer becomes poorer; banker becomes richer. Still, the fiction remains that wealth accumulates through commercial banking. The horror of the situation stands in all nakedness in the following actual case reported against a Bank doing brisk business in our own State.

As almost all banks are, this particular Bank, A, is a limited corporation. A constituent, B, had current, savings bank, and *chitty* accounts in the Bank to his credit. By Economic Depression the current and Savings Bank deposits could not be operated upon. The Bank floated *chitty* also with loan facilities to all customers. B fell a prey to these temptations. He subscribed into the *chitty* account and drew from the Loan Account, on the security of his own deposits in the Bank. The term of the loan expired. *Chitty* subscriptions fell into arrears. The Bank put the customer in court and arrested him in execution much against the importunities of B before A, that B's own moneys with A might be all liquidated to meet the equivalent decree-debt. A's objection was that B's moneys matured

for payment some years hence. B demanded that his moneys could be discounted, which was the main business of A. A refused and attempted to put B in Jail and to realise the sums, as every decree-holder is entitled to. If A had discounted B's coins and saved him from public disgrace, A would have gained nearly half of B's moneys, to the credit of the Bank's Profit and Loss Account, besides honouring B's civil status. The proverbial Jew is, nevertheless, cast for his "Pound of Flesh!" Such obsolete Banking systems rule the *Money-changers* of our State. Only one question is food for our deep reflection. Where is safety for B's moneys if A becomes bankrupt before B's deposits grow ripe for refund? We understand that sometime back there has been a rush on the Tiruvalla Bank. We have not had the benefit of the detailed report of the Registrar of Joint Stock Companies who scrutinizes the Trading Account of the limited liability Banking Corporations of this Dharma Rajiam.

Here is the short tale as told by the summary in the Statistical Volume. Economic Depression showed "no profit in planting, trading and manufacturing concerns; and there was therefore no inducement to form new companies for these purposes. The attention of enterprising businessmen naturally turned to other fields." 269 Banking and Loan Companies with a paid up capital of Rs. 57,64,685 rolled with business to declare a dividend of above 12% on the average; one dividend was even 20 per cent. The total of joint stock companies is 403. Foreign Companies working within the State are left out of account.

What is the actual business that was being carried on? Loans, not industrial, but short term credits; *chitties*. What is the total in the loan account? How many debtors are there? What is the rate of interest? What is the total value of Gold in the safe custody of the Banks? What is the number of beneficiaries in this form of financial operations? *Chitties* come next. We saw once before that 10,289 Heads were

annually handling over 6½ crores of King's Tokens based on Gold Standard. Your crowded space need not be wasted any more on this aspect of Jew's Accommodations. Dewan! Please remember the memorable occasion when the Lord purified the Temple of God against *Money-Changers*; and suspend *chitties* once, twice, three times! Such Banking is unproductive and depressing.

Typewriting.

By

S. SURYANARAYANA PILLAI, ESQ.

Some ten years ago a large number of Typewriting teachers were not fully equipped for their work. Many of them were not even good typists. Now-a-days they are better equipped: they follow the American method and in consequence the quality of typewriting instruction has improved enormously. The acquisition of manual and mental dexterity has enabled them to type accurately and rapidly. But many of our students do not yet realise the right way to do it and that speed and accuracy must go hand-in-hand. Even if they do it in the wrong way, they achieve a curiously perverted style of manipulation which may reach a fair proficiency; but it is never so good as having the right start leading to the right style. It is no use typing to push their speed up if their tests are inaccurate. It is no use carrying on and just hoping that they will improve. No doubt their speed will increase but most probably with it in-

accuracy also. It is often better to spend some time, say, a week or two practising with a view to improving their accuracy percentage even at the risk of the speed dropping a little in the process.

A correct knowledge and strict application of the following hints must help the students to acquire good speed combined with accuracy and neatness.

PERFECT EXERCISE: Take a short passage say 100 or 200 words for each day's work and determine on producing at least one perfect copy of it. As soon as you have typed, mark and count the number of mistakes. Start again and see that you commit less number of mistakes. Do not give up, until you have made two consecutive perfect copies. As you become more experienced, you will naturally choose more difficult and longer pieces. But do not attempt too long a passage as it is tedious and discouraging and likely to distract your attention.

POSITION AT THE MACHINE. You should realise the immense importance of correct posture, and so, at the very beginning of the study should specially see that wrong habits are not formed which will probably affect very considerably the final speed achievements. You should sit comfortably at the machine having your forearms parallel to the keyboard and strike the keys evenly. Constant glancing at the keys will seriously hinder the chances of your becoming a "Touch" Typist. All that is required is the application of a little will-power and perseverance for a creditable mastery of the keyboard.

INSERTION OF PAPER: The paper should be inserted quickly by holding the paper in the left hand, dropping it into position and placing the thumb and second finger on the right thumb wheel and giving the wheel a smart forward twirl.

THE PAPER RELEASE LEVER: This can also be used for removing paper from the machine in addition to levelling the paper. It is quicker than turning the paper out by the thumb wheel.

TABULATOR STOPS: Their adjustment is very useful for tabulating works. For paragraph indentation also in speed work the depression of a tabular key will bring the carriage into position and the waste of time occasioned by repeated tapping of the space bar will be avoided.

CARRIAGE RETURN LEVER: Do not draw the carriage along gently. Swing

it along quickly. The operation of returning the line and returning the carriage must be made in *one movement*. Many students get into the habit of first turning up the line by the thumb wheel and then pushing up the carriage along, thus making two operations instead of one.

RIBBON: If you are using a single colour ribbon do not forget to use the upper half of it by turning the ribbon indicator. The upper position will be easier to work than the lower portion.

THE RIGHT MARGINAL STOP: The proper adjustment of the stop is very useful for obtaining neat work. Frequently this is not set. Consequently advantage cannot be taken of the warning bell and the margin release key. The result is that the right hand margin is unnecessarily zig-zagged and the progress of speed is seriously affected.

BACKSPACE KEY: Avoid the temptation, in your early work, of back spacing and over-typing, when you have made an error. This is a slovenly habit to acquire, and one that is difficult to break later on, especially when speed tests are started, or when you become a professional typist. This key may be used to advantage for centring.

THE PAPER SIDE GUIDE: This should be set before you begin to work and the paper should be inserted in reference to the guide to ensure a uniform left margin in all the succeeding pages of your work.

Hanover: The Old-New City.

Few German cities—it is the estimate of Stefan Zweig, the novelist—offer such a happy combination of the new and the old, metropolis and semi-rural character, residential city and industrial centre, all so harmoniously blended, as does Hanover, the old city of the Guelphs on the River Leine.

From ancient days Hanover has been the central point of the life and agriculture of Lower Saxony, that is, of all that territory northward from the southern border of the present Saxony and westward from Berlin. Its central location in itself accounts for this, and the city is still the centre of Lower Saxon economic and cultural efforts, and the capital of the peasants of the Deister and Solling, of the lowlands of the Leine and the Luneburg Heath, and even as far as Bremen, Kassel, and well into the Osnabruck land and to the Dutch border. Situated at the junction of old international trading routes, Hanover has for centuries been one of the most important German industrial and trading centers, and it will continue to be so.

No matter from which side one enters Hanover, one sees on every hand green parks and trees. Few German cities can boast so many "breathing places," so much grass and so many gardens, parks and tiny forests. The broad band of the so-called *Eilenriede* and the valley of the Leine run in part through the middle of the city and in part around it—an unending pathway of glowing green. Many promenades and streets are elegant boulevards. And there

are corners about which there is something magical, tangled, labyrinthine streets from centuries ago.

And in the center of the city, amid the din of the street cars and the traffic of a great town, one hears music. It comes from the internationally famous Cafe Kropke. It would be hard to find another city with such a central point—a center where all classes of the population meet, where the farmer waits for his wife who has become separated from him, where the "man about town" and his friends gather, and where everyone arranges to meet some one else. Here one sees a cross-section of not merely Hanover, but of all the surrounding country.

The oldest symbol of the city is the Beginenturm, dating from 1357, the days of the Beghards or Beguines, a religious order first mentioned in history at the end of the 12th century. Here one finds a collection of artistic and cultural-historic works of the old city, the Leine and Breite streets and the market place with its finest examples of old North German architecture. In Hanover, too, are fine examples of modern building, for a sound architectural style has developed here, with the greatest building activity next to Dusseldorf.

Charlotte Kestner, one of Goethe's loves, and the female astronomer Caroline Herschel are buried in one of the city's most beautiful cemeteries, as is also Holty, the poet of spring. Hanover was the home of Zimmermann, the combative physician of

all kings and princes. Leibniz, the "notorious optimist," lived here 40 years. Other famous dwellers in Hanover were Handel, Iffland, Scharnhorst and the Schlegel brothers. When Hindenburg retired from public life—as he thought—he settled in this city, which is also the native town of the pianist Giesecking, the aviatrix Elly Beinhorn, the dancers Mary Wigman and Kreuzberg, and the residence of Provincial President Noske, Germany's minister of war following the revolution.

One of the most intelligent women of history lived in Hanover. This was Sophie von der Pfalz, of the house of Stuart, who was an ardent disciple of Spinoza, worked to further the subtle metaphysical teachings of her friend Leibniz and, according to Toland, created the "politest" and one of the most splendid courts of the German baroque period. Through her Hanover and Herrenhausen became Germany's salon, and she had planned to make them through Leibniz the heart of Europe.

The Herrenhauser Allee runs straight to the Herrenhausen gardens, Hanover's most beautiful possession. They are filled with tropical and subtropical plants and

constitute for many North Germans a memorial to a dynasty which never lost its connection with land and people. In the Mausoleum stand the sarcophagi of King Ernest August and Queen Friederike, two of Rauch's works in Carrara marble. Nowhere else does the world of baroque make such a strong impression as in these Herrenhausen gardens, which contain Europe's largest fountain and are at the same time the most noteworthy thing in this city whose coat of arms consists merely of a rampant white horse.

For Hanover is noted for its horses, and the Hanoverians are Germany's best horsemen. Hanoverians are further noted for the purity of the German spoken by them.

The city has an active artistic life and splendid art collections. The beautiful Luneburg Heath lies before its gates, the Harz Mountains are only an hour away by rail, the hills of the Weser are also not far off, and in the surrounding country lie the beautiful and noted spas of Pyrmont, Oeynhaus, Salzuflen and Nenndorf, and the charming Bad Eilsen near Buckeburg.

Secondary School-leaving Certificate

Public Examination, 1933.

BOOK-KEEPING.

PAPER 1.

TIME—Two hours and a half.

[N.B.—Special attention must be paid to neatness of execution, the books being written up exactly as in an office.]

1. Explain any four of the following: tare, rebate, *pro forma* invoice, turnover, voucher, liquid assets.

2. Either, What is meant by the 'Imprest System' of keeping the Petty Cash? Show, by means of a Columnar Petty Cash Book, the working of the system.

Or, the Bank Pass Book rarely shows exactly the same balance as the Cash Book. State the probable cause of the difference between the two books, and make a *Pro forma* Bank Reconciliation Statement illustrating your answer.

3. On 15th April, 1930, Messrs Black & Co., of Ceylon, shipped per S.S. *Victoria*, in execution of an order from Messrs. P. Mehta & Co., of Bombay, 120 Chests of Tea weighing 90 cwt. net, and marked P.M., at Rs. 62-8-0 per cwt. They paid Freight, Rs. 430; Shipping charges, Rs. 1-6-0 per chest; Insurance at $\frac{1}{4}$ per cent. on Rs. 9,200; Sundry expenses, Rs. 82. They charged a commission of 5 per cent on the cost of the goods.

You are required to make out an invoice of the goods shipped.

4. On 10 November, 1931, R. Radha & Co., of Bombay, drew a bill upon Sarma & Co., of Madras, at two months for Rs. 5,000 in respect of goods supplied to them on 5 November. They received the bill from Sarma & Co. duly accepted payable at the Indian Bank, Ltd., Madras. On 13 January they discounted the bill with the Mercantile Bank of India, Ltd., Bombay, receiving Rs. 4,875 therefor. The bill was duly met at maturity.

You are required to (a) draw the bill mentioned above, showing acceptance and endorsement on it, and (b) give the Journal and Ledger entries in the books of Radha & Co.

5. Messrs. Smith & Co., of Madras, are wholesale Piece-goods Merchants and Commission Agents. The following transactions are taken from their books. You

are required to enter the transactions in their Ledger.

1931.

March 10. Received a consignment of Piece-goods to be sold on account and risk of Messrs. Robinson & Co., Bombay, Rs. 8,500.

„ 12. Paid charges on above, Rs. 650.

„ 18. Accepted Robinson & Co.'s draft on us for Rs. 6,000 as an advance against the consignment.

„ 20. Sold part of consignment to C. Charles for Rs. 3,750, part for a cheque Rs. 2,850, and took the remainder Rs. 3,800 into stock for own use.

„ 28. Rendered A/S to Robinson & Co., charging Commission 5 per cent. and *Del credere* $2\frac{1}{2}$ per cent.

„ 30. Remitted to Robinson & Co. a Demand Draft for the balance due to them.

6. (a) Give the adjusting entries necessary to correct the following errors:—

(i) A purchase of Rs. 750 Plant and Machinery had been posted to the Purchases Account.

(ii) Cash Sales, Rs. 250, posted from the Cash Book to the credit of Brown & Co.'s Account.

(b) On 1 October, 1930, a Telephone was installed and the annual subscription of Rs. 300 was paid on that date. Show what adjustments would be necessary at the time of preparing the annual accounts on 30 June, 1931, and how the Ledger Account would appear after the adjustment.

(Answers next issue)

Review.

BOOK-KEEPING. (Theory & Exercises)

BY

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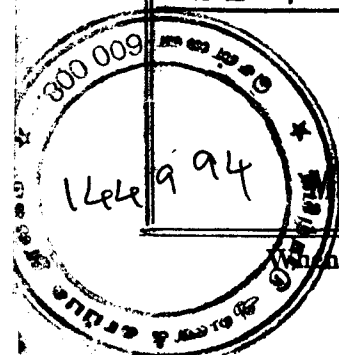
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