THE INDIAN CO-OPERATIVE REVIEW

VOL. III — OCTOBER—DECEMBER, 1937 — No. 4

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EDITORIAL NOTES

THE FIFTEENTH INTERNATIONAL CO-OPERATIVE CONGRESS

As promised, we publish in this issue a summary of the proceedings of the Fifteenth International Co-operative Congress held at Paris in the first week of September 1937. India was represented at the Congress by the delegates chosen by the All-India Co-operative Institutes' Association—Rai Ratan A. G. Sherlekar of the Indore Premier Co-operative Bank and Mr. K. C. Ramakrishnan of the University of Madras. Readers will find the text of the speeches made by the latter on the subject of International Exchange—General and Co-operative. Mr. Ramakrishnan has also given his impressions and suggestions in an article, which we commend to the attention of the members of the All-India Co-operative Associations.

The first thing that must be clear from a study of the proceedings of the Congress is that members of the co-operative fraternity are averse to war of any kind and they are anxiously yearning for peace on earth, for Universal Peace, on which a resolution has been passed unanimously. They have an equal horror of dictatorship of every kind, Fascist or Socialist, but they are not now in a position to exert any great influence on any political party; they demand for the Movement complete freedom of activity and they repel all efforts by any State to control politically its activity. The Congress passed a resolution, appended to the special thesis of President V. Tanner which helped to clarify the position of co-operators. It might be asked whether these resolutions are futile protests or have any effective sanctions behind them. The purchasing power of the consumer organisations is growing apace; and the bargaining power of the producer organisations is not less important; indeed a larger proportion of producers are in the co-operative field on the continent of Europe, which is the breeding ground of most of the economic and political rivalries of the world. It is up to both of these organisations, having the common aim of peace, to use their economic weapon in such a way as to exert a beneficent pressure.

We are in entire agreement with the strong sentiments expressed by Mr. H. J. May, the stalwart Secretary of the International Co-operative Alliance, that the I.C.A. should demonstrate in its practice the solidarity which it professed and should not interpret political neutrality, the creed of the Rochdale Pioneers, as impotence, but use its great powers for the advancement of the cause. As for the support to Spanish co-operators in distress, India is bound to echo the feelings expressed by British delegates for the restoration of peace and right of international law to the Spanish people. We are glad to note that Mr. Sherlekar supported the proposition. No other bias is likely to be shared by the people of India, who are still a subject nation under an Imperial, though not a dictatorial, regime.

The discussion on Rochdale Principles, on which research has been going on for several years under the auspices of the I.C.A. and fortunately came to an end can be but of academic interest to most co-operators in India. We have in this country only a few successful co-operative stores in urban areas and practically none in rural parts. The vast majority of our societies are agricultural and their primary interest is in problems of credit, though latterly some interest has been evinced in problems of purchase and sale. To the extent Rochdale principles can serve as a guidance, they are bound to follow them, but a number of deviations would be necessary in the different conditions that prevail in an agricultural country, even as some deviations have been permitted in the very consumers' societies in highly industrialised countries.

Uniformity of policy is difficult of achievement and therefore unwise to insist upon in the ticklish problems of international exchange. We can understand and sympathise with the views of consumers' organisations on the subject of free trade and their categorical condemnation of protection in every form. We are not so blind as not to see the possible deleterious effects of long drawn protection in the case of undeserving industries. There is need to be ever on the alert to find out what harm or good is being done by measures of protection to industries granted at the expense of tax-payers. But as long as the people of India feel that industrial development is a matter of vital importance for the safety and prosperity of the nation and the employment of the people, the modicum of protection that after long years of agitation we have been able to secure will not be willingly surrendered. Mr. Ramakrishnan made this point clear in his speech but the Congress would not support him. We are glad to note, however, that the leading co-operative journal, the *Co-operative News* of Manchester has recognised that India may have a special case. It commented: "We had, for example, an Indian delegate who put forward a very vigorous and not unconvincing argument against free trade so far as it applied to India." Mr. H. Taylor President of the Co-operative Productive Federation, though differing from Mr. Ramakrishnan in the speech he made following him, later on wrote of 'a fine contribution made by a young Indian delegate to the debate' in the impressions he gave of the Congress in *the Co-operative Productive Review*.

We are whole-heartedly in agreement with the aims of the International Co-operative Agency and the desire of consumers to deal with the agricultural producer organisations as expressed in the report and the resolution of the Congress—which was supported by Mr. Ramakrishnan. We wish the new international endeavour every success. We hope to be of some service in the not distant future, when our sale societies would have well developed.

When all is said and done, the proceedings are bound to leave the impression in the minds of Indian co-operators that there is not much of immediate interest to them. The problems in which we in India are involved and interested are problems of rural credit, and marketing of agricultural produce and the products of cottage industries. Little light is thrown or sought to be thrown on these matters by the International Congress itself or the reports of the Central Committee of the I.C.A.

Would it be too much to hope that the authorities of the International Co-operative Alliance, if they are anxious to get into their fold, as they seem to be, many more of the agricultural societies and unions, would organise a separate conference for dealing with problems of agricultural co-operation like credit, processing, marketing, even as they help the organisation of sectional conferences for industrial productive co-operative societies, etc.?

THE SEVENTH INTERNATIONAL CONGRESS OF AGRICULTURE

Miss M. Digby, the Secretary of the Horace Plunkett Foundation, has given an account in this issue of the Seventh International Congress of Agriculture held at the Hague in Holland last summer. It was a Congress convened by an international organisation of agriculture, not so well known in India as the International Co-operative Alliance. It was until recently called the International Commission of Agriculture; it has been renamed *The International Confederation of Agriculture* to indicate its truly federal character. More than forty countries have had affiliated to it their national agricultural associations—professional and technical as well as co-operative. It is not merely concerned with scientific and technical problems; nor is it composed entirely of Government nominees as the International Institute of Agriculture at Rome is.

Representatives of voluntary institutions like the co-operatives go there with the full right to speak for their institutions. There is a general Assembly of the Confederation held each year in a different country for the study of general questions, especially of an economic nature. Problems of state agricultural policy and of rural health and hygiene are discussed just as much as technical problems affecting a number of countries together. The International Congress of Agriculture is held by the Confederation once in two or three years. The last Congress was held at the Hague and it was attended by 900 delegates from 43 countries.

What must be of particular interest to co-operators is the Special Committee on *Agricultural Co-operation* which holds an annual session, at about the time when the Assembly meets, studies problems and presents reports at the Section of the Congress which deals with Co-operation. Among the aims of the Committee are: to encourage the work of agricultural co-operation in the international sphere and protect its interests, to standardize as far as possible fundamental legislation in co-operative matters, to promote exchange of information on experiments made and results obtained in organising mutual credit, the joint purchasing of farm requirements and co-operative marketing and processing of farm produce.

As may be found from Miss Digby's article, the questions discussed at the last meeting of the Special Committee were (1) the attitude of co-operative societies to state schemes of regulation of marketing and production of agricultural commodities, (2) international collaboration in co-operative propaganda and education and (3) the provision of agricultural credit, with state aid if necessary. The second of these subjects was the least controversial. But the resolutions on the provision of credit were coloured by French theory and practice, permitting and even encouraging closer alliance between state and rural credit institutions, which is somewhat opposed to the tradition of Raiffeisen depending more on voluntary deposits.

As regards the first aim, the burning problem of European Co-operation is what co-operators should do when there is a State planned economy in force in any country. The conclusions arrived at by the agricultural co-operators are characteristically different from those of consumers' representatives assembled in the Paris International Congress. They welcome planned economy as a measure of state action necessary for social welfare but they are against the abolition of private property and the removal of individual initiative. They want a share in the execution of schemes of planned economy, but wish to have their autonomy and voluntary character safeguarded. They want to be consulted in all matters of regulation including export of agricultural produce, but they are anxious that none of the measures should adversely affect agricultural interests. It strikes us that they are going too far in support of state control, which is against old co-operative tradition; they would like to enjoy all the advantages and suffer none of the disadvantages. They would like to have the best of both worlds. We are perhaps uncharitable in our interpretation, but we do not have the full proceedings before us.

It seems to us that all these fundamental questions require much closer discussion in relation to particular circumstances of different countries. Any way, it is a matter for gratification to agricultural co-operators that such problems vitally affecting their welfare are being discussed on a plane not confined to national boundaries. India, with a large number of agricultural societies, though most of them belonging to the category of credit, should have a say on these matters and also profit by the discussion. India stands to gain by continuing to take part in the Congress of the International Co-operative Alliance which is older and cherishes more truly co-operative traditions. But she is also bound to profit by getting affiliated to the International Confederation of Agriculture, and the Special Committee on Agricultural Co-operation which discusses problems in which our co-operators are most vitally interested. We are sure that the All-India Co-operative Associations and other agricultural organisations in the country will consider sympathetically the question of linking themselves with this important international organisation.

THE XXII MADRAS PROVINCIAL CO-OPERATIVE CONFERENCE

Controversies over the immediate problems which are engaging the attention of co-operators in Madras have naturally coloured the proceedings of the 22nd session of the Madras Provincial Co-operative Conference. The Minister for Agriculture and Rural Development, the Hon'ble Mr. V. I. Munuswami Pillai, in hoisting the co-operative flag, and the Hon'ble Mr. V. V. Giri, Minister for Labour, Industries and Co-operation, in opening the proceedings of the Conference, indicated that the Congress Government of Madras was keenly interested in rural development through the aid of Co-operation. The Hon'ble Mr. Pillai emphasised the need to develop co-operative enterprise for the supply of milk not only in the City of Madras but also elsewhere in the province. He also gave timely advice to co-operators to organise on co-operative lines the production of jaggery and sugar from palmyrah juice in view of the policy of prohibition which was being successfully pursued by the Government of Madras. Thousands of toddy tappers, who will be thrown out of their normal employment will find an economic occupation if the advice of the Minister for Agriculture and Rural Development is taken up seriously and acted upon.

The Hon'ble Mr. V. V. Giri, who is in charge of the port-folio of Co-operation, as may be expected referred to the questions which were before him for his decision. The most important question which the Minister was called upon to decide was that relating to audit and audit fees. It has been a long-standing complaint in the Province of Madras that not only the agency for the audit of co-operative central banks and the larger urban banks was ill-equipped and inefficient, but the fees levied for such indifferent audit were unduly heavy. The Minister was then unable to state the views of the Government, for the question was still under consideration. But he promised to bring a sympathetic attitude to bear on it, when decisions were taken. In this connection the demands of the co-operators are two-fold. Persons employed in the audit of central and larger urban banks should be duly qualified auditors, who are eligible for appointment as auditors for joint stock banks, that is to say they must be persons on the Government's list of registered auditors. Secondly, audit fees should be levied on the basis of the time taken for the audit of an institution and not on the basis of its working capital, turnover, profits or other financial standards. We await with keen interest the decision of the Government on this subject.

The Hon'ble Mr. Giri allayed the fears of non-official co-operators regarding the increasing tendency to officialise the Co-operative Movement in this province by reiterating that it was the aim and policy of the Government to help the Movement to develop on its own lines and that the Government did not wish the Department to interfere with the management of societies, except when absolutely necessary. He also said that official staff would be lent to societies only at their request and for short periods only. He struck an optimistic note in regard to the future of the Movement and adduced facts and figures to show that the Movement was sound on the whole. Co-operators of Madras are indeed obliged to him for his declaration of Government's policy and for the robust outlook.

The President of the Madras Provincial Co-operative Union, according to usual practice, welcomed the delegates to the Conference. Three main topics which he touched in his address are the moratorium bill then contemplated by the Government of Madras for the relief of agricultural debtors, the recommendations of the Reserve Bank for the reform of the Co-operative Credit Movement and the creation of a sinking fund for the debentures of the Madras Co-operative Central Land Mortgage Bank.

Dr. P. J. Thomas, Professor of Economics of the University of Madras, presided over the Conference and delivered an informing and instructive address containing many valuable and practical suggestions.

Dr. Thomas not only by his eminence as an economist but also by his intimate association with several institutions and enquiries connected with rural development has brought to bear upon his task a thorough knowledge of the rural economic conditions of the province. Not being in the thick of the fight for the improvement of the Co-operative Movement, he was apt to take a detached view of the problems with which the Movement was confronted. He devoted the bulk of his address to the question of relief of rural indebtedness. He definitely disapproved the idea of the moratorium. He said that it was a desperate remedy to which Governments resorted only when their banking systems were threatened with crash by a war or other serious calamity and that it was bound to be of a very short duration as otherwise it would smash credit which was a very delicate instrument. He criticised the Government of Madras for not announcing the nature of the relief measures which were to follow the moratorium, even if they felt that moratorium was necessary to give some breathing space. Dr. Thomas laid considerable emphasis on the need to give differential treatment to debts contracted before 1930 and those contracted after that date by reason of the effects which the economic depression had and still continues to have on the burden of the debt and the capacity of the debtor to repay. Dr. Thomas's address is a valuable contribution to the proper understanding of the subject of rural indebtedness, its causes and the remedial measures under discussion in the several provinces.

We desire to endorse the view of Dr. Thomas that the deliberations of a large conference like this should be devoted more to discussion of topics of the moment affecting the Movement and not to matters of local details and requests for small concessions from Government. There was a tendency on the part of the delegates to insist on financial concessions of various kinds, some of which it would be clearly impossible to concede. The Movement had been in existence for over three decades and co-operators should make every endeavour to run their institutions with the aid of their own resources and should approach the Government for help only when it was absolutely necessary to do so, as for example, for its expansion along new lines but not for carrying on the day to day administration of longstanding societies.

Considerable time was devoted at the open session of the Conference to problems of land mortgage banks. The Conference covered much the same ground which the special conference of the land mortgage banks did.

A section of the delegates pressed on the attention of the Conference certain far reaching modifications in the co-operative credit organisation. We give below the substance of the scheme put forward by them :—

"(a) Provision of a trained whole time agency for village co-operative societies.

(b) Good co-operative societies in villages to be put on a limited basis with a larger jurisdiction and to function as multiple-purposes societies.

(c) Amalgamation of all district banks with the Provincial Co-operative Bank.

(d) Formation of efficient co-operative service for all financing banks.

(e) Provision of branches either to act as agencies of villagers' societies or to individually lend to agriculturists.

(f) Discretion to financing banks to utilise the services of Supervising Unions or open branches as the case may be.

(g) Provision of credit facilities for production, supply and marketing and promotion of cottage industries by branches.

(h) Recognition of urban banks to lend in a larger jurisdiction (instead of branches) with same functions as mentioned in (g) where small village societies cannot be amalgamated as mentioned in (b)."

As the Conference felt that the considered opinion of the several concerned institutions in the province might first be elicited before taking any decisions on the important and radical proposals contained in the scheme, it was resolved to circulate the scheme among the concerned institutions for their opinion and to call a special conference as soon as possible for consideration of the subject.

The general trend of co-operative opinion at the conference was that a properly organised Co-operative Movement was an invaluable ally to rural uplift and some of the resolutions passed aimed at indicating how measures for the re-organisation of the Co-operative Credit Movement with that end in view should be formulated and carried out.

THE EIGHTH CONFERENCE OF LAND MORTGAGE BANKS IN MADRAS

The summoning of a conference of the representatives of the primary land mortgage banks simultaneously with the annual general meeting of the Madras Co-operative Central Land Mortgage Bank, Ltd., has now become a well established convention. A convention has also grown up of inviting a member of the Provincial Government, usually either the Finance Member or the Member in charge of Co-operation, to open the Conference so as to afford the Government an opportunity not only to listen to the representations of the land mortgage banks but also to give an indication of the Government's programme in regard to the development and working of land mortgage banks. In conformity

with these conventions, the eighth annual session of the land mortgage banks' conference assembled on the 26th November last.

The Hon'ble Mr. V. V. Giri, Minister for Industries, Labour and Co-operation, opened the session. He congratulated the banks on the good work they have done in the past and as for the future, he made the following appeal to them : "I request you to see that the benefits from your banks reach a large number of small ryots, that the period of repayment be extended, that delay in sanctioning and disbursement of loans be minimised, and above all to reduce the overhead charges to the minimum extent possible." He has not referred to the nature of overhead charges for the reduction of which he has appealed. The services of the Directors, both in the central and primary banks, are purely honorary. They get only their out-of-pocket expenses in connection with the attendance at meetings and other activities connected with the business of the banks. The staff of these banks is certainly not overpaid nor is it over-manned. So far as the Central Land Mortgage Bank is concerned, it has to pay for the services of three Deputy Registrars, whose pay and allowances go up to Rs. 30,000 a year.

Mr. T. A. Ramalingam Chettiar, President of the Central Land Mortgage Bank, pointed out in his address to the Conference that the duties discharged by the departmental officials whose pay and allowances were thus debited to the Central Land Mortgage Bank, were of a three-fold character; and only with reference to one portion of their work they could be said to work for the land mortgage banks. He made out a case for the Government bearing at least two-thirds of the cost of the departmental staff, for whom the Central Land Mortgage Bank paid.

As regards the primary land mortgage banks, each bank has its own paid staff of supervisors and clerks and their directors also attend to the valuation of hypotheca. They have also legal advisers, who advise the banks on the title to lands offered for mortgages. The Government have lent the services of about 25 Sub-Deputy Registrars. Their pay and allowances are now borne by the Government, but there has been already a demand on more than one occasion on the banks to bear that burden. These Sub-Deputy Registrars, who are appointed by the Government, work under the Registrar and not under the banks. They no doubt check the valuation after inspecting the fields and also look into the records relating to title. This is partly necessary for the purpose of helping the banks and partly to safeguard the interests of the Government, who are the guarantors of the principal and interest of the debentures and of the Registrar who is the Trustee for the debenture-holders. Moreover, the inspection of the banks is only an ordinary duty performed by the Department just as in the case of other co-operative institutions. So, if the overhead charges are to be reduced, the Government have to bear a portion of such charges, for there is no scope for retrenchment in regard to the pay or allowances of the staff employed by these banks.

We wish the Minister had made himself clear in this matter. At present a Deputy Collector is functioning as the Secretary of the Madras Central Land Mortgage Bank in spite of the protest of the general body of the Bank. The appointment having been made, under somewhat abnormal conditions in the face of persistent opposition by the general body of the Bank, the Government apparently felt it inexpedient to mulct the Central Land Mortgage Bank with his salary. What the Government propose to do with this officer when the term of his appointment, which is for one year, expires is not known.

Another important topic that engaged the attention of the Minister, as well as the President of the Central Land Mortgage Bank, was the question of the creation of a sinking fund for the redemption of debentures on maturity. The controversy over this question assumed great importance, especially in view of the proposal to increase the lending rate to ultimate borrowers, i.e., to say, the members of the primary land mortgage banks, in order to create a scientific sinking fund. The exposition by Mr. Ramalingam Chettiar was both lucid and convincing. He pointed out that the existing arrangements in regard to redemption of debentures on maturity were working satisfactorily. The principal collections were used in the purchase in the open market of the requisite series. When such debentures were not available the collections were invested in Government securities and debentures were purchased later when available. The instalment collections of principal were placed in a Debenture Redemption Fund and no portion thereof was utilised in any other way. There had been no demand on the part of the investors for any change in the scheme.

The origin of the trouble was the advice of the Reserve Bank of India to the Government of Madras in regard to the constitution of what is called 'a Scientific Sinking Fund,' under which a sufficient sum of money to make up annually 1|20 of the amount of the debentures issued in a series would have to be put by every year so as to accumulate at the end of the 20 years to the value of the debentures to be then redeemed. Mr. Ramalingam Chettiar pointed out the defects in that scheme in great detail. We do not wish to enter into any discussion about the relative merits of the Sinking Fund scheme recommended by the Reserve Bank of India, and the Debenture Redemption Fund scheme outlined by the President of the Central Land Mortgage Bank. We are of opinion that whatever may be the arrangements for the redemption

of the debentures, it is neither desirable nor necessary to raise the rate of interest now charged to the ultimate borrowers which is 5 per cent. On a long-term loan of 20 years an interest burden of more than 5 per cent will be too heavy to bear by the agriculturists. The one obsession of the Reserve Bank is the danger of what they call "cheap credit." What is meant by cheap credit has not been defined by the Reserve Bank. A loan at 5 per cent to an agriculturist is certainly not cheap credit. The Reserve Bank could not have been unaware that in all countries of the world, the lowering of the burden of the interest charges constituted the important part of any scheme of economic rehabilitation. The Reserve Bank claims to be animated by a "spirit of constructive realism." We have no doubt that in all self-governing countries, whose Governments are engaged in regulating the economic destinies of their people are as much animated by the same "spirit of constructive realism."

The pronouncement of the Minister for Co-operation in his address to the Conference on this question was more on the lines of the Delphic Oracle. Let us quote his words: "To my mind it does not matter much whether we decide in favour of the Sinking Fund or the Debenture Redemption Fund as both are designed to meet the obligations when the time for retiring them comes, *so long as the burden of repayment of instalments towards principal and interest on the ultimate borrower is not unduly heavy and the rate of interest charged is reasonable.*" The expressions, "unduly heavy" and "reasonable" are too vague to convey any idea of what was passing in the Minister's mind. Our view is that interest at more than 5 per cent is not 'reasonable' and that the burden of repayment of instalments calculated at a higher rate of interest is 'unduly heavy.' The Minister has not made a secret of the inconvenient position in which he and his Government found themselves. Referring to the discussions with the Deputy Governor of the Reserve Bank of India, he says: "I may be permitted to state that in matters such as those under consideration, the Government cannot be expected to brush aside easily the suggestions of those who are competent to advise them on financial questions." Without disputing the authority of the Reserve Bank to advise on financial questions in general, we must point out that the Reserve Bank of India cannot lay claim to a more intimate knowledge of the working of the co-operative institutions, including land mortgage banks, than co-operators connected with the Central Land Mortgage Bank and the non-official economic experts in this province can. We hope and trust that the Government of Madras will not brush aside the advice of the co-operators of the province in regard to the regulation of the lending rates by the co-operative societies and land mortgage banks purely on the advice of the

Reserve Bank whose outlook after all is more commercial than co-operative.

The Conference passed a number of resolutions which must be very helpful, if followed, in improving the working of the banks. Suggestions were made for speeding up the disposal of loan applications, for extending the period of repayment from 20 to 30 years and for raising the individual maximum borrowing power to Rs. 10,000 in all areas, where the working of the primary banks is found to be satisfactory. Another important resolution was passed with regard to the co-ordination of the activities of the land mortgage banks with those of the Special Officers under the Agricultural Loans Act.

INTERNATIONAL CONGRESS OF AGRICULTURE AT THE HAGUE

BY

MISS MARGARET DIGBY.

Secretary, Horace Plunkett Foundation

The International Congress of Agriculture, organised by the International Commission of Agriculure, met at the Hague from June 16-22, 1937. Over forty nations had sent delegates and for the first time there was a substantial membership from the New World, Canada, the United States, Brazil, India, Australia and New Zealand all being represented. The opening session was made the occasion of a solemn declaration in favour of peace on the part of the agriculturists of the civilised world, of which the wording ran as follows:—

"The Seventeenth International Congress of Agriculture, at which are gathered the delegates of agricultural organisations from 40 countries, representing many millions of agriculturists, notes with the most profound anxiety the insecurity which prevents the re-establishment of normal relations between the people.

"Recalling the tragic memory of the unspeakable suffering which the last war caused to the peoples and more especially to agriculturists, and foreseeing that a new war would bring with it consequences even more terrible, involving the destruction not only of economic prosperity in all branches of human activity—and first of all in agriculture—but also of moral and spiritual values which are the basis of all civilisation, the Congress invites the agriculturists of the world to work with all their strength either with the public authorities or with the peoples themselves to bring about a realisation of the need to preserve peace and to seek a just solution of international conflicts by peaceful means.

"It once more draws their attention to the danger to international peace involved in civil and class wars, which carry in themselves the germ of external wars; for the sake of human progress peace among citizens is as much needed as peace between peoples.

"It sees in the grouping of national agricultural organisations in an International Confederation of Agriculture as well as in the work carried out in common for the good of all, a means of supporting effectively those efforts on the part of the agriculturists for which it calls, and of making a practical contribution to the cause of peace." The declaration was eloquently moved by Dr. Laur, the old and honoured leader of the Swiss peasants' movement and was supported by delegates from a number of other countries, all agriculturists and many of them speaking for their national co-operative movements.

The work of the Congress was as usual divided into sections in order to facilitate concurrent discussions among specialists of the various subjects important to agriculture. The Co-operative Section is always particularly well attended and fruitful in its discussions, partly because, unlike the others which have no existence between congresses, it is based on the Special Co-operative Commission which forms part of the International Commission of Agriculture, but has its own permanent Secretary, an affiliated membership of agricultural co-operative federations, annual meetings and continuous means of communication. It also appoints the agricultural representatives to the International Committee for Inter-Co-operative Relations, which meets at Geneva and has already done much good work in studying and promoting the relations of co-operative producers and consumers.

The main subject before the Co-operative Section was the relations of agricultural co-operative societies to state schemes for the control or monopoly of agricultural produce. In many European countries as well as in those beyond the seas this is one of the most formidable problems of the day. Will co-operative societies see themselves swamped by state marketing schemes? Are they themselves strong enough to take over such schemes on behalf of the state? Will their co-operative character suffer if they do? Must they adopt compulsory membership? Is this a step toward collective farming on the Russian model? Is there no compromise, and if there is, what exactly should be the allocation of functions as between the state, the co-operative society and the individual? Finally, is the system of state control, of planned economy, likely to last indefinitely, or is it a passing phase, to be succeeded by a period of freedom in which the co-operative societies, if they can retain their individuality, will take up their old tasks and especially the task of building an international bridge between producers and consumers?

These points were discussed at length by a number of speakers representing many nations. The debate was opened by a representative from Czechoslovakia, a country in which the relations between the agricultural co-operative movement and the state have been particularly harmonious, and the resolution finally adopted bears the mark of Czech experience:—

"1. Agricultural co-operative societies are of the opinion that the introduction of planned economy under present conditions is a measure of state action necessary to national welfare, provided that the principle of private property is respected and that the producer is not deprived of the power of initiative in his own undertaking.

"2. Agricultural co-operative societies demand that they should be accorded a legally defined field of action in the execution of schemes of planned economy. In such action they should be aided and supported by government acts or orders which should nevertheless safeguard their autonomy and their voluntary character. Agricultural co-operative societies are opposed to the creation of compulsory co-operative organisations.

"3. In particular they should be granted wide powers in the regulation of production for the market, of sale and distribution, as well as of the export of agricultural produce of all kinds; they should further receive extended powers for the distribution of appropriate credits.

"4. Agricultural co-operative societies request that they may be consulted in all discussions and negotiations preceding the adoption of measures of planned economy.

"5. Agricultural co-operative societies see in those measures of planned economy which concern other branches of industry, a necessary complement to the regulation and control of agriculture, provided that they do not adversely affect agricultural interests in any way which is not made absolutely necessary by considerations of public welfare.

"6. Co-operative societies with higher powers, acting according to the principles laid down above, should continue to carry out the principles of co-operation in all their activities, including their special mission of organising the rural population, providing insurance and other forms of assistance, enlisting the support of the young for economic and co-operative activity, broadening and deepening co-operative principles, instructing the cultivator for economic and technical progress, etc."

The second subject for discussion was that of international collaboration in the matter of co-operative propaganda and instruction, and was introduced by a Finnish co-operator. He was supported by a delegate from Rumania, who suggested a series of detailed activities which were finally incorporated in the resolution, and by the representative of the Canadian Wheat Pools, who urged a closer understanding between co-operators of the old and new worlds and establishment of some means of contact by which they might be kept in touch with current developments on either side of the ocean. The final resolution ran as follows:—

"Considering the capital importance of co-operative propaganda and instruction for the development of the co-operative movement and the increase of its strength in different countries, it is highly desirable that international collaboration in this respect should be made more effective than in the past. This work should in our opinion be guided by considerations already set out and should in particular

(1) take measures to establish a more rational division of labour as between the international organisations and institutions which are occupied with the spreading of information on co-operative subjects;

(2) request the International Commission of Agriculture to reorganise its activity in the matter of distributing co-operative information in order to allow those whose work includes agricultural and co-operative propaganda and instructions to obtain more precise and essential information than at present on the different forms and methods of co-operative propaganda and instruction and also to obtain them at shorter intervals than at present;

(3) take note of the valuable work carried out by the International Committee for Inter-Co-operative Relations and call its attention in particular to the question of co-operative propaganda and education;

(4) request the International Institute of Agriculture which in the course of its important and many-sided work of distributing information on agriculture in general, has regularly supplied useful particulars on the development of the co-operative movement in different countries, as well as on its educational activities, to take steps to make its work in this respect even more effective than in the past;

(5) request the International Commission of Agriculture to consider the best method of establishing personal contacts with a view to an exchange of experience as between those responsible for co-operative propaganda and education in different countries, such as editors of co-operative journals, directors of co-operative schools and courses, those producing co-operative films and in general all those carrying on organised work in this field."

"The following are suggested as methods of international collaboration in co-operative propaganda and instruction:—

(1) exchange of co-operative journals and newspapers;

(2) exchange of films, pictures, diagrams and statistics;

(3) international congresses held from time to time in important co-operative centres, at which, where possible, exhibitions should be held of co-operative productions, pictures, diagrams, publications, etc.

(4) regular exchanges of publications in languages understood by the recipients;

(5) organisation of international summer schools in districts where co-operation is well developed;

(6) exchange of qualified employees between co-operative organisations;

(7) occasional excursions to co-operative centres in different countries;

"Earnest attention should be given to co-operative education, which should everywhere pursue the same ends and ideals.

"Co-operative schools of all types should instil both co-operative ideals and practical knowledge and should have the assistance of co-operative circles and of the directors and the members of co-operative societies.

"The principles of the movement should be given fresh expression while they should be seen daily expressed in the ordinary work of the movement."

The third subject of discussion was the provision of credit to the agriculturist. It was introduced by the Director of the French National Agricultural Credit Bank and the conclusions reached were strongly coloured by French theory and experience, an experience which is also common to Hungary, Finland and a few other countries, but is not universal, since it involves a closer alliance with the state and the bank of issue and a more sparing use of deposits than is advocated in countries under the original Raiffeisen inspiration. The text of the resolution is as follows:—

"The Seventeenth International Congress of Agriculture, noting the general report presented by M. Louis Tardy on the adaptation of agricultural credit to the special needs of agriculture and considering the importance of establishing forms of agricultural credit which will best correspond to modern agricultural needs, recommends:—

1. that in each country special agricultural credit institutions should be formed according to the principles of mutuality and agricultural co-operation which would assure to them the greatest measure of the necessary solidarity;

2. that in each country the Bank of Issue should take into account the position of the agricultural producer and be prepared to grant special conditions in the matter of duration and rates of interest in the case of bills drawn by agriculturists;

3. that the organisation of agricultural credit in each country should include a central institution adequately endowed and although controlled by the state retaining a sufficient freedom of action;

4. that the central institutions for agricultural credit in different countries should keep in close touch with one another by means of

congresses and conferences in which the International Institute of Agriculture, the Special Co-operative Commission, the International Commission of Agriculture and the members of the International Agricultural Credit Conference should be invited to take part, as well as by joint publications, which should form a valuable source of international information."

All these discussions were based on a principal report, expounded by the opener, but there were in addition a number of special reports referring to the individual countries, which though not read at the meeting were circulated to the delegates, and which contain a wealth of information and give an indication of the movement of co-operative thought, especially in some of the smaller European countries, which it would be difficult to obtain otherwise in any language generally understood. Out of a particularly interesting Bulgarian report arose the decision to place on the agenda of the next meeting of the Section, a discussion on that controversial co-operative form, the general purposes society, which combines marketing with credit-giving or with the running of a village store, a form universally condemned by the purists, though well-established in a number of countries.

Several other sections dealt with subjects of interest to co-operators. The proceedings of the first section, which covers agricultural economics and economic policy, were perhaps of less general interest than on some occasions, though the experience of the Netherlands in meeting the agricultural crisis contained points of value to other countries, and a discussion on the international butter market reached its conclusion in a long and somewhat controversial resolution on the importance of protecting butter from the competition of margerine and vegetable oils generally. The second section was devoted to agricultural instruction and propaganda, and the principal subjects were the influence of higher agricultural education on national agricultural policy, and, secondly, the part of wireless broadcasting in the service of agriculture.

The Women's Section completes the group concerned with social and economic problems, and here the principal subject was the health and hygiene of the rural home. Reports were presented by a number of countries, the principal discussion being opened by a representative of the National Federation of Women's Institutes in England. A resolution was moved calling on women's organisations to study these questions further, concentrating especially on housing, with water supply and sanitation, and on maternity and child welfare, and in the event of such services proving defective, to be prepared to work for their improvement, and in particular to be ready to supply the detailed information on which alone public authorities can act. This resolution was passed, but there was a strong feeling among delegates that it did not go to the root

of the matter, and an additional resolution was adopted pointing out that poverty was the primary cause of rural ill-health and proposing an enquiry into the economic basis of the rural home as the first subject to come before the section at its next meeting.

The technical sections discussed plant and animal production and agricultural industry. A report of experiments in the vernalisation of wheat and other crops (the speeding up of germination by artificial means, suitable to countries with a very short summer) and another on the production of artificial wools and cottons in Italy, were among the most interesting. The viticultural section evolved an economic idea of some importance, when it demanded in its resolution that the price of the product should be based, in part at least, on a "social price," guaranteeing a reasonable standard of life to the producer. Vitamins in animal feeding and the use of alcohols of vegetable origin to replace mineral oils were also under discussion.

From the meeting of the International Commission of Agriculture, always held during the Congress, two important matters emerged. One was the decision to alter the title of the Commission to International Confederation of Agriculture, a verbal recognition of the fact that it has long ceased to be, as it once was, a mere group of prominent individuals connected with agriculture, and has become a federation of national agricultural associations, professional, co-operative and technical, with full right to speak on behalf of their members. The new title also tends to set it more definitely apart from the International Institute of Agriculture, which represents governments and is almost wholly technical in scope. In the second place came welcome, if slightly unexpected evidence of the interest of members in the question of agricultural labour, which has hitherto lain somewhat outside its field of action. Many spoke in favour of full and sympathetic consideration of the labourers' conditions, and the matter has been placed on the agenda of the Confederation for future meetings.

As usual, the Congress concluded with excursions, in the course of which members were able to see something of the great work of draining the Zuider Zee and converting it into rich and populous agricultural land, as also to make at least a brief acquaintance with the flourishing agricultural co-operative movement of the Netherlands. This indeed is one of the most successful in Europe, including as it does the great cheese making societies of the dairy lands, the famous auctions of market garden produce, eggs and butter, the starch and sugar factories, and, standing behind these more spectacular developments, the patient created network of village credit banks and village supply societies which, with their central institutions, have made possible the extraordinary progress of Netherlands agriculture since the century began.

INTERNATIONAL CO-OPERATION AND THE INDIAN MOVEMENT

By

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The Indian Co-operative Movement was for the first time represented at the Congress of the International Co-operative Alliance in 1934 in London, when Mr. V. Ramadas Pantulu worthily filled the role of the first delegate from India and was elected to a seat on the Central Committee of the Alliance. The next, the fifteenth, Congress was held at Paris in the first week of September 1937, to which Rai Ratan A. G. Sherlekar of the Indore Premier Co-operative Bank and myself had the honour to be sent as delegates by the All-India Co-operative Institutes' Association.

Paris was eminently fitted to be the venue of the International Congress. Paris is not only the metropolis of France, it may be said to be the metropolis of Europe. Paris has been intimately associated with all movements for freedom. The Co-operative Movement which has had as its aim the emancipation and uplift of the economically weak owes not a little of its progress to the old French pioneers like Fourier and the late lamented leaders like Charles Gide and Albert Thomas. French Co-operative Movement is, by the way, more varied and many-sided than others.

Apart from its perennial attractions to the tourists, Paris had in last September attracted an unusually large number of visitors from all over the world to see its stupendous International Exhibition, where various countries of the world—India was a conspicuous exception—had exhibited their arts and crafts in all their variety in the beautiful pavilions, most of them specially erected for the purpose. Some of these, co-operators were glad to be told, were erected by the French Workers' Co-operative Societies in the building trades. The authorities of the Exhibition were said to have entrusted work to the value of ten million francs (Rs. 10 lakhs) to these societies. There was a special pavilion in the exhibition devoted to Co-operation where were displayed in different sections the splendid results of the work of the French societies of different types: consumers', industrial workers' and agricultural producers'. The Rural Centre, at some distance from the main exhibition, showed the latest developments in European, particu-

larly French, agriculture and rural life. The delegates of the Congress were specially invited to these sections and kindly shown round.

The popular Government of France, very sympathetic to Co-operation, the Municipality of Paris and the different sections of French Co-operators—all offered hearty welcome to the co-operators assembled from various parts of the world and made their stay in Paris as pleasant as possible. The crowded programme chalked out for the delegates outside the hours of the sessions included visits to a variety of co-operative societies, a banquet, a tea party, a performance of M. Gorki's play *La Mere* at a theatre, a reception at the Senate and the Chamber of Deputies, an excursion to the magnificent palace of Versailles, another to the Familistere (industrial colony) of Godin at Guise and the last one to the old agricultural colony of Fourier, miles away from Paris.

The Congress was preceded by a few special conferences, held in the previous week, of representatives of the Co-operative Press (which was attended by Mr. A. G. Sherlekar), of Co-operative Education, of Workers' Productive Societies, of Co-operative Insurance and of the International Co-operative Wholesale Society. There was none dealing with Agricultural Co-operation, credit or other types.

The Congress itself was attended by 477 delegates from 26 countries including India. The only two other Asiatic countries that were represented were Japan by two delegates and Palestine by three. Argentine had sent one; the Co-operative League of U.S.A. had sent ten. The other delegates were all from European countries. Great Britain, the home of Rochdale Pioneers, topped the list with 114 delegates; France followed with 75, of whom 69 were consumers' representatives; Finland, the country of President Tanner, sent 36. Czechoslovakia,, Sweden, Switzerland, Austria, Denmark and Holland followed in order. There were six from 'the Centrosoyus' of U. S. S. R.—about whose co-operative character and freedom the I.C.A. Central Committee entertained grave doubts. The conspicuous absentees were Germany and Italy, where the Fascist States have suppressed the Movement. We missed also Ireland, where Consumers' Movement has failed, at any rate in urban areas.

A functional analysis of delegation, that is according to the nature of organisations represented, would reveal the preponderance of consumers' interests and the insignificance of the rest in the Congress. As many as 94 delegates were sent by single store societies of Great Britain. There were nearly 300 who were deputed by national unions, most of which were federations, primarily of distributive societies and the wholesale. There were, on the other hand, a dozen deputies of unions of agricultural supply societies. About 10 represented credit institutions of all kinds. There were half a dozen each of industrial workers' societies and insurance societies.

After the enthusiastic welcome address by Mr. E. Poisson, well-known to us as the author of the *Co-operative Republic,* and the greetings on behalf of the popular Government of France, the venerable looking President, Mr. Vaino Tanner, delivered his Presidential Address. It was a critical survey of the economic and political policies of the nations of Europe. He reiterated his faith in the eternal principles of Rochdale Pioneers which "when applied to production and trade will open to humanity the road which leads from insecurity and crises of various kinds to increasing and lasting prosperity." It was indeed touching; but how could it be a solution for the urgent problems of the day? "The goal cannot be reached in the space of a few years, nor even decades" confessed the President.

The report of the Central Committee of the I.C.A. was next presented to the Congress. It gave an interesting account of the progress, or reverse, of the Consumers' Movement in a number of European countries. When it was thrown open for discussion, it elicited friendly criticisms, except by the delegates of Russia and a Communist delegate of Great Britain, who was at once disowned by the rest of his countrymen. Mr. H. J. May, the veteran Secretary of the Alliance, wound up the discussion by a spirited speech, remarkable for its outspokenness in an assembly of Rochdale co-operators, whose orthodox canons had prescribed neutrality in politics. In the passionate appeal he made for succour to Spanish co-operators in distress, he declared "the I.C.A. was in danger of developing a psychology of fear—the craven fear of being great;" but the time had come when the International Co-operative Army should declare in practice the solidarity which it professed and should not 'interpret political neutrality as impotence.' This positive attitude was taken up by the British delegates, by far the stongest section in the Congress, when the resolution on the Spanish situation came up twice, and they carried the day, though the distinction in the amendment suggested might appear academic.

By another resolution the Congress expressed its horror of war and its desire for peace, for Universal Peace, and called upon all affiliated organisations "to defend the democratic character of their institutions and the freedom of their people by every means in their power." But are even all the eight millions of members represented by the British delegates prepared to exercise their electroral or economic power to defend democracy or avert war?

The fundamental character and the applicability under wider conditions of the seven Principles of Rochdale Pioneers, on which research had been conducted for seven years under the auspices of the I.C.A., formed the subject of discussion at a whole session, and fortunately the report of the Committee was accepted. There seemed to be general agreement over the relative importance assigned to two groups of principles: Open Membership, Democratic Control, Limited Interest on Capital and Dividend on Transactions were considered essential conditions for all to follow. The other three principles, *viz.,* Political Neutrality, Cash Trading, and Promotion of Education were, though desirable, not considered essential. There were no doubt some criticisms. Grave warnings were uttered by a few orthodox co-operators against laxity in respect of political neutrality, while there were not wanting speakers who wanted the Movement to be avowedly Socialist. Prof. F. Hall of the Co-operative Union, though a member of the famous Rochdale Society for forty years, uttered a warning against caring too much for the letter of the law ignoring the spirit behind. He deprecated a 'heresy hunt' by lovers of written constitutions.

We wonder ourselves whether the actual working in Great Britain of the principle of 'one member one vote' is not a travesty of democracy in large societies, where only a small fraction of members are present at quarterly general body meetings. Would it not be better to introduce straightway the device of an assembly of elected representatives so far as the whole society is concerned, while the ordinary members may be encouraged to meet in wards into which the society may be divided and express their views? This is a device which has been adopted in most parts of Europe and has been recently adopted by the T.U.C.S. in India—though this may be anathema to co-operate purists.

'The Place of Co-operation in Different Economic Systems' was the subject of a paper specially prepared for the Congress by President Tanner in order to define the attitude co-operators should take when they had to face radical changes in systems of Government, especially of dictatorship of Fascist or Communist variety. It was a luminous survey of the trials and tribulations of Co-operation, especially of consumers' organisations, in the Corporative State of Italy, Nazi rule of Germany, the Capitalist regime of Austria and Soviet Communism of Russia. The control of societies, where they have not been suppressed, their utilisation as limbs of State in a regulated economy, the restriction of production and its effects and the later relaxation of control have all been tóld in a clear and cool-headed manner, worthy of a scientific economist. While Mr. Tanner recognised that Co-operation was nowhere the dominant system, he held the view that Co-operation could play its part in varying degrees in different economic and political systems; but that it should demand for itself complete freedom of activity on the basis of its own principles and repel all efforts at control. A resolution so worded was passed after some discussion.

The noticeable feature of the thesis was the repeated hit at the favouritism alleged to be shown by totalitarian States, and even by those with a partially planned or regulated economy, to agricultural co-operatives—particularly in respect of restriction of production and fixation of prices and control of imports and exports—as against the lukewarm, if not hostile, attitude to consumers' co-operatives, who have seldom coveted, or been entrusted with, any but an uneasy task in a regulated economy.

The next subject that engaged the attention of the Congress was the report of Mr. A. J. Cleuet, President of the International Co-operative Wholesale Society, on the Development of International Exchange, taken up in two parts: General and Co-operative. The first part was a disquisition on the virtues of free trade among nations, on the 'international division of labour' according to climate, natural resources, customs, temperament, etc., and on the evils of the imposition of tariffs for protection, grant of bounties and subsidies with a view to stimulate national production and attain self-sufficiency at any cost. Mr. Cleuet animadverted on the shrinkage of international trade, on the practice of dumping including 'social dumping,' that is by countries which paid low wages for workers, and on the over-industrialisation of the world. The ideal of co-operators should be "the free circulation of goods, capital and men."

The thesis admitted that present conditions, e.g., the power of cartels and the practice of dumping, do not favour 'uncontrolled and unsupervised free trade.' Still the resolution moved by Mr. Cleuet on behalf of the Central Committee required the Congress to 'declare itself against all forms of protection, direct and indirect' and demand the the reduction of customs barriers. This was to be done apparently, as was stated in the report, 'in proportion as they are established not solely from the fiscal standpoint but in the interests of protection.'

Such a categorical declaration against protection, I felt, was a proposition which Indians, co-operators or others, could not subscribe to. I had to tell the Congress that conditions in India were quite different, over-ruralisation had gone on to such an extent that if only to relieve the excessive pressure on land there was an imperative need to promote industrialisation, apart from other undoubted benefits of a balanced economy. I made it plain that we were not after rabid protection of the kind that had come into vogue in Europe, where self-sufficiency from the military as well as economic point of view seemed to be the

blessed doctrine. What India had been agitating for, and secured after decades of agitation with the British Government in power, was a moderate system of protection—'discriminating protection' as it had been styled—for the encouragement of her promising industries. My suggestion to substitute 'indiscriminate' in the place of 'all forms of' protection found no support in the Congress except that of Mr. Sherlekar—which was not surprising in an assembly of consumers.

The second part of Mr. Cleuet's report dealt with the development of an International Co-operative Agency to serve the national consumers' wholesales in respect of: concentration of purchases, the sale of surplus products, and liason with agricultural and workers' productive organisations. A brief account was given of the genesis and growth of the International Co-operative Wholesale Society which had so far served as an information bureau, without undertaking any trading function or financial responsibility. The scope for expansion even in this limited sphere, particularly in research on commercial and industrial problems, was pointed out. What interested us most was the definitely friendly attitude adopted towards co-operative organisations of agricultural producers and industrial workers. Given the goodwill on both sides it should be easy to multiply inter-co-operative trade between national organisations whose needs are complimentary, as has already been going on between those of England and Denmark.

It was, therefore, with pleasure I supported this part of Mr. Cleuet's report and the resolution appended to it. In doing so, I endeavoured to explain the position of the Movement in India, where as yet consumers' societies were few and far between, while agricultural sale societies were still in a formative stage. In my humble opinion, there is a future for store societies in urban and industrial areas with the growth of labour movement and increase in wages, while in rural tracts too there is no reason why stores should not flourish, as in Denmark, with improved land tenure and a more efficient system of agricultural production. The time is not yet ripe for the formation of a national wholesale in India; much less can any use be made of an International Co-operative Agency except by one or two of our big consumers' societies. But I said there was every possibility of agricultural sale societies developing rapidly and seeking by preference a co-operative market abroad for its products, e.g., short staple cotton and oil seeds. The I.C.W.S. might render substantial help and we might also help it by the supply of information as regards markets in India. The resolution was non-controversial and was carried unanimoully. There were other items which deserved discussion, as for instance the report and the activities of the International Inter-Co-operative Relations Committee which had been sitting in Geneva. The published report, copies of which had been distributed to delegates, related to a period earlier than 1935. We heard little of the recent activities of this important committee. But owing to the lateness of the hour and the need to close the final session of the Congress, there was no further discussion.

Any Indian who attended the Congress or read its proceedings might well feel that the Indian Movement had little to gain by way of practical knowledge. As every one knows, societies of the Rochdale type are the exception rather than the rule in India. The few conspicuous ones like the T.U.C|S. in Madras have problems of their own, which cannot be understood by outsiders and do not need to be tackled on the international scale. But the discussion of the difficulties in working some of the principles might be of interest to them. Even the other types of societies are concerned with the application of some of the principles of Rochdale, as readers of the Report would see from the answers given by them to the Committee's questionnaire. But the difficulties of our predominant type—the Raiffeisen Credit Society and the financing bank—and of the slowly growing number of sale societies were not the concern of the Congress. The result is a sense of disappointment, or at least one of unreality at the proceedings of the Congress.

The delegates were again and again exhorted to look at everything from the point of view of consumers' organisations as though that could be the only right attitude for every co-operator to adopt. Agricultural producers' organisations came in for considerable criticism, not so much directly as in connection with the rôle assigned to them in marketing schemes by certain States. They were dubbed the pet children of planned economy and the beneficiaries in all schemes of control and restriction of production and imports. Critics seemed to ignore that the best developed agricultural movements, like the Danish, have spurned State-aid. They would not also pause to consider whether such an agricultural policy had not been inspired by the just feeling that all classes of workers and interests on land should receive a living wage or a remuneration adequate to cover the costs of production, that a minimum 'social price', for produce should be fixed if possible, even as a minimum wage for industrial workers had been fixed in many countries. The champions of consumers' interests could not apparently realise what Sir Josiah Stamp had once said: "The world as a whole........has been fed below cost price for the last one hundred years, if one takes into account the proper elements of costs."

On the other hand, futile have been almost all the efforts of consumers' organisations to take up in their own hands the cultivation of farm produce. That farming in most cases could be best done only when self-directed by the peasant proprietor is a truth that has been only slowly perceived by them and in varying degrees in different countries. The hostility to agricultural co-operatives is not now so pronounced in consumer circles. Indeed there is a growing desire to treat with them and reconcile as far as possible the interests of the two. Hence the resolution of the Central Committee on the question, and the attempts of the Inter-Co-operative Relations Committee, national and international.

But it is not only this change of heart that agricultural co-operators hanker for when they attend the International Congress. They would like to have at least a Sectional Conference to deal with problems of agricultural credit, supply, marketing, etc., even as industrial workers' societies—few as their representatives are—have had their own separate conference under the auspices of the Congress. The Congress might later on think it fit to discuss and express its views on some of the decisions of the Conference. Unless such a right is conceded, we are afraid that an impression might be created, for the delectation of non-co-operators, that the Co-operative Movement is not one, that there are at least two distinct movements, one of urban consumers and the other of agricultural producers, each fundamentally opposed to the other.

RURAL RECONSTRUCTION AND HEALTH IMPROVEMENT

By

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There is always malaria in the foothills near our Martandam Rural Demonstration Centre. Our surveyors in these villages found in every house people lying on the floor or verandah, burning with fever or shivering with chill. Failure of the rains for two previous years had caused the rivers to dry up leaving stagnant pools where the mosquitoes bred. Scarcity of food caused by the drought had further weakened the people.

When the Travancore Government finally realised how serious the epidemic was, they instituted generous relief measures, but were disappointed in the results. Only when feeding was added to the other treatment were the results encouraging. Then effects were almost miraculous. The feeding of well-cooked balanced rations brought immediate improvement to those suffering, prevented relapses, and so strengthened the remainder of the community that they were more immune. The terrible malaria epidemic in Ceylon, occurring about the same months, finally began to recede when feeding was added to other relief measures.

Rural Reconstruction as the Broader Basis for Better Health. The Rural Hygiene Committee of the League of Nations have invited me to the Inter-Government Health Conference in Java, and the Government of His Highness the Maharaja of Travancore are sending me as their delegate because of the dawning realization that surrounding the hungry villager with sanitation, or filling his empty stomach with medicine will not bring vigorous health. This description of the Rural Reconstruction, which has been developed under my direction and sponsored by the Y.M.C.A., is presented with the conviction that better nourishment and better living are necessary as a fore-runner and foundation for other health measures.

*Written for translation and distribution on request of the Preparatory Commission, League of Nations, Geneva.

EARLY DEVELOPMENTS

Rural Background. A great new rural movement needed rural background in its workers. Mr. K. T. Paul, although he had become an international leader, had still his home acres near Salem; and he went home to them and worked on them as often as he could. He called such rural men to be the first Rural Reconstruction Secretaries. Generally speaking our best rural workers will have been born and grown on the land. It has been my own good fortune to have a generous school and college education in things pertaining to rural development; but more than all that training I value the growing up on a farm among the green hills of New York State. It was a poor farm. My small brother and I began when we were very young to work in the fields. We helped, and we learned by doing. There was not money to buy equipment so we became resourceful, and studied out ways to make what we needed, and to make a small amount, go a long way, to get round the stones and hard places of a poor farm, and, to make those difficulties really stepping stones. The other day the head of a mission farm, speaking to me of the importance of the right personnel and the difficulty of getting it, said, "the only persons who have been successful in my service are those whom I have found on the farms nearby and who have grown up with me here step by step in the work". I mention all this here because some who are starting out to do rural reconstruction today do not seem to realize the importance of a rural background in their workers and are making the sad mistake of appointing city men, sometimes from former city jobs—to find a place for the unemployed. If such men are to be employed they will need long and serious training.

Early Attack on Poverty. Mr. Paul and his colleagues were distressed about poverty. They saw a terrible debt situation, and that no country could prosper under such high interest rates. They tried co-operative credit. But the question, "Does the Co-operative Movement in India actually reach the peasant" has to be answered in the negative. J. C. Jack's study in Bengal drove him to the conclusion that it would take centuries for the co-operative movement to reach the bulk of the peasantry. Slater's, Mann's, and Darling's subsequent summaries tended to confirm this. When the secretaries of our Association argued that co-operative credit could be extended on a business basis to even the poorest of the Indian people who could give no material security, they were laughed at. The prevailing opinion was, "Only a fool or a philanthropist will lend to a pauper".

It was necessary to demonstrate to Government, to businessmen, and to others, that character, alone, is an excellent basis for credit. It is certainly as well to loan for a productive purpose to a poor man of good character as for a doubtful purpose to a well-to-do man, who will try to evade paying back the loan, possibly making it necessary to bring an expensive and protracted law case against him. A drunkard or an unscrupulous individual with plenty of property may prove a very troublesome debtor. 'Character is credit' is a thoroughly sound principle in connection with unlimited liability banks, and unless it is courageously put into practice there is no hope for the masses of India. The rural credit activities of the new Rural Reconstruction movement took some advanced forms, such as the Christian Co-operative Central Bank with headquarters in Madras.

The Centre Idea. About the time that I came into Rural India (1922), the first Y. M. C. A. Rural Centre was established. The Centre was to be a place for showing things and methods to people who could come and see—a place for showing and for experimenting with many things. I had some discussion with Mr. Paul at the time I was doing a lot of travelling, looking about for the best place for our Centre in Travancore. He said "Don't do as Governments sometimes do—don't choose a very rich place where results can be shown with great ease; but on the other hand don't make things too hard for yourself—don't choose too poor a place." But I thought, "If we are going to help people we want to help those who need help most." And I had in mind also the experience of Denmark, where the first co-operative societies had the name "The Poor Man's Co-operatives", and because they helped the poor farmer, very soon the more well-to-do farmers were asking permission to join the Poor Man's Co-operatives.

We chose the place Martandam where obviously the people on that poor rocky soil were much poorer than those in some parts of Travancore State where the soil was better and rainfall greater. I felt that if we could make a success of helping people to help themselves under most adverse circumstances, other people could certainly copy. Then we got as far away from any large city as possible, about midway between the cities of Nagercoil and Trivandrum.

We made a mistake in the location of one of our South India Centres which was put only two miles from a city. It was not really rural, and although it had an easy market, its location was not suitable for a rural demonstration. A movement among city Young Men's Christian Associations has started this year so that it is expected that every city association will have its rural centre or rural projects. In all such places, I am advising that they put the centres near enough for visiting and supervision but far enough away to be truly rural—

generally not nearer than fifteen or twenty miles. There will always be the temptation to put them too near, where conditions are artificial and not truly rural.

The Extension Department. We established the first Centres about the time when the Linlithgow Commission on Agriculture declared against the establishment of any more Government Farms. I suppose the egoistic thought was that our centres would be more brotherly than government farms and that therefore their influence would spread better. But, even at that time, serious students of farms and centres in various countries already knew that such centres would not spread of themselves.

I came to India after my first post-college job which was with the Extension Department of the New York State Department of Agriculture. This Department works out from the College of Agriculture at Cornell University. I was thoroughly imbued with the mission of carrying the message and the knowledge of the college to the farmer. As soon as the Martandam Centre was opened, I began to use this word Extension. I established the Martandam Extension Department; took our senior and most experienced colleague away from the Centre; told him that he was not to be there except on occasions expressly needing his help; that he was in charge of the Extension Department, the work of which was to get family after family in village after village to take up these helps taught and illustrated at the Centre. If a family takes up some of the benefits, the neighbours are sure to copy the successful practices. The Centre is an essential part of Rural Reconstruction methodology but the Extension Department is by far the more important feature.

DEVELOPMENT OF PRINCIPLES AND METHODS

Should I go to any place in the world to start new work in Rural Reconstruction, I should establish the following principles and methodology which we have now so consistently tried out that we feel sure of them—adapting them, of course, to fit the new local conditions.

Comprehensive Programme. Too slowly have people come to realize that it is not helping much to help people on one side of their needs; that it is futile just to preach—to preach to poor people about the more abundant life, and leave them so hungry and diseased that they simply cannot live an abundant life. Certain great and good health organizations have given their attention almost entirely to improvement of health and sanitation, but a fuller realization is coming that until people have some food to eat, sanitation and medicine will not suffice. In the recent terrible malarial epidemics both in Ceylon and in Travancore, marked improvement came only after feeding was begun to both those attacked and those exposed to the disease.

Since we find that the great crying needs of the rural people of India can be divided into five groups, we divide our Rural Reconstruction programme into five departments to answer all these needs. Every village and every family and every individual has the five kinds of needs—Spiritual, Mental, Physical, Social, and Economic.

Spiritual. Being sure to make the spiritual side the foundation of all we do on the other side, we talk and preach some, but try rather to put the teachings of Jesus into practice before the people as a living example. And we urge followers of all other faiths to be spiritually minded and to build their service on the best they can find in their particular religions.

Mental. There is so much to teach. In fact, Rural Reconstruction is all teaching—teaching the people how to help themselves upwards on all sides of life. Assiduously must we perfect teaching methods and teach in every teachable way.

Physical. In India we still have the shortest average life of any people in the world, and we are weakened and saddened and bereaved continuously by preventable diseases. We rural reconstruction workers though not skilled in medicine or surgery ourselves, connect the suffering people with the best available service—Government, Mission, or private; and we have much to do with the teaching and establishing in the villages of proper sanitary methods, equipment, and practices.

Social. The rural reconstruction workers have the supreme opportunity to accomplish that which the great talkers of India continuously preach about ineffectively. I call it "socialization", and by that I mean the bringing of all castes and creeds, and all conditions of men and women and boys and girls into the comprehensive Rural Reconstruction Programme, so that we have a *programme of the whole people, for the whole people, and by the whole people.* I am so very enthusiastic about this, our great opportunity and greater responsibility. I will have nothing just for Christians, nothing just for Hindus, nothing just for Muhammadans, nothing for well-to-do people only, nothing for the poor only. All must be admitted to the benefits and to help with them. A comprehensive, co-operative programme—every-body helping with it and every body being helped by it—that is the supreme example India needs.

Economic. We tackle material poverty. Some think of this side as the whole of Rural Reconstruction, but I am giving it as the fifth essential part of the comprehensive programme. Even I have been accused of caring more about bees than boys. One third of India's 360 millions of people perpetually under-fed in a land which God made fertile enough to feed all! We have to do with improvement of agricultural methods, and with the finding of suitable cottage industries which can make the abundance of spare, waste, time profitable. We have to do with the improvement and standardizing of every product, and with instituting a successful marketing method for every increased and improved product.

Self Help. "Self-help with intimate, expert guidance". Let me explain this often repeated principle of mine. All admit that people must step resolutely away from their system of "leaning", leaning on Government, Mission or other helper: only a self-help system will be successful. Still there must be guidance; and by intimate guidance I mean that it must be "brotherly". Stiff, superior, official, or condescending, holier-than-thou, guidance will not suffice. And by "expert" I mean that the Rural Reconstruction worker must be well trained in all the things in which he is giving guidance: none of the blind trying to lead the blind. Self-help with intimate, expert guidance.

Reaching down to the Very Poorest. But how can I say in the same sentence, as I do, that we must have self-help but no giving away of things outright; and yet the service must surely reach down to the very poorest; and no person shall be deprived of any of these good things by reason of poverty.

Impossible? No, it means that for every benefit we invent and establish a method for giving the benefit on credit, so that the poor person or family can soon pay back the credit from the income of the benefit. To illustrate we give to the poorest boy or girl or man or woman, the same improved Hancock Strain White Leghorn eggs for hatching which we sell to those who can pay at Rs. 6/8/- and Rs. 9 per dozen. We charge these poor persons annas 2 per egg instead of annas 8 and 12. In the book the poor man is debited with Re. 1-2-0 for 9 eggs. Exactly 6 months and 21 days later we settle with him, generally taking one of his 6 months old pullets (from these eggs) at Rs. 3, deducting Re. 1-2-0 for the eggs, and giving him the balance Re. 1-14-0. He may have Rs. 10 to 20 worth more of valuable young birds from this transaction for which he had not an anna to invest.

But let me tell you that your rural reconstruction work will not reach down to the very poorest unless you continuously make special effort with determination that it shall. Without this, your service will stop with the families just above, who have a bit more of education, a bit more courage or practice in adopting new ways, a bit more hope for better things, a bit more financial means for the small expenses of making a start.

The Co-operative Method. Rural Reconstruction leaders simply must push hard the cooperative method. We use it in everything we do. There are so many things in the Indian village which the single family simply cannot do alone. To illustrate: in some of our South Travancore Villages not a single family can build a well—it has to be such a big work, being dug so deep in semi-rock. What the village families could easily do together is not being done because there are divisions and hatred, rather than love and co-operation.

Besides the general co-operative spirit in all of village life, we need co-operative credit, co-operative production, and co-operative marketing, all very possible but well attained in pitifully few places.

Co-operative credit is wrecked on two rocks: 1. The rock of giving loans for other than productive purposes, and 2. The rock of not-all-the-way-supervision. Co-operators now more or less realize this, but they do not muster the gumption to blast out those two rocks. Let some greater fool than the co-operative society give the loans for non-productive purposes; and see to it that your cooperative loan is supervised from the moment it is given for a productive purpose, all through the time of production, at the time for the first remainder of payment due, and until the loan is repaid.

I have had occasion to examine so called supervision of co-operative societies. "Who supervises"? "The Cooperative Inspectors". "Cooperative Inspectors, do you have time for adequate supervision"? "Well, really sir, we do not supervise, we only audit." Then, who does supervision?" "Well, there is a co-operative committee in the town." The finding is "Actually there is no supervision." Co-operative credit is in a bad way, and people come to doubt the efficacy of the God-giving principle of Co-operation.

Co-operative production should be helped on by co-operative credit; and co-operative production should never stop short of co-operative marketing. Yet for four years I have been saying, and I can still repeat "The most common co-operative sin in India is stopping short of co-operative marketing". Those who encourage towards more and better products among the people have a responsibility to help, devise methods to sell those products. When that is done, the better prices from better products give a fillip to the whole rural programme, as

probably nothing else that can happen. We look back on our co-operative marketing with great satisfaction.

The Demonstration Method. I maintain that there is no use of trying to teach processes of action by simple lectures. If that is true, many teachers and most talkers connected with the Rural Reconstruction movement are largely wasting their time. For this whole movement is an attempt to teach and to bring about the adoption of processes of action. I strongly recommend the demonstration method of teaching, the method of showing, with active participation by the learner. When teaching a process like bee-keeping, bring all the appliances to the class room, if you have a class room, but be sure to take the pupils to the bee yard and let them handle the bees and appliances as you explain.

We put great emphasis on making all our teaching what we call "practical". This means that some time or several times during every day of training, the rural leaders studying with us are actually learning by doing, are taking care of the cattle and goats, the poultry, the garden plots, the bees and other things.

And the demonstration method which teaches must effectively is when a village family makes a success with items of the comprehensive programme on their own lands, garden plots, or in their homes. They are absolutely sure to be copied by their neighbours who say "What they do, we can do". The neighbours are sure to want to do it.

Finding and Training Leaders. The last fundamental is all the important one of finding and training proper leaders. I recently talked with the head of a large rural work and he said "I am poor in funds for this work, but I am much poorer in personnel". He mentioned two very important lines for which he needed men to be in charge. He didn't know any one fit for those positions; and I felt weak that I couldn't tell him of proper men. I have just been to advise about the opening up of large rural reconstruction ventures throughout the Island of Ceylon by Government and non-official agencies, and there too they see, and I saw at once, that success will depend in getting the right personnel. They say "Where shall we get such men?" The requirements for leading in the comprehensive rural programme in India, with so much of pioneering in it, are so great!

First we need men with the scientific mind. India claims to have produced only two great scientists. I think India has produced more than that, but I must say that men with the scientific mind are not easy to find in Rural India. Who will do the necessary careful, painstaking, observing ? Who will keep the correct records ? Who will continuously be trying things and finding out what is successful and publishing the results as did the most of hardworking pioneers who have laid the foundation of rural knowledge in other countries? Who in the Indian village will somehow rise to that inventive mind (which certainly is not natural to him), so that he will invent the necessary better tool, and discover the new and better way of doing things? The man in charge of rural reconstruction needs, because of his comprehensive programme, and his place of leadership, all the qualities of the true superman. He is in a real sense "The Rural Improvement Officer". His job is to assist and improve the work of every officer, teacher, missionary or other worker serving in his area and to co-ordinate all their efforts; and if he is to be looked upon by all of them as a true helper and not as a troublesome meddler, then he must be the type of tactful, able, strong-charactered individual I am trying to picture here. Such is the challenge to the best of India's young manhood, and womanhood, especially to those with rural background.

I would not be discouraging. This superman need not be a "B.A., B.L." He need not have travelled. He may be only a high school graduate. In addition to the major leaders, Rural Reconstruction in India needs many helpers who are skilled in the parts they have to play: Young active fellows whose youth no one can despise, because they know so well that which they are demonstrating: young men who are in love with their particular subjects, be those subjects bees, chickens, cattle, sanitation or what not. Such young men generally have low living expenses and can afford to work for small salary.

Then when we have these leaders, it is so important to give them the best possible training. I have indicated that they cannot learn sitting in classes somewhere. I maintain that there is no fit place to train Rural Reconstruction leaders except at a place where there is a live rural work in action both at a centre and in numerous villages around; and where these learners in training can actually take hold and help the local staff and the village people with what they are doing.

"How long should they train"? As long as they can arrange to stay. There is so much to learn in such a programme. Most of them will have to leave too soon. In Martandam area we eagerly use for training every vacation period or other free time when teachers and other leaders can come. These unpaid village leaders are so largely responsible for whatever success rural reconstruction has attained. The shortest training period is the "week-end study group". Teachers and others will come into the Centre as early as they can on Friday afternoon; they are willing and eager to study late at night and to get up very early in the morning. They can learn so much before Monday

morning. Only one or two subjects are taken for one week-end: others when they come next time.

Other kinds of training are "Learning by Doing", Camps, Special Courses, Specialized Schools, Folk Schools, Summer Schools, Our Practical Training School in Rural Reconstruction, lasting five or six weeks; and all the time we have with us apprentices who work along with the staff at the Centre and in the Extension field learning by actual practice under a Director of Studies as long as they can stay—sometimes eight months or a year.

For those who are going to be employed workers we have, in addition to this local training, a plan of sending them to selected institutions in different parts of India where various phases of rural development are being practised.

More Women Leaders. These leaders we recruit and train must include more and more women. We cannot get anywhere in Rural Development unless we have the women with us. Here is another particular in which we are starting too late. Of the nearly 900 who have been to train with us at Martandam less than two per cent have been women. But these few have shown the man how to do things. There is a paucity of leadership among women in the Indian village. Yet the majority of rural homes are closed to men workers. We are saying now that in future in recruiting rural workers, it will be made almost a requirement that a man shall have an intelligent, well-trained-in-rural-reconstruction, much-interested-in-his-worn, wife.

THE PROGRESS OF RURAL RECONSTRUCTION IN INDIA —LATEST DEVELOPMENTS

Dr. Kenyon L. Butterfield, recognised international authority on rural life, came to India a few years ago and studied rural reconstruction attempts. One of his greatest concerns was "Will these Rural Reconstruction Centres breed?" Would they propagate themselves, be copies, and multiply? When he had finished his study he had stimulated interest, but he had almost created the idea that the Centres would not breed, and that we would therefore have to have so many Centres that India could never afford them.

We do not necessarily get a true answer to this question from the great number of rural reconstruction headings in the newspapers these days. Almost anything that happens outside the cities gets this heading. It is true, forming of committees is taking the place of inspirational addresses on the need. Last week an influential, able, and talented group of men went out into a village and told the people how they should improve their ways of living. The demonstration methods, I have advocated, might be too tedious for these well-intentioned gentlemen. Another group had a meeting and decided that the first thing to do was to build a hall so that the village people would have a meeting place in which to hear lectures! There is however much useful Rural Reconstruction being done in India.

I can only contribute to the answer of Dr. Butterfield's important question, by telling you how the Martandam Centre teaching is breeding. This multiplying shows itself in various forms.

Made Universal. All the 116 Y.M.C.As., in the Travancore and Cochin States (having as District Secretary, the Director of the Martandam Project) are practising the five department Comprehensive Rural Programme as far as possible, and many of them have sent their honorary secretaries or other members to be trained at Martandam.

New Centres. Paranium Y.M.C.A. members in an isolated village seventeen miles from Martandam, having an entirely honorary, unpaid staff (all but four of our 116 associations have no paid workers), have persevered until they have a successful Rural Reconstruction Centre with the Martandam Five-Department Programme. As a result they are better fed, better clothed, and healthier.

At Chengannoor, a central village in Central Travancore, ninety-six miles from Martandam, a centre has been established, a building has been erected and Rural Reconstruction features are being gradually introduced—this under the Central Travancore Union of Y.M.C.As.

Reorienting Education. At Oolannoor, an isolated village near Pandalam, ninety miles from Martandam "The Rural Reconstruction Institute" was founded two years ago by a high school teacher, who says he got all his ideas from Martandam. This new type of school has six acres of land for practical work, is supplied with pupils from eight primary schools around, is a community Centre for all castes and creeds, to raise the whole country-side to a higher level, is in line with the new policy which the Travancore Government Educational Department hopes to adopt, and bids fair to lead in the much needed reorientation and ruralizing of education, not only for Travancore but beyond.

Churches and Christian mission societies are all interested in trying to establish similar Rural Reconstruction; the Kerala Hindu Mission is having us train the staff of its new Centre. Private individuals who own land in different parts of Travancore have established centres of demonstration on their own lands. We have assisted the Governments of Baroda, Hyderabad, Pudukkottai, and Mysore in establishing their first centres.

We have just trained twenty-one more leaders from Ceylon where the Government and private agencies are making extensive plans. Throughout India, Burma, and Ceylon, city Y.M.C.As. are planning to run rural centres as a branch activity, thus bringing about a valuable form of co-operation between city and country.

Improvement of Products. Poultry-keeping and bee-keeing in the Martandam area may be taken as examples of improvement that can take place. From a situation where there were only the little country hens, new blood has been introduced until last year the boys and girls, men and women of the Martandam villages marketed by the guarantee method over 100,000 large eggs from improved hens, at more than twice the local price of small ordinary eggs of doubtful quality. Paranium village, seventeen miles away, marketing by the same system, is now selling over 4000 eggs in a month in a place where no hen could lay this grade of eggs until improvement of hens began. The little hen has been eliminated for ever, because the villagers know she is not worth keeping. When we got a large order for ordinary sized eggs, Paranium could not fill it. The small egg is a thing of the past for them. There was one bee-hive in the Martandam area when the Centre started. At the end of last year our Extension Secretary surveyed 319 bee-keeping families—not all of those who keep bees by any means and found that these families made for sale 4,304 pounds of honey in 1935. This meant an increased income of over Rs. 3000 to these poor families.

Improvement, more food, increased income, can be effected from all existing rural pursuits and from some new ones. And the greatest triumph is that the people are eating more good food and living better.

Yeats Brown in the Spectator. But what of the most fundamental of improvements? Major Yeats Brown came twice to study Martandam. My Indian colleagues, frightened because they knew that his pen could be more cuttingly critical than the sword, were soon calmed by the kindly manner in which he sat down and questioned them. In the *Spectator* of May 15th last he writes of Mr. Brayne, Mr. Gandhi, Mrs. Hatch and me, very kindly indeed, but he puts in this most devastating paragraph:

"A thought which needs discussion, yet which would have been difficult to put a social reformer on the scene of his activities is this: Will not the causes, whatever they are—climate, heredity, what you will—which brought people to their present pass, again operate when the uplifting agency is removed? Reformers are insistent on the virtues of Sindhi bulls, Leghorn Poultry, active kinds of bees, but I have not heard that any of them have considered the possibility of making some radical improvement in the human material which is the chief factor in their endeavour."

Well, it is evident that in the short time we had with Major Yeats Brown, we at Martandam failed to make him see and understand our comprehensive programme, with its five sides or departments, which I have tried to explain in this paper—Spiritual, Mental Physical, Social and Economic. Yeats Brown touched the vital point. I have often said I certainly would not spend my life working only on the material side of this programme. But, these same more dramatic features, which catch the eyes of our visitors (and partly keep them from seeing the even more fundamental parts) give food to the hungry villagers, give them hope and confidence in all else we teach, and make them ready to enter into other parts of the full programme. The object of the five fold comprehensive rural programme is exactly, in Major Yeats Brown's words "for making some radical improvement in the human material."

Our Country Life Movement. Theodore Roosevelt, the great, far-seeing American leader was instrumental in starting the American Country Life Movement. It was at a time when the farmer was called a "hay seed" and he had an inferiority complex, knowing that city people and educated people generally looked down on him. Roosevelt's Country Life Movement over a score or so of years helped to change everything. It brought to the rural homes and farms many of the joys of living which formerly only city people had. It made city and country dweller alike realize that city conditions could in no way compare with the healthy life of the beautiful, wide-open spaces of the country-side. It included agricultural college education for the real farmer; it brought the realisation that agriculture and rural sociology were among the most important of the sciences. The boys and girls from the farms, in agricultural colleges, excelled in athletic contests with other colleges of the same great universities. Rural life became more prosperous and happy. The whole rural populace lifted itself from the 'hay seed' age to one envied by those who had to live in the cities.

In India, Burma, and Ceylon for the first time we have our Country Life Movement. It is called Rural Reconstruction. It has God's guidance. It can and must help our rural brothers and sisters to lift themselves up from poverty of so many kinds to a happier and healthier life in Rural India.

LAND MORTGAGE BANKS AND SOCIETIES IN AJMER-MERWARA

BY

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The Land Mortgage Movement originated in 1924 in Ajmer-Merwara. There is no Central Mortgage Bank in the District, but there are 3 Mortgage Banks one in each Tehsil as detailed below:—

Tehsil	Name of financing Institution.	Rate of interest charged by the Central Institution.	Rate of interest charged from members.
Ajmer	Ajmer Central Co-operative Bank Ltd. Ajmer.	5½%	8%
Beawar	Beawar Central Co-operative Bank, Ltd, Beawar.	6½%	8%
Todgarh	Todgarh Co-operative Banking Union Ltd. Todgarh.	6%	8%

Besides the 3 Land Mortgage Banks there are 19 Land Mortgage Societies in the District which are financed by the institutions mentioned against each as detailed below:—

Name of Tehsil.	No. of Societies.	Name of Financing institution.
Beawar	9	Beawar Central Co-operative Bank Ltd., Beawar.
Nasirabad	1	Nasirabad Central Bank Ltd.
Todgarh	5	Todgarh Banking Union Ltd.
	4	Working on Forest Profit Money.

The areas of operations of the Land Mortgage Banks are Ajmer, Beawar and Todgarh Tehsils and those of societies are confined to the particular villages in which they have been started. The maximum limit of loan to members does not exceed fifteen times the estimated annual net profit after deducting Land Revenue or a sum not exceeding Rs. 500 on the share of Rs. 5.

No loans are granted for a period exceeding 20 years and for a sum exceeding Rs. 500. The Ajmer Co-operative Land Mortgage Bank does not advance below Rs. 100. A borrower has to apply to the Secretary and is required to pay the full value of the share and fees according to the by-laws. He submits an application in the prescribed form along with the true copy of the *Girdawari* for the last 2 years from the revenue records. The Secretary then visits the applicant's land to verify the particulars recorded by the applicant and also to make enquiry regarding the character, material assests and solvency of the sureties offered by the applicant. The Secretary calculates the net average income of the land and places the application with his opinion before the Managing Committee.

A second enquiry by a non-official Director, representing the Sub-Circle to which the applicant belongs is also conducted independently. The results of both these enquiries are reported in the prescribed form in a sealed cover by the secretary to the Board. Loans for the improvement of land are not issued in lump sum but are advanced in gradual instalments as the work progresses. The account of the loan advanced is taken, before a second instalment of loan is issued. The loan advanced for redemption of land is given direct to the mortgagee through one of the Directors of the Bank. Thus the loan is correctly applied to the purpose for which it has been advanced. In cases where the Mortgagees are not willing to redeem the mortgaged lands, they are got redeemed through the Collector under Redemption of Mortgages Act. If the members of these mortgage Banks are also members of the village Co-operative Societies, their accounts are exchanged on each transaction. Instalments are fixed according to the original agreements made in the registered documents. The instalments can only be postponed in case the Government remit the land revenue. The Government does not give any special help to these banks, and they only enjoy the general concessions given to the Co-operative Societies.

Capital.—The capital is composed of shares, deposits from members, deposits and loans from non-members and Central Banks and realised profits. The acceptance of deposits and loans is subject to any restriction which the Registrar may impose. The working capital of the Co-operative Land Mortgage Banks on 30—6—37 was as under.—

LIABILITIES.	Rs.	ASSETS.	Rs.
1. Shares ..	4,795	1. On loan ..	60,253
2. Members & Non-members deposit ..	9,875	2. C. B. & U. B. Shares ..	100
3. C.B. & U. B. Loans ..	49,677	3. Sale Union Share ..	100
4. Reserve Fund ..	2,756	4. Floating accounts in Bank.	331
5. Bad Debt Fund ..	896	5. Fixed deposits in Bank ..	2,368
		6. Award Unions ..	70
		7. Execution expenses recoverable ..	594
		8. Stock ..	308
		9. Cash in hands & in Banks.	80
		10. Loss ..	3,795
Total ..	67,999	Total ..	67,999

The working capital of the Mortgage Societies on 30—6—37 was as under :—

LIABILITIES.	Rs.	ASSETS.	Rs.
1. Share ..	2,702	1. On Loan ..	39,166
2. Deposits ..	17,398	2. Loan to societies ..	74
3. Central Bank Loan ..	18,933	3. Current Account in U.B. ..	1,980
4. Shamlat Committee deposit.	54	4. U.B. & C.B. Shares ..	575
5. Reserve Fund ..	2,947	5. Cash in Hand ..	1,091
6. Profit ..	855	6. Stock ..	3
Total ..	42,889	Total ..	42,889

It is interesting to note that since the start of this movement, not less than 5890 Bighas of land have been redeemed for the benefit of the members through redemption.

Membership.—Every member of a Mortgage Bank or Society must be :—

1. a person owning agricultural or Forest Land in respective Tehsils or villages.

2. of good moral character.

3. of not less than 18 years of age, except in the case of a minor heir of a deceased member.

4. two officials nominated by the Government or the Registrar as ex-officio office holders (in the case of Banks only).

Members shall be admitted after election by the managing committee subject to the confirmation of the general meeting.

Every member, except an official member, on admission shall sign his name or put his thumb mark in the membership register and shall pay Re. 1 as admission fee.

There are 891 and 549 members in the Land Mortgage Banks and Societies respectively at present.

Comparative Progress.—An idea as to the working of Banks and Societies may be formed from the following figures :—

Year.	No. of members.	Amount of loan advanced.	Repayment made.	No. of defaulters.	Overdues.
		Rs.	Rs.		Rs.
Land Mortgage Banks.					
30-6-35	719	8,682	10,400	61	777
30-6-35	773	10,087	10,735	74	654
30-6-36	857	13,205	9,853	75	603
30-6-37	891	11,646	10,798	87	384
Land Mortgage Societies.					
		Rs.	Rs.		Rs.
30-6-34	398	2,366	4,943	101	53
30-6-35	504	8,744	5,447	111	42
30-6-36	565	7,237	5,460	103	205
30-6-37	589	3,101	4,291	106	311

Societies.—In Todgarh Tehsil, the primary mortgage societies are financed by the Todgarh Banking Union. Of the 9 mortgage societies in Todgarh Tehsil, 7 have been started with Forest Profits of the respective villages. The share of the profits of the village proprietors for the area of their lands, included in forest administration by the Government, is distributed to the proprietors after 3 or 5 years as is feasible. In some instances now it is being distributed annually. Such societies work on the amount of Forest Profit as working capital and when they require more money they are financed by the Banking Union. No interest is paid in forest profit societies.

One mortgage society was organised in Todgarh Tehsil last year with the sale proceeds of the Shamlat Land. The Shamlat Committee agreed to deposit permanently its money at 4% and the society advances loan to its members at 6%.

General. 1. The Mortgage Banks and Societies do not declare dividends, but transfer all their profits to Reserve and other Funds.

2. No debentures have been issued, as there is no Central Land-Mortgage Bank.

3. In addition to 5890 bighas of land redeemed 5433 bighas of land of the members are also got hypothecated in favour of these Banks and Societies. Personal sureties are also taken in each case.

4. No special privileges are conceded by the Government to the Mortgage Banks and Societies.

CO-OPERATION IN CHIRAIGAON, BENARES

By

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A credit society was originally registered in this village in 1912. It worked indifferently till 1927 when it proposed its own liquidation. In a fairly big village of 1085 souls the membership was no more than 17. The panchayat was ineffective. The society did not attract attention. Its death appeared inevitable. It required an incorrigible optimist to undertake its rectification or what we usually call here 'reorganisation.'

Reorganisation was taken up in 1927. But the method employed was an un-orthodox one. A better living society was organised. Efforts were directed to induce the head of every family in the village to join it. They bore fruit and the influential section enrolled itself. Meetings were held to which non-members too felt attracted. There were talks on co-operative methods and co-operative credit.

The village money-lender, Sarju Prasad, was the most influential man in the village. He felt within him an urge to serve the village community. He joined the better living society and later the credit society. Instead of advancing money to people at 18¾, 24 and 37½% he offered to place a deposit in the society at the rate which the Central Co-operative Bank then charged from the society viz., 12%. He thus agreed to stop all dealings with those who became members of societies. This encouraged growers to apply for membership of the society which came to be regarded as a privilege. Apparently the money-lender made sacrifices. At the same time he was moving with the spirit to the advancing times. The collective responsibility of the members was to him a greater guarantee than the individual responsibility of those who borrowed direct from him. The society was a watch-dog guarding his interests. He required no serpent of the fables to keep a guard on his treasures. He must have thought in some such strain when he accepted on election the office of the Sarpanch of the credit society. The natural leader of the community assumed leadership of the co-operative credit organisation of the village.

He knew the people as they were. Any member who would apply for a large loan with a flourish of his big *haisiyat* he could turn inside out and expose his small repaying capacity which is a better basis of credit-

worthiness in a co-operative society. The usual requirements of every-one of them were known to him for long. Who could be a better judge of the normal credit limit which should be allowed to each? He him-self did not want a loan and was not, therefore, swayed by considerations other than scrupulous impartiality. On his death his younger brother, Bindeshwari Prasad, stepped into his shoes and took the reins of office.

I have dealt at some length on the back-ground for a reason. The question is often asked: "If you can have one Chiraigaon, why can you not have many? Apply the same methods everywhere and produce the same results". The question betrays a lack of psychological understanding. The Co-operative Movement cannot be turned into a Tata Iron Works. It deals with human material and not with iron one. The factory methods of mass production do not apply here. The same cause operating under apparently not dissmiliar conditions may produce varying results. Two minds, of individuals or bodies, seldom record the same response under similar stimuli. Nevertheless conditions induce results. In Chiraigaon the influential section was composed of one community viz., Koiries or Kushwaha Kshatriyas as they prefer to call themselves. They are used to intensive farming and are receptive of ideas which would give them the greatest income from the land. And when the richest man in the village listened with more than a passing attention to the advice of the co-operative worker evidently it deserved respect. There must be some good in it. So give it a trial. Thus they thought and thus they acted. It was a question of faith following sincerity. Visits of people in authority carried conviction and kind words gave greater strength. Membership of the credit society is now 85 and that of the better living society 160. There were many who felt attracted to better living schemes but fought shy of the joint liability of the credit society. Thus the 2 societies, though working in close association and with the same sarpanch at the helm of both, agreed not to combine.

Attention was directed to increasing the income of individuals. Horticulture was recommended. Both fruit and vegetables had a market in Benares which is only 7 miles, and there is a metalled road excepting for a ½ mile of *Kucha* feeder road. Thus wheat and other crop had to give place to the following :—

Lemon	..60 bighas
Papaya	.. 8
Guavas	..45
Mangoes	..48
Roses	..24 sold in the field. Used in Benares in manufacturing rose water.

Potatoes	..50	
Brinjals	..25	
Cauliflowers	.. 5	
Peas	..50	Won 1st prize in the Agl. show held by the All-India Industrial Exhibition, Lucknow.
Soya Bean	.. 1	introduced this year.

But all the growers could not make arrangements for the sale of their produce in the city. The credit society did not consider it safe to undertake purchase and sale as the articles were quickly perishable. One of the members came forward to purchase it all on his own account and sell it in Benares. The society can easily take up the business but it has not the courage. To maintain the gardens and the rose fields 2 nurseries are kept by individuals who earn Rs. 1,500 annually from them. If the purchasers happen to be members or societies they get a discount of 25%. The existing wells were enough for the fields. But they were not enough for the gardens. So 11 new wells were constructed. Besides, a power pump was installed by a member who had the largest area to irrigate. Some wells were bored; but on the whole the results were not encouraging. A tank was also constructed and named the Lambert Tank to commemorate the visit of the then Governor. But good intentions being no substitute for expert knowledge it is on a level where water cannot flow in. So it is not even an apology for a tank. Another tank has recently been constructed by the Sarpanch for public use in memory of his brother, the former sarpanch. It lies at a retiring spot and bears no name, though it is more useful. Increasing use is being made of chemical manure; last year nitrate of about Rs. 1,100 and neem cakes of Rs. 450, are reported to have been used. The following improved agricultural implements are in use :—

Meston ploughs	.. 9
Chaff cutters	.. 2
Akala hoe	.. 1

Weaving of silk saries was introduced to supplement the income from agriculture. 49 hand looms are now in use. The annual sale comes to Rs. 8,000 (approximately). The business is however now declining. Benares saries are still counted in the curios of the East by foreign tourists, but they have fallen in demand for home consumption. To teach weaving to children and adults a shuttle loom was installed in the village school, organised by the better living society. It has done its work. 50 people learnt weaving on it. There are now many looms in the village and the one in the school is still there more for show than for use.

It was realised that increase in income usually leads to waste unless measures of thrift are adopted at the same time. Moreover, thrift or avoidance of waste is itself equivalent to increase in income. This is too obvious to economists and bankers but not so to the masses in India. A large part of what may be called avoidable expenditure is closely linked with social customs. Thrift and social reforms are here closely interlinked. These two were, therefore, taken together.

A marriage is now not considered incomplete without a *nautch* girl and fire-works. A dramatic club has been organised in the village which stages shows on important occasions. Ramayan *mandalis* or parties are, however, more frequent. Propaganda against early marriage backed by the Sarda Act had effect ; even so there were 4 marriages out of 22 during the year which defied both the village opinion and the Act. Clothes for children that were formerly sent to the darzi are now sewn by mothers themselves in 48 homes. A sewing machine brought to the village through the society has made its use familiar to ladies. Gambling is no longer in the vogue it used to be ; though it has by no means disappeared. Stray cases are still brought to book. Petty disputes in the village are brought for decision before the panchayat of the better living society which, having acquired a reputation for good common sense, has been invested with powers under the Village Panchayat Act. It has decided 34 disputes, including one under the Sarda Act in which the bride's father was fined and the marriage *stopped*, and 2 partition cases.

An adult school was established which was the chief centre of propagating ideas of improvement. The school was primarily for adults but children were not debarred from attending it. It was held at night when people were free from their day's work. In conception it was more of a social club where all could meet, have a song from the Ramayan, topics of local importance were discussed, ideas of public health, sanitation, cleanliness, and other instructive subjects thrown in between, so that interest may not wane. The school continued for 4 years at the end of which it was converted into a reading club. The club has 96 books on various subjects and subscribes to 2 monthlies viz. *Kisar Upkarak* and *Kushwaha* and one weekly viz., *Dehat*. Another adult school was started later for the depressed classes i.e., chamars. It has worked for 1½ years and 32 adult chamars are on the roll. Another school was organised for grown up women. It imparted training in singing, sewing, reading and upkeep of children. 35 women took advantage of it as against 140 adult males who learnt to read and write Hindi in their schools. A girls school was started by the society. It is attended by 41 girls, mostly of this village. The District Board now meets the pay of the Lady Teacher who is the daughter-in-law of the Sarpanch. The building of the primary school in the village was constructed through the efforts of the society by the villagers themselves. It is attended by 112 boys of whom 60 belong to the village itself.

150 manure pits were dug outside the abadi. A sweeper has been engaged for the village by the society. Soakage pits are but few because the women are in the habit of cleaning their utensils near tanks or wells. There are no more than 4 soakage pits in the village. Lanes and by-lanes to the length of 700 yards have been paved by the society at a cost of about Rs. 1,500. Drains were constructed only last year at a further cost of Rs. 167, of which the society received a contribution of only Rs. 67 from the Government. 13 houses have now ventilators and windows. It is an innovation, more people could not be induced to have them. But the society has decided that if a member intends to build a new house he must carry out the orders of the Panchayat regarding ventilation. There was a wide depression on the south side of the village. It served as a breeding ground for mosquitoes. The villagers filled it up and constructed cattle troughs. But some cattle are still seen tied near homesteads. Small depressions found here and there in the village have now all been filled up.

A general holiday is observed on the Ekadashi day when people engage themselves in cleaning their houses and plaster the floor with mud and cow dung. 5 wells have parapet walls. They are regularly cleaned with Potassium Permanganate by the village aiders.

In the course of 9 years the village was visited with cholera twice but innoculation was soon resorted to and wells cleaned with Potassium Permanganate. Fortunately the disease was thus brought under control, and deaths were but few.

Village aid training has been given to 6 persons in the village each of whom has received from the society a small medicine chest. He distributes medicine for ordinary ailment to members and non-members alike free of all cost. Each of them maintains a register in which names of patients are intended to be entered. Besides, the son of the Sarpanch is a homeopath and gives medicines free to patients.

A midwife is stationed in Chiraigaon. She visits 10 villages and besides attending to patients herself she trains the local dais. In Chiraigaon she has trained 13 local dais, 6 of whom have been supplied with small boxes containing a few ordinary things viz., thread, scissors, soap etc.

3 Akharas have been established which are the popular resort of the youth of the village. The usual daily attendance is from 40 to 50. The Indian games and exercises are in vogue. A batch of 12 scouts has been trained. Their services are requisitioned on important occasions in the village.

Magic lantern shows are held occasionally. Slides have been prepared showing improvements done in this village.

There are 2 directions in which the village has failed to make any improvement. Firstly, propaganda for castration of weak bulls has won no converts. Benares is after all a stronghold of orthodox Hinduism. Secondly, people still ease themselves in fields wherever they like. The use of latrines does not appeal to them.

That the credit society is equally alive is found from its last statement of income and expenditure. During the year 1936-37 it collected Rs. 270 and repaid Rs. 170 in shares. Members deposited Rs. 516 and withdrew Rs. 900, deposits and withdrawals of non-members being Rs. 315 and Rs. 527. The economic depression is reflected in the heavier withdrawals. But the fact that there were some deposits too is encouraging. It indicates that the society has some characteristics—no doubt very modest—of a Bank. Members repaid Rs. 3,859 in principal besides Rs. 490 in interest, and borrowed Rs. 5,689. That they borrowed more than they repaid in principal and interest is another sure indication of the hard times for agriculturists. The society itself borrowed Rs. 1,500 from the Central Bank and repaid Rs. 236 to it. It sold seed and agricultural implements of Rs. 91 to its members. Whatever else these figures may show, they certainly prove that the society is doing brisk business and its assets are fluid in the sense that there is nothing frozen about then.

The financial position of the society is judged from its balance sheet for 30-6-1937. Total outstandings against members are Rs. 9,113 of which Rs. 931 are overdue. Rs. 256 are also overdue against members on account of interest. Deposits of members amount to Rs. 3,475 and of non-members to Rs. 2,285. The society owes Rs. 1,264 to the Central Bank. Total borrowings thus are Rs. 7,024. On June 30, the society had a cash balance of Rs. 467 which it remitted to the Central Bank later. Shares of members in the society come to Rs. 1,734 and the society has invested Rs. 500 in the shares of the Central Bank. Rs. 1,239 are in the Reserve Fund of the Society. The Working Capital of the society is Rs. 10,838; Rs. 850 are the profits of the year.

The borrowing rate of the society till recently was 10% which Mr. M. L. Darling on his inspection rightly declared to be too high. Now it is 9%. It is still high. As stated before the borrowing rate of the society is really the lending rate of the Central Bank. The rate of interest charged from members is 12%. During the year the indebtedness of members to the society increased by over Rs. 1,000. But their outside indebtedness has steadily been going down.

CO-OPERATIVE MOVEMENT IN KOT ESTATE (ATTOCK DISTRICT)

By

CHAUDARI IZZAT ALI, B.A., P.C.S.,

Assistant Registrar, Co-operative Societies, Campbellpur

This Estate is situated in tehsil Fatehjang of the Attock district and comprises about 60,000 acres. The founder of the Estate was Sardar Fateh Khan who died in 1894, but whose name will live for ever for his extraordinary war-like genius. He had no son and therefore the Sardar was succeeded by Sardar Mohammad Ali, the grandson of his real brother, S. Ahmad Khan. S. Mohammad Ali lived only for a few years after the death of the original founder of the Estate and died in 1903. S. Mohammad Ali's son, the present proprietor of the Estate was, at the time of his father's death, a minor and therefore the management of the Estate passed into the hands of the Court of Wards pending the majority of the real owner. In 1910, the late Raja Sher Khan was appointed the manager and it was in his time that the Co-operative Movement took its birth in the Estate. The first practical step in this direction was taken in 1914, when on 2nd October a co-operative society was established in Kot Fateh Khan. Its jurisdiction extended to the whole Estate, and it had 1031 members on its rolls and a capital of Rs. 1,283. The first president of the society was the Manager himself, and the executive consisted of 28 lambardars of the surrounding villages. This society worked upto April 1918, when 16 more were established in the different villages of the Estate. The jurisdiction of the original society was restricted to Kot Fateh Khan. In 1919, the societies numbered 25. In 1922, on his attaining majority, the present Sardar took into his own hands the management of the Estate. Major Sardar Mohd. Nawaz Khan is a great personality and an enthusiastic worker. In 1924 he was appointed Honorary Assistant Registrar. So far all the societies had been affiliated to the Central Bank at the district headquarters, but in July 1924 a Union of the Estate societies was established and the Sardar deposited into it a big sum without interest. So far the total capital of the Union, excepting a small amount of Rs. 3,500 which forms the shareholders' contributions, has consisted solely of the amount deposited by the Sardar. For necessary expenditure the Union levies a contribution of Rs. 10 per annum on every member credit society. In 1925 a co-operative arbitration society of the Estate was established. The headquarters of this society was at Kot Fateh Khan and the society

proved useful in setting petty disputes arising among the members. In 1926, 10 more co-operative credit societies and 11 arbitration societies were also established, because the existing single one had not been able to cope with the whole work. The same year witnessed the establishment of a co-operative thrift and savings society of the servants of the Estate. The number of the societies was thus raised to 48 and that has so far been maintained.

Co-operative Arbitration Societies. Such societies are 12 in number. Previous to this, the jurisdiction of each of these extended over a single or at the most 2 villages, but now every such society's area of operation extends over the whole area of the Estate. The practical difficulty experienced was that if a member of one society had any dispute with that of another society, he had of necessity to go to the court, and this always meant great deal of trouble, besides lot of expenditure. Since the extension of jurisdiction of such societies, this difficulty has been removed, because now if a member of one co-operative arbitration society has a dispute with that of another, the former member joins the society of the latter and applies for arbitration. These societies can hear all cases of civil and revenue nature arising between the members of such societies.

Because of these arbitration societies the people have been saved from the many troubles and much useless expense, which are always the necessary sequels of very ordinary quarrels when brought to courts.

Co-operative Credit Societies. These are 35 in number. In their method of working they slightly differ from other such societies. All the societies are affiliated to the Union, and have informal accounts with it. These have no shares. So long as a member of a co-operative credit society can work, he contributes Re. 1 per annum. This money is returned to the member, on his attaining the age of 55 or earlier when incapacitated for work. There is no paying or charging of interest. Every society can borrow from the union without interest and in consequence lends money to its members without interest. Every debtor has however to pay certain specific contributions at the following rates:

1. In the beginning of the year for miscellaneous expenditure a sum equal to one per cent of his debt or at least annas eight; 2. for bad and doubtful debt fund, a further contribution equal to one per cent of the debt, or at least annas eight; and 3. if the secretary of the society is paid, another one per cent or at least annas eight; but most of the secretaries are paid from the Sardar's own treasury.

An account is maintained of these contributions and except the above noted objects, the amount is not spent in any other way. Contribution No. 2 can be stopped when in the opinion of the Honorary Assistant Registrar, sufficient funds have been accumulated for all the possible needs of the members. On 31st July 1936, the 35 co-operative credit societies of the Estate had the following funds:—

Shares:	Rs.	19,245	On loan:	Rs. 1,05,582
Union's loans;		67,532	Union shares	3,500
Non-Members' deposits		1,175	C. B. Shares:	720
Contributions		22,905	Cash in hand:	1,055
Total:	..	Rs. 1,10,857	Total: ..	Rs. 1,10,857

As is clear from these figures, the 35 credit societies have in ten years' time, accumulated as much as Rs. 42,000 on account of shares and other funds. This is a proof positive of their successful working; furthermore every tenant of the Estate who is a member of a co-operative society, gets the following concessions from the owner of the Estate:—

1. He has to pay no grazing fee for his cattle on the Estate meadows; 2. he does not give *Bhusa* etc., to the owner, which the other tenants have to give; and 3. he has to make no payment to village *Kamins.*

In order to get these benefits, even the people who do not want to borrow money become members of the society. These societies have fully succeded in their mission. A proof of this is that in all societies the columns of unsecured debts in register *Had-i-qarza* are blank. Recently the Deputy Registrar, Rawalpindi inspected the Co-operative Credit Society of Gali Jagir. He asked the members how they managed their affairs in the face of the fact that their society had issued no loans since 1933. The members replied that they had brought down their necessities so low that in the first instance they had on very few occasions an extraordinary demand to meet and when they had, the demand was met by selling a sheep or a goat.

The rural uplift work has been given due attention in the Estate. Every tenant has two manure pits, and almost all houses are well ventilated. The village streets are cleaned regularly. Last year the Gali Jagir village won the cleanliness-cup for the Fatehjang tehsil. A scheme for cattle breeding is also under the consideration of the Sardar and it is hoped that practical steps will soon be taken in this direction.

REVIEWS

THE CORN LAW AND SOCIAL ENGLAND. By C. R. Fay, Cambridge University Press, Sh. 10/6.

Gold and corn have ever roused men's passions in England. Over these there have been wars not of words only. But what gave point to the corn law controversy in England in the 19th century was that the period when she embraced industrialism was also the period when she could not produce enough for the requirements of her growing population. The English landlord who had a monopoly of all land and tried to shut out produce from overseas was shown up in a new and sombre light. The Anti-corn law movement in England was exceptionally fortunate in its leaders who were men of remarkable ability, and its success in 1846 swept away all the restrictions imposed on corn trade which had a long and important history.

Dr. C. R. Fay, one of the most profound of economic historians, has in the book under review traced the history of these corn laws and given it a new setting in the light of recent developments of agricultural protection in England and elsewhere. He has shown how the series of corn laws which began from the 17th century and ended in 1846 were based on a balanced policy of national welfare in which producers' interests pulled one way and consumers' needs another. Agriculture was the symbol of productive strength of the country; but wheat was a necessity of the poor. The great economic struggle between the producer and the consumer was fought out in England over the price of bread and over the restrictions on the importation of wheat, and the Act of 1846 repealing the corn laws marked, according to Dr. Fay, the triumph of the consumer and the fulfilment in England of the economists' saying that consumption is the sole end and purpose of all production.

In his opening chapter, Dr. Fay dwells upon the significance of the corn laws in English history and points out by way of contrast that while other countries exported wheat in their poverty, England exported her surplus wheat after feeding the population. The chapter on the Economics of the Corn Bounty summarises the main features of the various Acts passed between 1660 and 1765. There were both an import duty and an export bounty on wheat. The dynamic side of the 17th and 18th century corn policy was the bounty, and its justification lay in the attempt to relieve the distress of the landed interests when agricultural prices fell far below the economic level. The effects of the bounty have been the subject of controversy now as then, but, as the author points out, have been somewhat exaggerated. The bounty had a steadying effect on production and trade.

By 1765, the condition of England had profoundly changed. The industrial population growing up in towns was rapidly increasing and required more wheat. The new policy was marked by prohibition of export when prices were very high and prohibition of imports when prices were very low. But between those limits an export bounty and an import duty operated. They were based on the dual policy of preventing wheat from becoming so dear that the poor could not subsist or so cheap that the farmer could not live by the growing of it. But in 1815, the Government adopted a device which was without precedent: full freedom of import without any duty when the price was at or above a certain level and absolute prohibition when the price was below that level. This rigid scheme of alternative freedom and prohibition had evil repercussions on the export trade and agriculture itself. Hence by 1828, opinion had once again swerved to a sliding scale of import duties which would help to restore smoothness to consumption. (They had not then hit upon the method of the Quota which is the post-war device of restriction). But no statesman dared in 1828 to propose the remedy of the earlier times for excess supplies, i.e., export subsidy, because after the Napoleonic War it was financially out of the question.

Between 1828 and 1841, rival merits of the sliding scale and a fixed duty were canvassed with academic vigour, but as our author points out the formation of the Anti-corn Law League was taking the edge of that controversy. The cry went forth for the complete repeal of the taxes, not for tinkering with the question. The League succeeded beyond all the dreams because the changing economic conditions in England helped it more than all its propaganda.

Dr. Fay's discussion both of the merits of the Repeal Act and of its effects on prices reveals him as not only a balanced historian but as a historian of great insight and imagination. As an instance of his impartiality, it may be mentioned that he himself has no illusions about England's free trade policy. He admits that the story would have been very different if England had possessed, as Cobden and Bright desired, a strong peasant proprietary and that she would very probably have tried to save the peasantry from ruin by returning to that protection which Cobden and Bright destroyed. Indeed, most of his readers would agree with the author in his view that but for enclosure, England would have met the American avalanche of imports from 1870 onwards by the same policy of protection which all countries on the continent having peasant proprietors adopted. England's free trade policy was thus the

result of her peculiar social and economic conditions, and she made a virtue of necessity.

The Appendix containing the two remarkable speeches of Sir R. Peel in 1842 and 1846 on the corn law reform makes interesting reading.

L.

LIFE AND LABOUR IN A GUZARAT TALUKA. By J. B. Shukla, Longmans, 1937. Rs. 5.

In this work a departure has been made from the usual run of rural economic surveys, which from the first attempt of Dr. H. H. Mann onwards have been confined to isolated villages where conditions may not be typical of any larger area. The wider unit of taluka has been chosen for survey, with some villages selected as 'standard' more intensively investigated for helping to draw general inferences. The author took up this work as a research student of the Bombay University under the guidance of Prof. C. N. Vakil; he has served as Propaganda Officer of the Surat District Co-operative Institute. He has collected local data of population from the Office of the Census of 1931, and secured the co-operation of officers of Government Departments and of Local Boards. The result is seen in the high quality of the work.

Chapters dealing with the size and shape of holdings, cattle, agricultural practices, labour and wages, are full of interesting information and sound conclusions, though the author would have done well to avoid non-economic technicalities in a work of this kind.

What should be of particular interest to the readers of this Review are the two good chapters on agricultural indebtedness and on co-operative credit and sale, which cover a little over 50 pages of the book. From the house to house enquiry made of nearly 800 families, 600 were found to be in debt. The debts have been analysed and the tendencies revealed have been pointed out. One such is the greater indebtedness of the inland tract compared with the coastal tract of the Taluka, which, by the way, is just the reverse of the finding of the Bombay Banking Enquiry Committee! This is partly due to the classes of people inhabiting the two tracts. The larger landholders are more heavily indebted in this taluka as in most other parts of India, and the size of debt depends more on the value of the security than any other factor. Tagavi loans granted by the Government have been much too small in abnormal as well as normal times, though it was well-known that two-thirds of the number of villages did not have any co-operative credit society and the only credit agency was the sowcar. 85% of the total loans have been advanced by this much maligned moneylender class. What could be more poignant to the co-operator than that even in Sonsak, with the best managed society in the taluka, 84 per cent. of the loans were due to sowcars? These people were charging as low as 6 per cent. and seldom more than 9 per cent of interest to the better-off landholders, while to the smaller cultivators the rate was generally 12 per cent., though in a few cases it went up to 18 per cent. As a reaction to the passing of the Deccan Agriculturists' Relief Act, the sowcar insisted on the debtor agriculturist making a deed of sale (not merely a mortgage) of his land; but the oral agreement, not violated in practice, was that the land should be returned to the debtor on the repayment of the loan. Marriage and other social functions account for the biggest share of debt especially in the case of the lower classes, but Mr. Shukla would not call them an unnecessary luxury considering the otherwise monotonous lives of the poorer people. But is it really difficult to devise less expensive recreations?

The author is quite correct in concluding that all attempts at saving the agriculturist from debt would at best be palliatives, if the pressure of population on land were not relieved by measures including rapid industrialisation.

The chapter dealing with Co-operation shows the poor progress—rather the retrogression—of co-operative credit in the taluka. There has been since 1929 a decline in the membership of societies, in deposits from members and even more from non-members; and the Central Bank was more keen on recovering amounts lent. On the other hand, the overdues were mounting up, natural in a period of depression. More co-operative education and effective supervision by unions, and less rigidity in recovery and greater liberality in the sanction of loans to regular members and the creation of land mortgage banks are advocated as remedies—some of which have been already adopted.

The silver lining in the co-operative cloud is the progress made by the co-operative sale of cotton, for which the splendid Sonsak Society has become one of the most famous in India. It has made even greater progress since 1932 (up to which alone Mr. Shukla has recorded its history) as readers of the *Indian Co-operative Review* would have noted in its pages. The serious shortcoming of the whole work is that though it is published in 1937, there is no record of events or interpretation of them, in the last five or six years of the history of the taluka. We hope that some day Mr. Shukla will take up the thread and give us an up-to-date account—a duty which he owes to his native taluka and for which he is eminently fitted.

R.

INTRODUCTION TO POLITICS. By Sudhir Kumar Lahiri and Benoyendranath Banerjea (The Politics Club, 1937, Rs.2).

At a time when the beginnings of popular government are being witnessed in India, there is perhaps no more urgent task than to educate the citizen in the rights and duties of Citizenship. An adequate view of citizenship, however, must be based on an adequate theory of the state: what is true of the totalitarian state will not, for instance, hold good of a democratic one. The point of view presented in the book under review is that, in the final analysis, the democratic state is the best, with its activities 'directed on lines conducive to the welfare, not of any particular class, but of all members of the community'. Starting from this assumption, our authors explain the main principles of politics briefly and clearly. They touch on the evolution, nature and functions of the State, forms of government, types of constitution, citizenship, the relation between law, liberty and equality, parties and allied topics. The discussion is throughout clear and well-informed, being based on standard works in the subject such as those of Mill, Dicey, Bryce and Laski. The book should prove helpful to undergraduates of our Universities as well as to the general reader as an elementary survey of the general problems raised in Politics.

The Indian student, for whom this is primarily intended, is, however, bound to ask himself how far the ideas and theories discussed in these pages are applicable to Indian conditions. For instance, can India work democratic institutions successfully? The demand for equality political, economic and social, is a remarkable feature of Indian social life today. What are its limits? Has the theory of Socialism, as developed in the West, any meaning under Indian conditions? There are no doubt suggestions and occasional references to these in the book but in a book primarily meant for Indian readers, one could reasonably expect a greater emphasis on this aspect of the study.

A.

CO-OPERATIVE SOCIETIES AT WORK IN INDIA

PUNJAB

Government Review of the Report of the Registrar, Mr. F. B. Wace, I.C.S., on the working of Co-operative Societies for the year ending 31st. July, 1936:

Co-operative Societies in the Punjab were first registered in 1905-6. This report describes the position of the movement 30 years later and shows the astonishing results of a generation of effort—22,554 societies with 823,000 members, and net working capital of over 12 crores, a sum much larger than the present budgeted income of the Punjab Government. Allowing for those who are members of more than one society and assuming a family of five per member, the movement has touched over 3½ millions of the population. In Ludhiana 75 per cent of the villages have a society. In Ambala 60 per cent. The Central Banks hold 5 crores of deposits, and members borrow from their credit societies at 6 to 9⅜ per cent simple interest instead of at 18¾ to 25 per cent compound from the money-lender. But figures of this kind tell only half the tale. As an educative and social movement it is probably the greatest force for good in the province to day. It not only brings people together without respect of caste, community or creed, but also teaches them to help themselves; and without self-help there can be no real progress. Every scheme of village improvement depends upon it, and Co-operation develops it as nothing else does. The total cost of the movement in 1935-36 (including the cost of managing 22,554 societies) was 33 lakhs nearly two-thirds of which (21 lakhs) was provided by the societies themselves. And this takes no account of the labours of the many thousand members, who as Presidents, Honorary Secretaries, Directors and Members of Committee give their services for nothing. Finally, no organisation in the province has a more genuine popular feeling behind it.

And yet, great as has been the achievement of the past, only the fringe of the many economic problems presented by the province and its 34,000 villages has been touched. Fifty per cent or more of these villages have no thrift and credit society; in Multan and Montgomery the percentage is over 70. Crores of deposits have been attracted, but only 71 lakhs from members. Though 700,000 acres have been consolidated, many millions are still so fragmented that they refuse any modern system of cultivation. Thousands of villages need a Better Living Society to show them the new light and how to harmonise it with the old. The great and difficult problem of marketting is still almost untouched, and in the village litigiousness and faction are as great a curse as ever. In an age in which experiments in rural reconstruction are being made on a scale undreamt of before the war, and in a country where poverty, ignorance and waste still dominate the country-side, Government cannot but give the utmost possible encouragement to the co-operative movement, which indeed with its ideal of self-selp and mutual help, its total absence of compulsion and its indifference to all communal considerations, offers the Punjab a surer and firmer basis for progress than any of the other system which in the world to day are competing for popular favour.

In the economic field, the chief service of the movement is the provision of a carefully controlled system of credit founded upon integrity and thrift. This

is all the more necessary now that legislation and the fall in prices have partially dried up the ordinary sources of credit. Seven years ago the Punjab Banking Enquiry Committee strongly recommended a scheme which would give every suitable village in the province a thrift and credit society within fifteen years. Owing to the financial stringency, it has not been possible to provide the necessary staff for putting their scheme into force. But now that prices are rising and the finances of the province improving, the Punjab Government proposes to make every effort to implement it, believing with the Linlithgow Commission that "Co-operative Credit provides the only satisfactory means of financing agriculture on sound lines".

Much, however, remains to be done if expansion is to proceed smoothly. Recoveries of agricultural societies are still less than 14 per cent of the amount of loan; overdue interest much of which however can be written off against reserves, totals 167 lakhs, nearly 1,200 societies are in liquidation, and together with societies classed D they owe central banks a crore. But wherever, we look today the shores of credit are strewn with the wreckage of the economic blizzard through which the world has just passed. The Punjab is no exception, but the vessel of Co-operation, though badly bettered, still sails on even keel. Repair is doubtless necessary, but, owing, to wise provision in the past, central banks have a bad and doubtful debt fund of 29 lakhs; and even if all overdue interest had to be written off agricultural societies would still have over 2½ crores of their own left; and it is significant that central banks, with a working capital of 6¾ crores, have in all their history been obliged to write off less than 1¾ lakhs of principal and interest.

Better business, better farming and better living (to quote Sir Horace Plunkett) are Co-operation's three main objects. In the past, for reasons that belong to the history of the movement, better business in the shape of the credit society had to come first. But with changing conditions and wider possibilities, better farming and better living must go hand in hand with better business, if not actually precede it, and the more important kinds of non-credit society must be greatly developed, if the vicious circle which keeps the village in bondage is to be broken. From this need have arisen the 1,210 societies for consolidating holdings, the 205 societies to improve cattle and sheep breeding, 22 commission and sales societies which last year marketed 710,000 maunds, (26,000 tons) of produce, the 108 arbitration societies for settling disputes, and the 736 better living societies whose object is to free their 29,000 members from the shakles of rush-worn customs and to open their eyes to the possibilities of a better life. Some of these farms are developing very fast, notably the Consolidation and Better Living Societies, both of which have been greatly stimulated by the Government of India grant for village welfare. Last year, for example, Better Living Societies increased by 146 and thanks to a staff of over 200 Inspectors and Sub-Inspectors nearly 100,000 acres were consolidated.

But more important than any form of society, whether credit or non-credit, is the grounding of the individual member in the principles and practice of Co-operation. "It is impossible" said His Excellency the Viceroy in a speech in 1930 "to overstress the importance of the educative function of Co-operation." It is most satisfactory therefore that thanks to a generous grant from the Government of India, it has been possible this year to take up the teaching of members on a larger and more intensive scale than ever before. During the year 220 special classes were held, 154 for secretaries and 66 for office holders, and they were attended by over 5,000 members. The grant is to be spread over five years and can hardly fail to have a marked effect upon the rank and file of the movement, though the difficulty of getting the simplest rules and principles into the heads of illiterate peasants can hardly be exaggerated.

If the need for Co-operation is great in the village, it is only less great in the town. With the rapid expansion that is taking place in the larger towns, urban conditions of life must inevitably deteriorate, unless the humble town dweller is taught thrift, cleanliness and self-respect and enabled, by combining with his fellows, to achieve some measure of economic independence. It is difficult for a limited staff to cope adequately with the problems of both town and village. Nevertheless, though the village has the first claim, the town is by no means neglected. There are now 652 urban banks with 44,000 members and last year they advanced 56 lakhs. The largest is the North Western Railway Society with 18,000 members. For the struggling craftsman Government maintains a special staff, and last year the 312 industrial societies purchased for their members raw material to the value of four lakhs. There are also 1,365 Thrift societies, which draw most of their members from school masters and small officials. Finally there are 223 women's societies with 4,600 members, most of whom are more or less urban. As Mr. Brayne has repeatedly emphasized, women are an essential factor in the social development of the province, but under existing conditions it is not easy to bring them actively within the co-operative movement. It is a case for the closest possible co-operation between the Co-operative and the Education Departments.

The report contains a graph which shows the rapid progress of the movement in the first ten years after the war. With the fall in prices advance had to be greatly slowed down. The time is now ripe for a further advance, and the movement is singularly opportune, for in Mr. Wace the movement has a Registrar of unusual understanding and capacity, and his four years' experience as Registrar qualifies him in every way to lead an advance. Mr. Macpherson's invaluable knowledge of commercial and co-operative banking is also still available.

The Ministry is indebted to Mr. Wace for another most informing report, and cordially acknowledges the services of Mr. Eustace who officiated successfully as Registrar for six months, and of the gazetted officers, who have helped to bring the movement safely through the strain and stress of the depression, and of the large staff of Inspectors and Sub-inspectors, who now number 1,064. These last, eight of whom are honorary, are naturally not much to the fore in annual reports, but without them the movement would soon wilt.

In commenting upon this year's report Mr. Brayne writes that he has "no hesitation in saying that the Co-operative Department is conspicuous for the real missionary zeal of a high proportion of its members." This spirit is well exemplified by Khan Bahadur Malik Faten Khan who retired last year from the post of Deputy Registrar after 29 years in the Department, which he entered as Inspector in 1907. No one in the Punjab can claim a longer and more useful record of service, and by his energy, devotion and personality he has left a real mark upon the movement and an example which the younger generation will do well to follow. This review issued in 1937 relates to the year 1935-36, when the Co-operative Department was in the port folio of Sir Jogendra Singh, then Minister of Agriculture. The present Punjab Government would take this opportunity of acknowledging how fair is the inheritance Sir Jogendra Singh has left to his successors and how greatly the Department prospered under his watchful care.

BENGAL

Extracts from the Report of the Registrar, Khan Bahadur Maulvi A. M. Arshad Ali, for the year ending 30th June, 1936.

SUMMARY OF GENERAL PROGRESS.

During the year the total number of all classes of societies increased from 23,443 to 23,529 and their membership from 830,436 to 843,426. The increase was mainly in the number of anti-malarial, relief and other non-agricultural societies. The number of agricultural credit societies, however, fell from 19,807 to 19,790 owing to liquidation of hopeless societies. The total working capital of all classes of societies rose from Rs. 18,35.57 lakhs to Rs. 18,84.07 lakhs, and the total owned capital from Rs. 5,15.80 lakhs to Rs. 5,50.98 lakhs. The deposits from individuals increased from Rs. 7,59.71 lakhs to Rs. 7,79.65 lakhs and the proportion of owned capital to borrowed capital also increased from 28 per cent to 29 per cent.

The prospects of recovery from the prevailing depression continued to be gloomy and signs of improvement in the repaying capacity of the agriculturists particularly the members of co-operative credit societies were wanting. At the same time, it cannot be denied that in certain areas a tendency was in evidence to evade payment on various pretexts. The impending operation of the Bengal Agricultural Debtors' Act from which substantial relief in the shape of remission of accumulated debts and reduction in the rate of interest is expected by cultivators and the influence of the Proja movement were mainly responsible for the default in repayment by many who were able to repay. The percentage of recovery of the principal (including drawings upon their investments) rose to 27.2 per cent as against 16.2 per cent in the last year. Collection of interest was Rs. 28.04 lakhs or 70.9 per cent of the annual demand as against Rs. 29.16 lakhs or 71.7 per cent of the previous year. The total expenditure of the Central Banks which was Rs. 31.31 lakhs exceeded the total income Rs. 29.52 lakhs by 1.79 lakhs. This was mainly due to increased payment of interest on loans and deposits to the extent of Rs. 22.47 lakhs as against Rs. 21.49 lakhs of the last year or 96 per cent of the annual dues as against 85 per cent of last year.

In order to effectively counteract the adverse effects of economic depression on the financial position of Central Banks and societies the position of individual Central Banks was examined and definite instructions have been issued to the banks to take steps in the direction of (*a*) stopping appropriation of a capital receipt in revenue expenses, (*b*) stimulating collection with the help of Central Bank directors residing in the areas of societies and of district, sub-divisional and other local executive officers, (*c*) examining actual repaying capacity of individual members of village societies and ascertaining the bad and doubtful debts of societies and Central Banks with a view to adopting further measures of relief to actual borrowers by remission and reduction in the rate of interest. The Assistant Registrars have been instructed to draw up programme of reconstruction in respect of every Central Bank under their respective charge. The results of these measures are being watched.

The question of revising the rates of interest from the apex to the base with a view to giving the primary borrowers appropriate relief by a substantial reduction in their borrowing rates has engaged the serious attention of the department. So far it has not been possible for the Central Banks to reduce their lending rates to the level of the repaying capacity of the primary borrowers. The only relief they could afford to give to them through their affiliated societies pending a general revision of the rates of interest was a rebate on punctual payment of current demand which, however, could not be earned by most of the borrowers. So far the Provincial Bank has not been able to effect any reduction in their lending rates beyond allowing a rebate of 1½ per cent on punctual payment of current interest but this could not be earned by most of the Central Banks and the amount of total rebate allowed by the Provincial Bank was Rs. 1.02 laks only.

OPERATIONS OF AGRICULTURAL SOCIETIES

Land Mortgage Banks.—The land mortgage bank scheme in Bengal is yet at an experimental stage and the number of banks remained at 5 as it was last year. The total working capital of these banks increased from Rs. 30,820 to Rs. 2,02,113 and their membership from 617 to 1,087, the number of preference shareholders being 21 and that of ordinary shareholders being 1,066. The total paid up share capital was Rs. 17,750 as against Rs. 5,820 and the total borrowings from the Provincial Bank stood at Rs. 1,84,363 as against Rs. 25,000 of the previous year. The number of borrowing members was 484 as against only 65 of the previous year. The total amount of loan issued during the year was Rs. 1,90,300 as against Rs. 23,435 and the balance of loan outstanding at the close of the year was Rs. 2,07,796 as against Rs. 23,380, respectively, of the previous year. In making advances of loans the banks temporarily utilised the admission fees and other miscellaneous receipts to be adjuted later on.

The progress of the banks on the whole has been slow although the progress during the year under report is encouraging. Some of the main reasons for the slow progress are (*a*) high lending rate which cannot be lowered unless debentures bearing Government guarantee of both principal and interest are floated, (*b*) the continuance of the economic depression and the consequent low repaying capacity of the applicants, (*c*) unwillingness of the co-sharers to join in the execution of the mortgage bonds, (*d*) inability to produce sureties by the applicants and (*e*) the introduction of the Bengal Agricultural Debtors' Act which has raised a hope in the minds of the agriculturists that better advantages would be available from the operation of the Act for repayment of their outstanding debts.

Some of these difficulties such as the economic depression and its effects on the agriculturists are evidently beyond the power of the banks or the departments to remove while others can only be met by special legislation. The reduction in the lending rate which is at present 9⅜ per cent primarily rests on a reduction of the borrowing rate which is now 6 per cent. Any appreciable reduction in the borrowing rate is only possible by the issue of debentures bearing Government guarantee of both principal and interest but Government cannot be expected to shoulder the responsibility of guaranteeing principal in addition to interest without effective statutory provisions for speedy, cheap and unhindered realisation of instalments in case of default. In the case where co-sharers are unwilling to join in the mortgage bond some legislative provision empowering the co-sharer applicant to separate his holding without any difficulty or contest is also called for. The provision regarding sureties which is not so important from the point of

ultimate safety of loans can possibly be relaxed by conferring discretionary powers on the Committee of Management through the by-laws. The effect of the Bengal Agricultural Debtors' Act on the land mortgage banks is considered only transient as the attitude of the agriculturists is expected to gradually alter from its present indecision and hesitation to that of faith and trust as soon as the relief and advantages offered by these banks are more widely known and appreciated. The relief that an agriculturist can obtain through the Debt Conciliation Board is more or less an indirect process of insolvency whereas the protection under these banks will mean restoration of lost credit and financial equilibrium.

At the close of the year the total number (progressive) of loan applications received by all the banks was 2,628 as against 1,608 for a total amount of Rs. 13,29,086 as against Rs. 8,11,986 of the previous year. The banks investigated and considered 1,915 applications for a total amount of Rs. 9,67,341 and accepted 757 applications for loans amounting to Rs. 3,49,575 out of which Rs. 2,13,735 was actually advanced in 484 cases. The total number of applications refused by the banks was 1,158 for an amount of Rs. 5,96,449. The applications were refused on various grounds as indicated below:—

.. ..	Number.	Amount. Rs.
(1) Uneconomic holding and unsatisfactory repaying capacity ..	280	1,42,566
(2) Unsatisfactory conciliation ..	100	50,690
(3) Unwillingness of co-sharers to join ..	385	1,92,695
(4) Inability to produce sureties ..	102	48,946
(5) Other grounds (..	291	1,61,552

Agricultural Societies.—The number of agricultural societies declined from 19.807 to 19,790 and the number of their members from 4,52,756 to 4,47,451. There was a slight appreciation of the working capital from 5.84 crores to 5.91 crores but the paid up share capital fell from Rs. 55.44 lakhs to Rs. 54.46 lakhs. Deposits from members increased from Rs. 18.61 lakhs to Rs. 19.78 lakhs. The reserve fund rose from Rs. 165.26 lakhs to Rs. 177.21 lakhs while other common funds created out of profits increased from 27.720 to Rs. 35.634. The total internal capital also increased from Rs. 239.60 lakhs or 41.0 per cent of last year to Rs. 2,51.82 lakhs or 42.51 per cent while the borrowings from the Provincial and Central Banks amounted to Rs. 3,23.37 lakhs or 54.6 per cent of the working capital as against Rs. 3,28.52 lakhs or 56.2 per cent of the previous year. Loans issued to members during the year further declined from Rs. 24.72 lakhs to Rs. 23.30 lakhs but the repayment by members improved from Rs. 29.79 lakhs to Rs. 30.48 lakhs. Overdues at the end of the year increased from Rs. 310 lakhs or 74.7 per cent to 326 lakhs or 80.4 per cent.

Agricultural Purchase and Purchase and Sale Societies.—The number of these societies decreased from 80 of last year to 73, their membership from 13,693 to 13,510 and their total working capital from Rs. 7,94,395 to Rs. 7,80,289. The Central Paddy Sale Society at Ultadingi (Calcutta) handled 56,611 maunds of paddy during the year as against 112,102 maunds of last year, the abnormal shrinkage in supply being principally due to the closing to traffic of the only route of the Circular Canal by the Irrigation Department during the paddy season. The society accordingly suffered a loss of Rs. 3,189. The Gosava Jamini Rice Mills earned a profit of Rs. 1,340 against Rs. 3,623 of last year. The marked fall in profit was mainly due to competition by Rangoon rice and paddy in the Calcutta market. The Bakarganj Sundarban Central Sale Society continued to do well and earned a profit of Rs. 3,188. The Donovan Rice Mill which is an annexe of the society worked for about six months and made a profit of Rs. 2,233. The Naogaon Ganja Cultivators' Co-operative Society sold 1,473 maunds of ganja and 216 maunds of bhang as against 1,560 maunds and 212 maunds, respectively, of ganja and bhang in the previous year. Moreover, the society was handicapped with a large surplus stock of ganja which could not be sold owing to the paucity of demand. The reasons for the steady fall in the consumption of ganja have been explained in my previous reports. The society, however, has been strengthening its reserves and continues to maintain its welfare and utilitarian activities out of its profits as before.

OPERATIONS OF NON-AGRICULTURAL SOCIETIES

Credit Societies.—The number of non-agricultural credit societies rose from 532 to 549, their membership from 211,012 to 226,566 and their working capital from Rs. 443 lakhs to Rs. 476 lakhs. The paid up share capital also increased from Rs. 90.95 lakhs to Rs. 97.14 lakhs. The statutory reserve fund grew further from Rs. 28.89 lakhs to Rs. 32.04 lakhs while other funds created out of profits rose to Rs. 12.67 lakhs against Rs. 10.17 lakhs of the previous year. Rs. 2.93 lakhs was loaned out to members against Rs. 2.63 lakhs of last year and recoveries from members rose from Rs. 2.28 lakhs to Rs. 2.57 lakhs. The overdues at the end of the year were Rs. 52.20 lakhs against Rs. 48.63 lakhs of last year. The total profit amounted to Rs. 12.69 lakhs against Rs. 11.69 lakhs of the previous year. The utility of these societies has been recognised by all concerned within and outside the movement and they have proved a boon to their members in general and the wage earners in particular. Party faction and management by coteries are some of the prevalent vices in these societies.

Stores and Supply Societies.—The number of these societies increased slightly during the year from 43 to 44 and their membership from 5,208 to 5,352. The total sale however declined from 2.61 lakhs to Rs. 2.48 lakhs but the profit earned increased from Rs. 2,196 to Rs. 2,754. The Bagherhat Trading Society in the district of Khulna continued to do good business and the Railway Stores at Kanchrapara and the Bengal Chemical Co-operative Stores at Calcutta also worked well. In the Burdwan Division the United Trading Society could not maintain its pace of progress owing to internal dissensions. The other stores in in the division are more or less in a moribund condition. The only other successful store in the Province is the Sarda Police Training College Stores in the district of Rajshahi.

Anti-malarial and Public Health Societies.—There was an increase in the number of these societies during the year from 931 to 985 and in their membership from 18,280 to 19,207. These societies generally worked indifferently and excepting a few successful ones have failed to carry out their objects. As observed in paragraph 23, an attempt is being made to revitilise these societies by inaugurating a comprehensive scheme for rural reconstruction on an extensive scale.

Rural Reconstruction Societies.—There were 27 societies at the end of the year against 23 of the preceding year. An attempt is being made to revive the activities of the Birnagar Rural Reconstruction Society which has almost ceased to function since the death of Rai Bahadur Nagendra Nath Banerjee, its principal promoter and donor. The Mulghar Rural Reconstruction Society is working more or less as an anti-malarial society but has done good work. The societies in Bholpur group of Sriniketan-Viswabharati have maintained their usefulness and their activities continued to be well directed. The Bogra Medcal Society has pursued its activities further by opening two isolation wards for infectious diseases. The Brahmanbaria Rural Reconstruction Society has achieved remarkable success in eradicating water hyacinth from the subdivision by concerted action. It has also adopted measures for rural uplift by supplying improved seeds, lending the use of agricultural implements free of cost to the members and starting a demonstration farm. Facilities of irrigation by means of pumping machines have also been provided. Besides, the society is trying to educate the members in sanitation, improved method of cultivation and home industry by establishing an itinerant library.

HIGHER CO-OPERATIVE ORGANISATIONS

The Bengal Co-operative Insurance Society.—The society is progressing steadily and during the year under review its business developed by nearly 80 per cent., and its policy funds by 50 per cent., over last year's figures. The society proposes to extend its business though cautiously to all parts of India, Burma and Ceylon.

Central Co-operative Anti-malarial Society.—The number of its constituent societies increased from 942 to 985. On the year's working, it has reduced its loss from Rs. 1,390 to Rs. 270. The society has maintained its anti-malarial activities and has to a certain extent succeeded in initiating the educated public in undertaking measures for improvement of sanitation and public health by concerted efforts.

Milk Unions.—There was a further contraction in the business of the Calcutta Co-operative Milk Societies Union owing to increasing competition by private dealers, the exceedingly low market price of milk and the high cost of pasteurisation and overhead charges. The purchase of milk from the members had to be curtailed to the level of the demand. The sale price was also reduced and its total sale amounted to Rs. 3,04,127 for 35,293 maunds against Rs. 3,31,444 for 34,040 maunds of milk the previous year. The daily average of milk handled was 97 maunds against 93 maunds of last year. The cost of management was further reduced from Rs. 1,11,023 to Rs. 1,04,066. The management of the union was thoroughly reconstructed at the end of the year and the new board have seriously taken up the question of drastic retrenchment of expenses along with internal improvements. The union earned a profit of Rs. 765 against Rs. 256 of last year. The Dacca Milk Union is in a difficult position as the income realised from the sale of milk is hardly sufficient to meet the cost of management in spite of its reduction to the bedrock limit. Most of the affiliated primary societies are not in a position to supply milk to the union and its collection also did not improve during the year. The union, therefore, sustained a loss of Rs. 759. The Naogaon Milk Union has almost ceased to function as the supply of milk by the members decreased to the minimum. An attempt is being made to revive it by organising new primary milk societies in the neighbourhood. The condition of the Darjeeling Milk Union continues to be alarming and it is running at a loss in spite of improvement in management. The Chittagong Milk Union could not make much headway owing to sudden fall in the price of local milk and earned a profit of Rs. 491.

Central Banks.—The number of Central Banks remained at 118 as in the last year. The number of affiliated societies went down during the year from 19,987 to 19,915 but the working capital rose from Rs. 5,17.45 lakhs to Rs. 5,18.11 lakhs. The paid up share capital declined from Rs. 53.33 lakhs to Rs. 52.02 lakhs. The reserve and other funds rose from Rs. 50.73 lakhs to 56.54 lakhs of which Rs. 28.91 lakhs represent [illegible] reserve and Rs. 27.63 lakhs other common funds created out of [illegible] Rs. 26.44 lakhs and Rs. 24.29 lakhs, respectively, of last year. [illegible] amount of owned capital was 20.9 per cent., of the working capital as [illegible] 20.1 per cent. of the previous year. Deposits from all sources diminished from Rs. 2,82.83 lakhs to Rs. 2,78.80 lakhs and loans from the Provincial and other Banks from Rs. 1,22.71 lakhs to Rs. 1,21.83 lakhs of last year. Loans to banks and societies increased from Rs. 53.65 lakhs to Rs. 93.08 lakhs and repayments from Rs. 62.92 lakhs to Rs. 1,02.24 lakhs comprising of Rs. 72.69 lakhs from banks and Rs. 29.55 lakhs from societies, of which Rs. 12.98 lakhs represent recovery of loan in cash. The total profits rose from Rs. 7.72 lakhs to Rs. 9.62 lakhs but the increase in mainly due to the revision of the rate of interest on outside deposits, which decreased the liabilities without a corresponding reduction in the lending rate during the year. The cost of management was Rs. 6.83 lakhs as in last year.

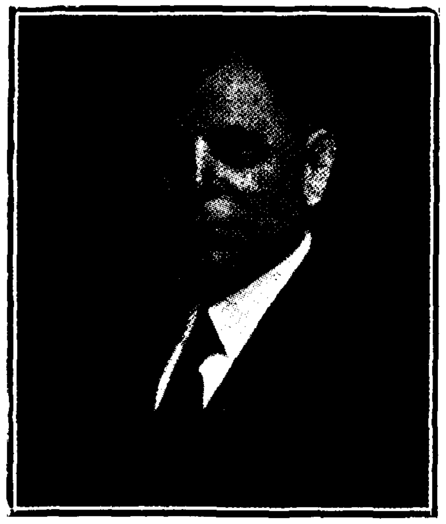
The Bengal Provincial Co-operative Bank, Limited.—The number of members of the Provincial Bank increased from 156 to 163 during the year. The working capital rose from Rs. 2,27.42 lakhs to Rs. 2,38.21 lakhs and the paid up share capital from Rs. 16.69 lakhs to [illegible]. The reserve funds was further strengthened by the allocation of [illegible] total of Rs. 5 lakhs against 4.2 lakhs in last year. The special reserve was also increased from Rs. 11.71 lakhs to Rs. 15.56 lakhs. Deposits from members and others rose slightly from Rs. 194.81 lakhs to Rs. 1,95.95 lakhs. There was a marked increase in the issue and recovery of loans from Rs. 20.03 lakhs and Rs. 19.21 lakhs to Rs. 69.73 lakhs and 69.51 lakhs respectively. This was due to renewal of outstanding loans. The bank had sufficient surplus to cover deposits and in spite of the drastic reduction in the borrowing rates which was almost at par with Government securities, no paucity of [illegible] deposits or renewals has been noticed.

The Bengal Co-operative Organisation Society, Limited.—The number of affiliated societies increased from 18,792 to 18,861. The society participated in the important agricultural and industrial exhibitions held in the Province during the year and also organised publicity lectures in different centres. Besides, the two radio talks were delivered by the Assistant Secretary of the society which were broadcast through the central station at Calcutta. Two journals one in English and another in Bengali continued to be published by the society.

GENERAL

The attitude of general public to the movement remained unchanged and the investing public have been gradually showing increased tolerance with the existing position. The conviction is gradually dawning on them that they have also a duty to the societies which gave them a decent return for their money in prosperous days and they are showing more patience, sympathy and forbearance in their dealings with the societies.

Mr. Vaino Tanner,
President,
International Co-operative Alliance
and XV I. C. A. Congress.



Mr. H. J. May, O.B.E.,
General Secretary,
International Co-operative Alliance.

Rai Ratan A. G. Sherlekar,
Secretary and Manager,
Indore Premier Co-operative Bank.

Mr. K. C. Ramakrishnan,
Lecturer in Economics,
University of Madras.

INDIAN DELEGATES TO
THE XV INTERNATIONAL CO-OPERATIVE CONGRESS, PARIS.

CO-OPERATIVE CONFERENCES AND MEETINGS

THE XV CONGRESS OF THE INTERNATIONAL CO-OPERATIVE ALLIANCE

Held at Paris in September, 1937

The Fifteenth Congress of the International Co-operative Alliance was held at Paris in the Maison de la Mutualite from the 6th to 9th September 1937. Sectional meetings were held in the previous week of those representing the Co-operative Press, Co-operative Education, Workers' Productive Societies, Co-operative Insurance and the International Co-operative Wholesale Society.

The Congress was attended by 477 delegates representing 26 countries, including several republics of U. S. S. R., but not Germany and Italy. India was represented by Rai Ratan A. G. Sherlekar of the Indore Premier Co-operative Bank and Mr. K. C. Ramakrishnan of the University of Madras—both of them deputed by the All-India Co-operative Institutes' Association. The Congress was presided over by Mr. Väino Tanner, President of the International Co-operative Alliance.

In opening the proceedings the President expressed his pleasure at the number of delegates representing various countries, at the interesting problems tabled for discussion, at the efforts made by the enthusiastic French co-operators for a worthy reception to the delegates and at the happy coincidence of the sessions of the Congress at a time when the great International Exhibition was in its full swing. He declared the Congress open and called upon Mr. Ernest Poisson, Chairman of the Reception Committee (and Vice-President of the Alliance) to address the gathering.

WELCOME ADDRESS OF MR. E. POISSON

Co-operative workers of all countries,

I have the agreeable mission and the pleasant task to offer you the homages of the French co-operators.

The National Federation of Co-operative societies, the Wholesale Stores of the Co-operatives of France, the Board of Workers' Association of Production, the National Federation of the Mutual Aid and Agricultural co-operation, the National [illegible] for Rural Credit are present here to welcome the World's Co-operators.

[illegible] the French co-operative movement cannot compete, as far as the numb[illegible] concerned, with the importance of co-operative movements of some countries. Anyhow we are proud of ourselves. Whatever hardships we have had to go through in the past, and even in the present, we are now a movement which is well alive, which is full of enegy, enthusiasm, and expresses itself in different forms of co-operative activity.

The French Co-operative Workers are wholehearted idealists; they consider their movement as an organisation of economical transformation as well as a positive realisation of the great ideal of social justice.

Co-operative workers of the world, if you wish to understand as well, you must for ever keep in mind this synthesis of idealistic aspirations and our practical realisations which is the best expression of our mind.

You are going to attend in our great city of Paris your triennial congress. Do we need to tell you that we should like it to be an eventful date in the history of co-operation, and specially in the progress and development of our Inter-national Co-operative Alliance?

The items you are going to discuss are extremely important. We should like that as a result of the Congress of Paris, some practical decisions would be made allowing the Congress to be up to our social ideal and to approach its realisation. We should like the atmosphere of our discussions to be as pure and as agreeable to inhale as possible.

The congress meets in Paris for the third time since the birth of the Alliance. The first time it was in 1896, when our International Organisation was but in its babyhood; the second time it was during the Exhibition of 1900.

Paris just now offers you the pageant of the great and magnificent Exhibition where you will be able to appreciate the character and quality of our country, the France of work, the France of great ideas, which had formerly enlightened Europe and the world.

You know that we are for ever keeping in our minds the great motto; Freedom, Equality, Brotherhood, and the Co-operative Workers of the whole world try to realise it.

We say *Freedom,* for we think that the progress of humanity consists in giving every day, to every body, and to all, as many possibilities for the free expressions of their thoughts and their actions as possible. We say *Equality,* for we are convinced that all people are entitled to a fair treatment, as we do in our Co-operative Organisations. We say *Brotherhood,* for there is no real justice when the heart remains cold.

Wishing you welcome, we hope you will find this all among us, in our political and social circles, in our Co-operative City.

Co-operative Workers of the whole world, France welcomes you, Paris welcomes you, your Co-operative brethren welcome you, and just as in the time of our Great Revolution, let me greet you using our old French formula of welcome and friendship: *Salut et fraternité.*

Mr. Phillippe Serre, Under-Secretary of State, representing Mr. Fevrier, the Minister of Labour who was unavoidably absent, greeted the Congress on behalf of the Government of France, and expressed appreciation of the presence of a large number of delegates from foreign countries. He referred to the work of Charles Fourier, Charles Gide and Albert Thomas and pointed out how the history of the Co-operative Movement in France was connected with the grave periods of French history—the Revolution of 1848, the Paris Commune, etc. He said the French Government stood to gain very much by the Co-operative Movement, which not only conferred material benefits on members but aimed at the gradual transformation of the economic system, which would maintain Liberty and Peace. He appreciated the great contribution made by the International Co-operative Alliance.

PRESIDENTIAL ADDRESS OF MR. VÄINO TANNER

Dear Co-operators,

The International Co-operative Alliance, for the third time, is holding its Congress at Paris, that enthralling city whose history is so closely bound up with the noble impulses of humanity, and where we encounter at every step those noble words which have left such an indelible impress on the life of every civilised nation—Liberty, Equality, Fraternity.

In thanking our hosts—the French Co-operators, the French Government and the City of Paris—on behalf of the International Co-operative Alliance, for their most kind welcome, I should like to add to this expression of gratitude our appreciation of the collaboration of our French friends, and of the enthusiasm which they have always manifested for our Alliance and its ideals. Ever since the foundation of the Alliance, the French co-operators have actively and loyally taken part in its work. The important position which the International Co-operative Alliance has attained during these forty years proves that this work has not been in vain—the grain of mustard seed has become a large tree.

At our last Congress, three years ago, we had reason to say that the world had passed through the most severe economic crisis in history. We had also to declare that, in their efforts towards autocracy, the nations were engaged in an economic war, the results of which are no less disastrous than those of a military war. I said then that this economic war threatened to destroy the results already achieved by the free exchange of goods, by the free movement of men, by the division of labour and by international confidence.

What is our position to-day? In 1934, the most acute phase of the crisis had been passed, but one can hardly say happily passed. The volume of production was increasing, and unemployment showed a tendency to decrease. Without entering, upon a detailed analysis of developments, it must, however, be stated that these tendencies have been confirmed during the years 1934 to 1937. In several countries production has reached the high level of 1929, and in some it has even exceeded it. Nevertheless, certain countries are still suffering from the crisis or its effect. The countries producing raw materials were the first to recover, but the figures relating to production are not so satisfactory in the great industrial countries. Simultaneously with the improvement as regards production, unemployment has appreciably and continuously decreased, but, according to the statistics of the International Labour Office, the index for the number of employed workers at the end of 1936 was still below that of 1929. Although five years have already gone by since the worst year of the recent crisis, the economic life has not been able to absorb the man-power which was at its service during the last year of the preceding boom.

In the third year of recovery, world trade has not reached the level of a quarter of a century ago. This fact, more than any other, shows the revolutionary, or, shall we say, the reactionary influence of the policy of self-sufficiency to which economic nationalism has led. The principle of the international division of labour, to which Europe, like the rest of the civilised world, owes the rapid increase of her prosperity during the last century and the beginning of this, has been obliged to give place to more elementary principles. When everyone, metaphorically speaking, wishes to be his own shoemaker and tailor, it leads to the permanent stoppage of international trade. The result of the policy of self-sufficiency is that the expansion in the sphere of production is not everywhere accompanied by an improvement in the standard of living. For this reason, the period through which we are now passing does not merit the title of prosperity.

There are other causes which give support to this theory. The present improvement has received its impetus and a great part of its motive powers from the general armament. The expansion of production has, therefore, been brought about to a large extent, by means of a very considerable increase in State expenditure, an increase which has served unproductive ends. Nearly all countries, even the smallest, feel obliged to augment their armaments. Approaching the peak of the economic cycle the unproductive expenditure of the State continues to increase. The result is that the improvement in economic conditions, and even the arrival of the cyclical recovery, begin to disturb the economists as well as the Governments.

The picture that presents itself as we look at the present position of world economy is certainly not a happy one. It is true that certain countries in this respect are exceptions, but one cannot avoid the general impression that the situation of world economy is, obviously, very difficult. Many countries are developing on lines which aspire to economic self-sufficiency and political isolation, a policy far removed from collaboration, which is based on international right. This orientation has destroyed the remnants of confidence which still existed three years ago. We are living in a period of distrust and uncertainty. During the last few years, judging by the pronouncements of the leaders of the Great Powers, Europe has more than once been on the verge of war. The peoples who are engaged in a desperate economic struggle have not forgotten the sufferings of the Great War. Having still to bear the heavy burden of its heritage, they have often discovered, subsequently, that the peace of Europe has only been hanging by a thread.

At this International Congress of Co-operators, I have ventured to touch on this question of war and peace—the most delicate of all to-day—because it is not a matter of indifference to the hundreds of millions of co-operators whom we represent here that the world should be embroiled in another war—more cruel, atrocious and bloody than any which has ever been known before. The International Co-operative Alliance has never concealed its opinion on this subject. It cannot fail, now as formerly, to be concerned for the future of humanity. It has noble traditions to preserve. I would recall to your memory the Congress held at Glasgow in 1913. As now there is a war waging in a peninsular of Europe, so then there was the fire of war smouldering in another corner of Europe. The Congress at Glasgow did not imagine—any more than this Congress imagines to-day—that the International Co-operative Alliance could, by its resolutions and protests, have a decisive influence on the development of political affairs. The I.C.A. is not yet powerful enough for that, but it has, however, at its disposal a means by which it believes the pillars of peace can be erected more quickly. That means was mentioned by Albert Thomas in his brilliant speech at Glasgow in favour of a declaration concerning the guarantees for peace. Let me quote his prophetic words: "For the sake of the economic development of the various nations, and for the material and moral uplifting of the working classes, it is most important that wars should be avoided. We still hope, however, since we may say that the co-operative principle of itself will penetrate into the inner life of the nations, that it will substitute a system of peace and harmony, right and justice, for that of competition and rivalry. That which the Movement has done within nations, will it not do between all nations?"

The Co-operative Movement brings the nations together, it offers—in place of the system which seeks for profit and gives birth to envy, hatred and wars—its own system, which is based on collaboration, and on the solid foundation of peace. The nations do not hate each other—they do not wish for war. That is why we are so grieved at the absence of co-operators representing that great nation in whose name A. von Elm at Glasgow pronounced the following words, which are equally true to-day: "When the great majorities of the English, French and German people declared 'We do not want war, but peace'; when those three great civilised nations were united for peace there would be peace, not only among those nations, but among all nations."

It is in vain to expect now from these three great countries such a simultaneous declaration in favour of Peace. All nations are not free to express their pacifism. That is a tragic feature of our day, and of the Europe of to-day. But although resolutions come to nothing, and in spite of the fact that our essential aim is the extension and strengthening of Co-operation, we can, nevertheless, express our opinion on the responsibility which lies upon those who are destroying peace. Everything which is dead in fact, lives as a lesson. Let us remember that the Great War destroyed and deprived of power those who refused to settle their differences by acting according to the principles of right and of peace.

The programme of the Fifteenth Congress of the International Co-operative Alliance affords an occasion for a profound study of those questions to which I have briefly drawn attention. It is to be hoped that the programme of the Congress is not too overloaded. Paris in September, and with its Exhibition, can be a dangerous rival. History relates of the Congress of 1900 that "the majority of the representatives passed most of the Congress time in the shade of the great trees." Thus, it became "the sultry Congress." Since then, however, the activities of our Alliance have been extended and strengthened. This Congress must be fully conscious of its responsibility, for the questions which figure on the Agenda, if they are seriously discussed, will provide a firm basis for the International Co-operative Movement, which can lead the way out of the confusion which reigns in the economic life of the world.

It is remarkable how often, and how generally, our opponents now speak of the need of international co-operation. The word "co-operation" has become quite fashionable. But our opponents give to it a meaning quite different from our co-operation, and this makes our activities still more indispensable and justifiable. Private trade and production, since they seek only for profit, endeavour to create private monopolies in an increasing number of spheres under the guise of international collaboration. The limitation of production, in order to maintain prices, and the formation of international cartels, as well as the fixing of prices and wages with a view to safeguarding the interests of the private contractor, is not our idea of co-operation. The co-operation of our opponents is contrary to the interests of the great masses of workers, of the hundreds of millions whom we represent. In that also lies its weakness. Our strength lies in the fact that we aim at organising the production and sale of goods in the interests of these great masses of the population, both at home and abroad. When the principles of the Rochdale Pioneers are applied to production and trade, then will open to humanity the road which leads from insecurity and crises of various kinds to increasing and lasting prosperity.

The field of activity which lies before us is infinitely vast. The goal cannot be reached in the space of a few years, nor even decades. But the life of the nations and of humanity may be said to be unending. In the International Co-operative Movement is to be found—as has been amply proved during the short period of its existence—an inward force which grows and expands in the midst of the difficulties provoked by every crisis arising from the economic system which is now gradually disappearing.

During the days of this Congress we have to trace the road along which we must travel in order to realise the Rochdale Principles in present-day conditions. We must revise our programme as regards trade and production, and lay down our conditions. We are asked to make known our opinion on the position of Co-operation in the new economic and political conditions which have arisen during the last few years. The Paris Congress which is now beginning, has a great task to fulfil, and the Co-operators of the World expect from us decisions which will guide their activities in the years to come.

Fellow Co-operators, we can enter upon our work with the conviction that we can find the right solutions to our problems. We shall succeed, because we have remained steadfast to our faith in the mutual solidarity of the peoples, and in the force of Co-operation which rests upon it.

I have, therefore, the honour, on behalf of the Central Committee, to welcome you all to the Fifteenth Congress of our Alliance, and to invite you to bring this great work of construction to a successful issue.

FRATERNAL DELEGATES

Mr. Harold B. Butler, Director of the International Labour Office, Geneva, said that since its foundation 18 years ago, the International Labour Office had been sending a representative to this International Co-operative Congress. It was his old friend and colleague, Albert Thomas, who was attending until his untimely demise. Mr. Butler was happy to carry on the tradition. He was impressed by the similarity of the interests and problems of the I.C.A. and the I.L.O. They had the same conviction that the future of mankind would depend on economic evolution, and the same fear that all their efforts would go in vain if war were again to break out among nations. The I. L. O. would spare no efforts to strengthen the relations between the International organisations of Labour and of Co-operation.

Mr. Pedro Ferrer, Under-Secretary to the Ministry of Labour of the Republican Government of Spain said that the Spanish Republic was well disposed towards the Co-operative Movement not only on account of its economic aims but also for its sense of social justice. The Movement had made considerable advance since the constitution of the Popular Front Government. He expressed the gratitude of his Government and his people to the international co-operators for the moral and material support given by them to the distressed co-operators in Spain.

Mr. George Stolz spoke on behalf of the International Federation of Trade Unions, Amsterdam, comprising the Trade Unions of 26 countries with a membership of twenty million workers who appreciated the benefits of co-operation and realised the common ideals and interests of the two Movements.

Mrs. Emmy Freundlich, President of the International Women's Guild, presented the greetings of the Fifth International Conference of the Guild, held in the previous week in Paris and attended by 400 delegates from 20 countries. It was their desire to work in close collaboration with the I.C.A., and they pursued the same ideals of Peace and Liberty.

Mr. De la Hoche addressed fraternal greetings on behalf of the Universal Peace Campaign. He urged the Congress to recommend to all its constitutent national movements to support the work of national peace organisations and influence State administration in the cause of Peace.

The President cordially thanked the guests and fraternal delegates for their presence and their greetings.

REPORT OF THE CENTRAL COMMITTEE ON THE WORK OF THE I. C. A.

In the afternoon session, the report of the Central Committee on the work of the International Co-operative Alliance from 1934 to 1936 was presented by **Mr. H. J. May,** the General Secretary. It reviewed the progress of the Co-operative Movement in Great Britain, in Sweden and other countries and its difficulties and trials in countries like Germany, Austria, U. S. S. R. and Spain. The General Secretary also reported his impressions of the Movement in countries visited by him, viz, Bulgaria, Yugoslavia, Roumania, the Baltic States and the United States of America. The Report contained also a brief reference to the work done by the Inter-co-operative Relations Committee which had met at Geneva a number of times to promote inter-co-operative connection between agricultural and consumers' organisations.

The discussion on the Report was carried on the whole evening and also some part of the next morning session. There was a lot of feeling expressed by the delegates in favour of the Spanish Republic and the Co-operative Movement therein. A Soviet lady delegate criticised the I.C.A. for its isolation and its refusal to link itself with other workers' organisations with the consequence that its appeals for funds went in vain. She wanted the I.C.A. to call upon the working masses to mobilise themselves against Fascism. On the other hand, a Spanish delegate, Senor J. V. Roig, paid a great tribute to the Alliance for its humanitarian work in the Spanish troubles and emphasised the benefit it had been to the Spanish workers to to have had the help of the wholesale societies. He stressed the fact that the Movement in Spain was neutral. It comprised Catholics, Communists and anarchists; but they had all a common ideal.

Mme. Butusova (U.S.S.R.) said that the criticism of the Central Committee on the Co-operative Movement in U.S.S.R. was quite unjustified. Russian co-operators had supported the plan of reorganisation that had been adopted in the Soviet Union. As a result of the increasing production and of the consuming power of the population, it was necessary to develop the distributive system and a further division of tasks had to be accepted. Our organisation could not be judged by the same criterion as in a capitalist country. In Russia all land, all national resources and all commerce were owned by the people and administered for the development of the nation. There was no intrinsic distinction between State trade and co-operative trade. There was no private trade, no exploitation of the consumer. The division of trade was made on a question of convenience. In 1935 the increasing production made it clear that the Centrosyous was able to satisfy the needs of the 160 million consumers. In Russia there was no competition between the two systems of trade, and the Co-operative Movement had shown great progress since the decree of 1935. In 1936 as many as 5,000 new stores were built. A trade of 63 billion roubles in 1936 was expected to increase to 94 billion roubles in 1937, an increase of nearly 50 per cent.

Dr. A. Novakovic of Yugoslavia said that the Co-operative Movement tended to live too much in the past. Because it had been formed as a consumers' movement, it should not ignore the need of the producers, especially agricultural workers, for protection of their interests.

Divergent views were expressed of the position of the Co-operative Movement in Roumania and on the control exercised by the State.

Coming to the Obituary section of the Report, the President asked for a minute's silence and all the delegates stood up in honour of leading co-operative workers who passed away in the last three years—Antonio Verguanini who was a friend of Luzatti and died at Rome in 1934, Vilis Silin who had been Latvia's representative on the Central Committee and died at Rega in 1935, James Deans of Scotland who served on the Executive Committee of the Alliance and died in 1935, A. Honora Enfield, the able General Secretary of the International Co-operative Women's Guild who died at Paris in 1935, Emil Honkapuu of Finland, the doughty champion of neutrality and a member of the Central Committee of the Alliance who passed away in 1936, and Sir Robert Stewart of Scotland who had served as President of the Scottish Wholesale Society and was also a member of the Central Committee of the Alliance and passed away in 1937.

Mr. H. J. May replied to the discussion and said that he was surprised at the comparatively few criticisms. As regards Russia he said that the Report had been prepared with the greatest care by the Committee and 90 per cent of it was based upon the official records and documents of the Soviet authorities themselves. The International Co-operative Alliance aimed at brotherhood, understanding, common friendship of the human family and a realisation of that peace which had loomed so much in the advocacy of the Alliance, but was never nearer being wrecked than at the present time. He appealed to the delegates to envisage the possibility that the Co-operative Movement had by its economic and moral force to change the social system of the world and to establish civilisation on a better and nobler plane. He declared with some feeling that the I.C.A. was in danger of developing a psychology of fear—"the craven fear of being great"—but the time had come when the International Co-operative Army should demonstrate in its practice the solidarity which it professed, and should not interpret Political Neutrality as impotence, but should, in the largest and broadest sense, use its great powers and opportunities for the advancement of the cause which it was organised to promote.

Mr. May drew special attention to the section of the Report on Spain. He said that in some quarters this had not given satisfaction because of its outspokenness; but so far as he was concerned, it was too modest and too timid. By its appeals to its affiliated organisations, the Alliance had done something to establish a degree of solidarity with the co-operators of Spain, but the results of the appeal had been very small in view of the urgent need of the Spanish co-operators. In his opinion, the Congress should declare itself in no uncertain manner in support of the Spanish co-operators in their violent struggle for those simple rights of humanity which their organisations were designed to uphold.

The Report of the Central Committee was then put to the vote and adopted unanimously.

CO-OPERATIVE FINANCIAL POLICY.

The Congress accepted the Report on the co-operative financial policy by the Central Committee in a resolution which expressed satisfaction that the general financial position of the Movement was well founded on co-operative principles and sound business methods. The resolution urged the necessity of maintaining the strictest control over the financial development of their societies and federations, not only because the principles of Co-operation demand the highest standards of commercial morality, but in order that they may continue to provide the greatest security for the savings of the members and also that they may demonstrate to the world at large the impregnable character of the co-operative economic system. This resolution was rendered necessary by the results of an enquiry undertaken by the I. C. A. in 1935, when an analysis was made of the structure of the working capital, the problem of liquidity, and the connection between the liabilities and assets of co-operative societies in about 20 countries in Europe. The results were published in an appendix to the Report of the Central Committee.

Mr. L. Davidovitch of Yugoslavia submitted an amendment recommending the national organisations of Co-operation, of whatever type, to create central co-operative banks which should constitute the supreme organisations of finance in the respective movements. It was agreed to refer this recommendation to the Central Committee for examination.

WORLD PEACE

The Congress adopted unanimously the following resolution submitted by the Central Committee:—

> *"THE FIFTEENTH CONGRESS of the INTERNATIONAL CO-OPERATIVE ALLIANCE, assembled at PARIS in the presence of an unprecedented situation of tension in international relations and the constant menace of war, views with horror the possibility of humanity being once again plunged into an armed conflict which would certainly shake, if it did not destroy, the foundations of our civilisation.*
>
> *"THE CONGRESS reaffirms its conviction that the co-operative system of economy, combined with the spirit of association which animates its activities and inspires its social ideals, furnished the truest basis of international understanding and the surest guarantee of universal peace. It calls upon its affiliated organisations in every land to defend the democratic character of their institutions and the freedom of their people by every means in their power."*

THE SITUATION IN SPAIN.

The Central Committee's resolution on the Spanish Situation expressing the sympathy of the Congress with the societies and their members in Spain and approving of the action of the Committees of the Alliance in launching appeals for funds concluded with the "fervent hope that effective measures may speedily be found for ending this dreadful conflict and restoring Peace to the Spanish people." This was received with mixed feelings by the delegates.

Mr. Alfred Barnes, M.P., (Great Britain) criticised the lack of courage shown by the Alliance, which was supposed to represent 17 million citizens of the world and said that it would be received with ridicule and contempt by the Governments of the world. Not only were co-operative and democratic sympathies with the people of Spain but the democracies of the world, especially of the British people, were not prepared to become mere automata but were determined that they should control the (political) machine and that the machine should not control them. An amendment was proposed by the British delegation. **Mr. A. G. Sherlaker** (India) supported it. Some more passionate speeches were made by the British delegates. Mr. Ernest Poisson, said "the whole question was whether it was an amendment of a political character or not, and it was his view that it was 'excessively political' and therefore should not be supported. The question was referred to the Central Committee for reconsideration.

At a subsequent session of the Congress, the Committee brought forward a slightly amended resolution which inserted the words "and right" after "Peace" and before "to the Spanish people" in the concluding portion of the resolution. The revised text was debated at length, particularly by the British delegates, who wanted to secure the insertion of the words "of international law" after "rights" in the last line. This proposal was eventually accepted in the interests of unanimity though the Central Committee did not seem to like it.

THE ROCHDALE PRINCIPLES OF CO-OPERATION.

The Report of the Special Committee approved by the Central Committee, which was the result of seven years' enquiry and examination on the principles of the Rochdale Co-operation, was next submitted to the Congress. Its conclusion was that nothing in the modern developments of industry and commerce or changes in economic method has diminished the integrity of the seven principles of the Pioneers of Rochdale. The Committee, however, were of opinion that there should be some discrimination in the importance to be attached to those seven points in deciding the essential co-operative character of a society or organisation. They suggested that co-operative character depends on the adoption and practice of the first four of the seven principles, viz., (1) Open Membership; (2) Democratic Control (One, Man, One Vote); (3) Distribution of the Surplus to the Members in proportion to their Transactions; and (4) Limited Interest on Capital. In the opinion of the Committee, the remaining three principles, viz., (1) Political and Religious Neutrality; (2) Cash trading and (3) Promotion of Education, while undoubtedly part of the Rochdale system, and followed in different countries, are not a condition for membership of the I.C.A.

Prof. Fred. Hall, Educational Adviser of the Co-operative Union, said that he was a member of 40 years standing of the Rochdale Pioneer Society. He appreciated the loyalty to co-operative principles enunciated in the Report. But he was rather nervous of written constitutions. He hoped that the Alliance would interpret more liberally those clauses which they adopted as conditions of membership of the Alliance. Conditions varied so much from country to country under different laws and it would be a great pity if there was anything like a 'heresy hunt.' He hoped that there would be no refusal of admission to the Alliance to those who are not of the pure Rochdale blood. The important thing was to keep the connection between all who were working with the co-operative spirit, whatever might be the form of their societies.

Dr. Stefan Ioan (Bucharest) said that he could not understand the attitude of the Alliance in recommending that the principles of political and religious neutrality, cash trading and educational contributions should be optional. They were at the same time preparing for the celebration of the centenary of the Pioneers and declaring that their principles were outdated. If they did not uphold the principle of neutrality he feared the run of politics would be introduced into the Co-operative Movement, and instead of deciding whether a Society is true or not according to Rochdale Principles, they would have 'red,' 'green' and 'white' societies.

Dr. Faquet (France) said that the French Co-operative Movement had expressed its satisfaction with the recommendation of the Central Committee as it would increase interest in the history and special character of the co-operative institutions.

Mr. Parthenia (Roumania) said that though the Report declared that the usual system of dividend was inapplicable to banks. In Roumania the co-operative banks paid, in addition to the fixed dividend, a fluctuating yearly dividend in the same way as on commodities.

Mr. Marshall (Great Britain) made a speech which was much interrupted by the British delegates. He was frankly of the view that the Co-operative Movement had failed in Great Britain. It was responsible for only two per cent of the total production of the country after 98 years of working. He said that the capitalist world was crumbling under their feet while they were talking about old fashioned principles of Rochdale. The principles were not fast enough......only the substitution of a Socialist autonomous State could serve the interests of the masses. The present Co-operative Movernment in Great Britain served the better-off worker and the middle class. They were pygmy capitalists and could not solve the present problems.

Mr. Madracek (Czechoslovakia) urged the importance of the principle that co-operators should only serve their own members. A trading society doing 80 per cent of its trade with outsiders or a productive society giving work to outsiders could only be called pseudo co-operative. Mutual assistance seemed to him to be the first principle of co-operation and all others derived from it.

Mme. Miturina (U.S.S.R.) said that the time spent in scholastic researches might be much better spent. Soviet co-operators trained in the school of Marx, Lenin and Stalin did not want to waste their time in such considerations. The spirit and not the lettter of the Rochdale Pioneers was what mattered, and that was to improve the lot of the working classes of their day. The development of capitalist monopolies with the Governments of capitalist countries standing behind them had meant that political action was essential and that the principle of political neutrality should be abandoned.

Sir Fred Hayward and Mr. P. J. Wilbury (Great Britain) denied that Mr. Marshall represented the views of British co-operators. The British Co-operative Movement with its seven million members and vast resources could by no means be called a movement of petty capitalists. On the contrary it stood as a great monument to the capacity and intelligence of the working classes and was a remarkable contribution to social amelioration.

The Report of the Central Committee was adopted by the Congress with only two dissentient votes after which the session concluded.

THE PLACE OF CO-OPERATION IN DIFFERENT ECONOMIC SYSTEMS.

The next day, the special paper of the President, Mr. Vaino Tanner, on the place of Co-operation in Different Economic Systems was taken up. It was an elaborate survey of the position co-operation occupied in democratic states and totalitarian states, Socialist and Fascisist. He emphasised that the Rochdale co-operative principles were sound, that solid buildings could be erected on their foundations but very little now remained of the economic liberty in which the Movement was begun and fostered. Co-operators found themselves hampered in every direction in dictatorship countries; all independence was lost by co-operators; it was others who prescribed the rules. Was it still possible to apply the co-operative principles or to claim liberty for the members? There was a divergence of opinion on this and the Central Committee wished it to be fully discussed at the Congress. Hence this paper of Mr. Tanner. It is impossible to give in the pages of this *Review* anything more than the conclusions at which Mr. Tanner arrived; and they were as follows:—

1. The Co-operative Movement is an association of the working population, as consumers and producers, in order to improve their economic and social position. It is the realisation of a new economic and social system, which, however, nowhere appears as a dominating system, but it supplements other existing economic systems or mitigates their defects. The co-operative system of economy offers to consumers as well as to producers form of activity which eliminates unnecessary middlemen between producers and consumers, and guarantees thereby a just price to the producers as well as to the consumers. At the same time it brushes aside capitalist struggle for profits and endeavours to realise economic democracy and equity.

2. The Co-operative Movement, which began and developed on the basis of the capitalist economic system as a counteraction to the social drawbacks attached to that system, has developed into a powerful social movement of consumers and producers. As long as capitalist countries observe the principles of free competition and free commerce, the Co-operative Movement, in competition with private enterprise, is able continually to expand within national as well as international boundaries. Consequently, it resists all efforts that are made by legislation, taxation, etc., to restrict the activity and possibilities of development of Co-operation, and by all legal means defends its interests and the conditions of its existence.

3. In an ever-increasing number of countries the system of capitalist competition and free trade has lately been replaced by a democratic-capitalist regulation system, and in some countries by a capitalist planned economy attached to political dictatorship. The tasks of Co-operation have been partly extended and partly curtailed in capitalist regulated and planned economic systems attached to democracy as well as in those attached to dictatorship. One of the aims of State regulated measures is to encourage the foundation of Agricultural co-operative societies and to give them a privileged position in comparison with private, or consumers' co-operative enterprises. On the other hand, distributive societies may, in a system of this kind, be forced to submit to a regulation of prices as well as to stop the supply to their members of certain life necessities, and even to refrain from the opening of new shops and the founding of productive establishments. The policy of autarchy regularly associated with a regulated economy leads also to the opportunities of international co-operative production being limited to practically nothing.

The tasks of Co-operation are retained even in the spheres of a regulated and planned economy. Then the activity and development possibilities of distributive societies depend upon what position the State gives co-operation in the spheres of a regulated or planned economy.

The Co-operative Movement condemns, as unfair and unwise, those attacks that the State in some capitalist dictatorship countries has launched against the Distributive Movement in order to strangle the Movement or to curtail its possibilities of development.

The Co-operative Movement holds that democracy is a necessary condition not only to co-operation itself, but also to a successful development of the present social life in general. All other forms of the political life mean reaction, and they should be repelled in the name of the existence and progress of co-operation. Also all wrongly directed forms of regulated and planned economy that unjustly favour only a few social groups at the expense of the rest, or which, by disloyal autorchic efforts directed against other nations, restrict international exchange, are rejected and opposed by Co-operation.

4. In one case a former capitalist system has been replaced by a dictatorial socialist economic system. In other cases, efforts are made to establish a democratic socialist planned economy.

The tasks of co-operation are not excluded even where a socialist economic system has been established on the basis of collective ownership and planned economy. The Co-operative Movement, however, repels in all Government forms—consequently also in a socialist Government form—a complete nationalisation of the means of distribution and the enterprises of distribution, declares that this form is but replacing a capitalist oligarchy, with a State-bureaucratic oligarchy and thus is contrary to the principles of economic democracy. If the people are to support the economic life, they must also take a direct part in the administration of the economic enterprises. The state administration of industrial and other productive establishments should likewise be limited, and the main part of the economic life should remain in the hands of the other economic factors, and particularly in those of the Co-operative Movement. Representatives of Consumers' Organisations can, in the State's economic administrative organs, represent only the general interests of the consumers. On the other hand, it is possible to visualise a socialist system of agriculture, in a high degree collectivised, on the basis of combination and collaboration with agricultural co-operative societies.

At the conclusion of this paper Mr. Tanner moved on behalf of the Committee the following resolution:—

The Congress declares.—

That Co-operation, as a form of expression in social activity of its own, is possible and necessary in all the different kinds of economic and political systems, even though its tasks and importance vary in different systems, principally depending upon the character of the social groups which have obtained possession of the State power.

That the Co-operative Movement in all economic systems demands for itself complete freedom of activity on the basis of its own principles, and repels all efforts to control politically its activity.

That the Co-operative Movement, wherever a regulated economy in some form or other has been put into power, rejects measures that hinder the national or international development of its activity, just as it rejects any efforts in a socialist economic system to concentrate the whole economic activity in the hands of public bodies.

Dr. E. de Balogh, (Hungary) seconded the resolution. The Hungarian Government had given financial assistance to the Movement on condition that it had supervisory boards without interfering in a departmental way. But the Movement fearing that each future Government might show a different attitude was seeking to build up its financial position to secure complete independence.

Mr. Alfred Barnes, (Great Britain) entirely approved of President Tanner's views but said that the resolution was open to misunderstanding and wished to amend it to give it greater clarity. In the first paragraph, there was the implication that it was a natural order of things that the co-operative movement should accept the position of subservience in the interests of national economy. The British amendment would cut out the first paragraph and rest upon clear declaration upon the necessity for freedom in the second paragraph. There was also a danger in the third paragraph, when it said co-operation rejected measures of a regulated economy in some form or other that has been put in power. Once totalitarian State has been put into power it used its power to regulate the economic life of the State and suppressed co-operation in the process. It was too late to use the word "rejection." The only alternative was a counter revolution with definite political action to gain political power that had been lost. The British delegation therefore proposed to substitute the following amendment:—

"That the attitude of the Co-operative Movement towards all economic systems should be to demand complete freedom to expand and develop its activities on the basis of its own principles. The I.C.A. therefore calls upon all its affiliated organisations in every land to pursue with energy and determination the extension and strengthening of their respective societies and to use all their powers to secure from the State and all public authorities full recognition of the value of the Co-operative Movement."

Miss H. T. Low (Great Britain) seconded the British amendment. Not only in the Central European countries was Co-operation in difficulties. The British Government was not Fascisist. It set up marketing boards, which took no heed in the interests of consumers and imposed penal taxes on the Movement. Yet Co-operation was not politically ready and many of them voted in support of the same Government. The only reply to such political action was politicial action by co-operators, who were in serious danger of losing their liberty by not recognising this fact.

Mr. Tanner replied to the criticisms which were almost all friendly. He was of the view that the British amendments said very much the same as the official resolution with the single exception that the British delegation would do away with the proposal to 'repel all efforts to control politically the co-operative movement'. If this clause in the resolution were omitted, the resolution would become much less acceptable and urged the Congress to support the resolution in its original form. On being put to the vote, the British amendment was declared lost by 196 votes to 295. The resolution of the Central Committee was then adopted by a very large majority.

THE DEVELOPMENT OF INTERNATIONAL EXCHANGE

Mr. A. J. Cleuet, President of the International Co-operative Wholesale, submitted his report on "The Development of International Exchange" in two sections (1) General and (2) Co-operative. The substance of his report as presented by him is given below:

This question of the Development of International Exchange, which the Executive and Central Committee of the International Co-operative Alliance have requested me to present to this Congress, is an eternal question, and I mean by that not only that it has never been solved in the full sense of the word, but it seems, indeed, that it never will be, as long as harmony between world production and consumption, on the one hand, and the synchronisation of exchange, on the other, are not organised in such a manner that everything is for the best on the best of economic worlds.

It was the great European war of 1914-1918 which, more than anything else, interrupted the development of international exchange. It is scarcely necessary to remind you of its various consequences—the devastation in the majority of countries which took part in the war; the collapse of their economic system; the difficulties encountered in the economic reconstruction of new nations; the chaos produced in the international markets; the difficulty of carrying out commercial regulations; the widespread instability and insecurity which have rendered the long-term investment of capital practically impossible; the general fluctuation of the exchanges, which could be described without exaggeration as "the currency drama", to refer only to the most obvious results and those which can be mentioned without fear of contradiction.

Without a doubt, since the conclusion of the war, we have had brighter intervals, by which I mean periods when human reason and the will of certain statesmen have led us to hope for better times, but these hopes were of short duration and never realised.

In fact, at the very moment when this Congress is meeting, and because of the international situation, the development of international exchange is particularly handicapped. In every country war budgets are on the increase. War, which broke out lately in Africa, is raging to-day in Spain and in the Far East. This means, speaking generally, the ruin of the internal economies of the majority of countries, which makes difficult, because of the shortage of ready money in their treasuries, the normal supply of food to their populations, and of raw materials to their industries, when they cannot produce them or extract them from their own soil.

We are, therefore, confronted with a renewal of self-sufficiency, which means retrogression. In the majority of countries, unwillingly and through necessity, this evil method is being adopted. In others—the nations subject to totalitarian political systems—self-sufficiency is enforced with ostentation or even frenzy. It is being organised systematically and rationally, and it is being put forward as a system which might become definitive.

I declare myself categorically against the system of Protection. It represents for me the first step in the direction of self-sufficiency, since it tends to hamper international exchanges. I have tried in this paper to exhibit Protection to you in its various aspects, both in its direct forms:—prohibitive customs duties; various taxes; exchange super-taxes; taxes on licenses, with all the bargaining which this system entails; absolute or temporary embargoes on certain products; clearing and compensatory systems, and quotas, as well as in its indirect forms:—marks showing the country of origin; discriminatory sanitary precautions; maritime privileges for certain flags, etc. I need not review in detail these various points with which, of course, you are well acquainted and which constitute in every one of your countries obstacles to the development of international trade.

The protectionist formula is, moreover, objectionable to the consumer who often loses the opportunity of acquiring this product or that which suits his convenience and his taste, or else is made to pay more dearly for it; if he is not forced to content himself with a substitute, which is not, of course, supplied to him at a lower price.

The right method of economic organisation for the world is the international division of labour and of production. It is determined by the varying economic equipment of the different regions, countries and continents, their diverse climates, the variety of their natural resources, as well as the habits and technical capacity of their inhabitants.

Thus; each country possessing some advantage in one branch of production, it follows that only an extremely broad system of economic relations can enable this method of international division of labour to produce its full and salutary effect.

International division of labour and production necessarily implies, therefore, the application of a regime of free trade.

If I may refer to the opinion of those who have taken part in preceding International Congresses, that we should not declare ourselves in favour of Protection. but, on the contrary, in favour of freedom of communication and exchange between the peoples.

That is the ideal to which I, for my part, am deeply attached, but let us look clearly at the reality. In other words, what are, in the present state of affairs, the possibilities of a thoroughgoing application of such a system? Let us say plainly that it seems impossible and dangerous to pass, without a period of transition, from the present situation to pure and simple free trade. In fact, thanks to the development of machinery, the application of scientific methods, inventions and researches of all kinds, considerable progress has been realised in recent decades, not only in the sphere of industrial production and in transport, but also in the sphere of agricultural production. It would thus be possible for certain countries literally to flood another country with products with which the latter, working under conditions almost identical in respect of returns, would, nevertheless, be able to supply itself. (The disparity in value between two currencies could, for example, facilitate such an operation). It must also be borne in mind that, as a result of the disturbance of the international markets, which we have already had occasion to mention, the highly developed organisation, both as regards capital and industrial technique, of the trusts and cartels has enabled them to play a dominating part in the purchase of certain raw materials, their transport, and their manufacture.

This is another danger which menaces complete freedom of trade. The problem of raw materials must be reckoned to-day amongst the most serious which demand the attention of world opinion, and it is generally considered to form one of the elements of a still wider problem which is, of course, that of peace in general.

The question of raw materials was raised after the war by the Treaty of Versailles. Article 23 prescribed "equitable treatment for the trade of all members of the League", and was no other than the expression of the French suggestion, submitted previously to the Peace Conference, in favour of establishing the free circulation of materials essential to the industrial and economic life of every country.

But a dispute arose over the word "equitable"—an immediate warning to all the participants in the great war that peace had confused their language. Now, from this time onward the general economic situation was disturbed both by the shortage of stocks and the disorganisation of transport.

The countries which produced different materials attempted to profit by circumstances, either by reserving their raw materials for their own industries, or by holding impoverished countries up to ransom by tariffs which were both excessive, arbitrary and discriminatory.

Since 1921 the problem of raw materials has been investigated by the League of Nations, and does not seem to have approached the point of being solved.

Another aspect of the question of free trade is the practice of dumping. Before the crisis dumping was considered as, in some fashion, a shameful disease. Almost all nations practised it, but all concealed it from themselves, or at least tried to excuse it by attenuating circumstances. To-day dumping has ceased to become a shameful disease; it has become a fashionable malady of which everyone is inclined to boast.

Dumping has contributed more than anything to the disorganisation of world economy. The classical definition seems to be as follows:—"Dumping exists when goods are sold for export at lower prices than those which are quoted at the same time and under the same circumstances to buyers on the internal market."

Dumping may assume the most diverse forms, and in the paper which you have before you I have tried to describe them under their various aspects—governmental, social, and monetary.

All these facts are not absolutely new. They were already important enough to attract the attention of international assemblies of Co-operators held at Paris in 1919 and at Basle in 1921, which declared against a system of free international competition, distorted by methods of dumping, or by the manoeuvres of the great trusts. In conclusion, these assemblies, while declaring against both protection and free trade as thus practised, expressed the desire for the establishment of a new international economic order.

These resolutions, adopted immediately after the war at a moment when it was possible to hope for a definitive peace and when the establishment of the League of Nations made it possible to contemplate an economic agreement between all the nations of Europe, were not extreme. They expressed generous and legitimate aspirations, but ten years later, at the International Co-operative Congress at Vienna in 1930, all these hopes collapsed, for the situation in Europe had become rather worse than better. And the International Congress, leaving to history the resolutions of Paris and Basle, declared itself purely and simply in favour of the principles of liberty of communication and of exchange between the peoples.

Now we are again confronted by the same problem. Should we repeat the symbolic gesture which we made at Vienna and leave it there? This would be at once convenient and too simple.

We owe it to ourselves, and to the great Movement which we represent, to make an effort of thought and will by defining as exactly as possible our attitude to a problem which engages the attention of public opinion in every country.

I understand very well that it will be difficult to combine all our ideas, for our attitudes to this question may differ according to our respective countries, as well as according to the policy followed, the principal products on which their prosperity is based, and their situation with regard to the currencies of other countries. For my own part, as a Frenchman, I am bound to have similar anxieties to your own. Nevertheless, I am here dealing with the problem as an European and as a Co-operator.

The draft Resolution which we submit for your consideration is very clear. In the first place, it condemns Protection in its direct and indirect forms. In the second place, it expresses the desire for the establishment of economic relations between the peoples on the basis of free trade, adapted to the conditions under which international economic activity is now carried on. It is no longer a question of free trade pure and simple, but of a limited freedom of exchange. But in order to realise such a programme, and in order that the States shall establish to this end an agreement to ensure its realisation, "the European household" must be cleansed, and a "climate" established which will render the execution of this vast operation more easy, both morally and technically. Now, the tragic events to which I alluded just now, and which have convulsed Europe, have created, among other things, situations which are very difficult to handle, and which complicate general relations between the majority of the nations. I refer to international debts.

By finding an equitable solution to this problem as quickly as possible, the formulation of a policy aiming at the greatest freedom of movement for capital, and the return to the practice of linking currencies with an international monetary standard, would be greatly facilitated. No one can fail to perceive that in this way one of the most important obstacles to the development of international exchange would be eliminated.

But there can be no question of dealing fundamentally with these points, for they would demand considerable technical progress. Nevertheless, we ought all to realise that it is essential to find a solution for them before embarking upon the limited system of free trade which we advocate, and in order to ensure its full and continued success.

The agreement which should be established between the States should rest on a basis of loyalty and sincerity so that no contracting State should fear either subtle attacks through indirect protection or dumping, or attemps at boycott, or the effects of combinations promoted by cartels and international trusts.

Moreover, the convention contemplated between the States would necessitate the establishment of an international tribunal to investigate the disputes which might arise through commercial, industrial and agricultural transactions in the international sphere.

Admittedly, the solution which we recommend is not specifically co-operative, since we have adopted the general point of view, as every group and association interested in the public welfare and in the best possible functioning of economic activity ought to do.

It is in this spirit that I ask you to consider, and then to adopt, the following draft resolution which is submitted for your approval.

"Recalling the Resolutions adopted at its Congress held at Basle (1921) and at Ghent (1924) which affirms the necessity for the creation of a new international economic system, based on agreements which should be as extensive as possible, having as its object the association in economic peace of the national economic systems in one international economic system, to be established with a view to the reciprocal satisfaction of their needs—

"Recalling, also, the resolution, adopted at its Congress at Vienna (1930), re-affirming the faith of co-operators in the principle of freedom of communication and exchange of goods between all nations—

"THE FIFTEENTH CONGRESS of the INTERNATIONAL CO-OPERATIVE ALLIANCE, expressing itself in favour of the freedom—under certain conditions —of international exchange:—

1. Declares itself against all forms of Protection, direct or indirect, and demands the formation of an extensive scheme for the reduction of customs barriers preceded by an equitable solution of the problem of international debts, accompanied by the close collaboration of the issuing institutions, with a view to re-establishing, as soon as possible, an international monetary standard on a stabilised basis.

This scheme would aim at securing, to the greatest possible extent, the freedom and development of international trade under such conditions of loyalty and sincerity that no State would be afraid that any other contracting State would practise 'dumping', or dread the action of too influential Trusts and Cartels on the market for raw materials.

2. Considers that the generalised practice of Co-operation, or State policies co-operatively inspired, would help in the carrying out of this programme, especially in facilitating agreements between producers and consumers, and in securing the distribution of world resources amongst the markets under the most economic conditions and without any spirit of competition."

The discussion was opened by Mr. **George Gaussel**, Director of Magazin du Gros (C. W. S. of France), and representative of the French Co-operative Movement on the Directorate of the Bank of France. He emphasised the need for establishing a monetary standard ending the monetary disorder, which affected all international transactions, co-operative and otherwise. The chief causes of that disorder were two. The first was material—the war and its consequences. Countries which were previously creditors have become debtors, and vice versa. Whereas previously it has been a tradition that the debtor States were export countries paying for their debts by exporting commodities, now the creditor States wanted to be at the same time to be exporters of commodities and importers of capital. The settlement of dues in commodities was becoming impossible. The flow of capital took the direction not from rich countries to poor countries but in the opposite direction and as long as that state of affairs lasted, a lack of monetary balance was inevitable. It would clearly indicate that the nations were inter-dependent and that the prosperity of some could not be built on the ruin of others.

The other case of monetary disorder, being non-material, was still more difficult. Previously money was utilised to facilitate exchange. Now people try to make it a weapon of social struggle or for purposes of prestige. There was still mistaken notions about money—the miracles of the accredited system of inflationist theories, the control of exchange etc. all due to erroneous conceptions of the nature of money. Co-operation at least had no excuse for such misapprehensions and should realize that labour was the only real wealth and that there was no other way of making progress but by increasing the productivity of labour.

The monetary system of the future should be based on class co-operation of the issuing banks, a co-operation which existed before War and should be re-established. The monetary standard should not be old liberal gold standard but would introduce the principle of central control and organisation.

Dr. E. Antal (Hungary) said that the world war had legally ended. But it continued in an economic form. We must direct attention to remove the causes of distrust and hatred between the nations and establish complete equality of rights among the nations.

Mr. Efter (Palestine) said that passing resolutions was of little use towards solving the problems, for the Co-operative Movement continued in the various countries to influence only a small section of the nation. As co-operators, they should combine with the trade unions and the social democratic parties to influence governments in the direction of the economic policy they supported.

Mr. K. C. Ramakrishnan (India) then spoke as follows:—

I am sorry that on the first occasion on which I appear before this Congress I have to make a few adverse comments on the Report submitted on behalf of the

Central Committee to the Congress. We were told yesterday that old liberalism was dead. But it seems to be flourishing in this report, which echoes the *laissez fairie* theories of the nineteenth century. We are somewhat surprised at the faith of a great co-operator in unchecked free competition which we used to think was condemned by co-operators, who were out to adjust supply to demand, and produce for a known and guaranteed market.

As for the resolution asking the Congress to 'declare itself against all forms of protection,' I am bound to say that not merely the captains of industry in India but all thinking Indians, with the exception perhaps of some vested interests like merchants of imported goods, are convinced protectionists. We are not out for self-sufficiency in the narrow political or economic sense. Indeed, there is practically no Fascist or militarist in India, but we have a growing number of social democrats. Our leaders have been for over fifty years agitating for the development of industries in the country with a view to restore the balance between industry and agriculture, to rectify the evil of over-ruralisation of India in the last century, while Europe is now talking of over-industrialisation of the world. Our old indigenous industries, for which India was once famous, had been declining on account of the invasion of manufactured goods from countries with a number of acquired advantages and adventitious aids in addition to natural facilities.

It is possible to make too much of the theory that production is determined by climate, customs and natural resources and 'the temperament of the population and the vicissitudes of history.' If by this is implied that certain countries like the tropics and the orient are more fitted by nature to produce and export raw materials and import manufactured goods of western countries, it is better we frankly refute such an assumption. The rise of industry in India and Japan—against which British manufacturers have now successfully sought protection or preference in Indian markets—proves the contrary. As for tradition and temperament, India has had in the past the reputation for the production and export of the finest fabrics, though on a small scale. Does it really sound *natural* that we should send our raw cotton and other raw materials thousands of miles away to Japan or Great Britain and get them back as manufactured goods?

There is in India an imperative need to open up avenues of employment to the many men unwanted on land—so runs the finding of many commissions and committees of enquiry. Industrial development by protection if necessary is not to the immediate interest of patriotic men who urge it, as most of them belong to the educated middle class and as consumers they stand to lose rather than gain, at any rate immediately by a policy of protection. But they willingly stand the sacrifice in the interests of the masses of unemployed and underemployed workers. The working classes who are wage earners are not likely to be so greatly hit by the higher prices of manufactured goods consequent on protective duties. They earn really too little yet to be able to buy even the necessaries of life, most of which are the direct products of land, unprocessed and unmanufactured. The comparatively small sacrifice they have to make in the purchase of a few manufactured goods is the price they have to pay for the welfare of their own class. Indeed the withdrawal of protection at this stage would mean the depression of wages, already too low, if not unemployment due to the closure of factories.

After all, the protection we in India have sought is not of the immoderate kind that is in vogue now in most of the western countries. What a few organised industries in India have been getting for the last fifteen years, after years of agitation, is really protection of a moderate kind, except perhaps in the case of sugar.

The term used is 'discriminating protection' as laid down by the Fiscal Commission, and it was granted after an exceptionally elaborate enquiry by the Tariff Board into the cost of production, of marketing, etc. The British Government in India has for long been the custodian of consumers' interests, which has incidentally helped manufacturers in Britain, and it has not given up this role. There are representatives of working classes in the legislatures who have seen to it that the rates levied are not too high. There is not, therefore, much danger of poor consumers being hard hit by the system of protection obtaining in India.

What I would propose to this Congress, therefore, is the insertion of the word, 'indiscriminate' before 'protection' and after 'all forms of,' so that discriminating protection of the type we have in India may not be ruled out as objectionable. Voting for the resolution as it is would amount to a vote for the survival of the fittest, which is not the creed of co-operators.

Mr. Harold Taylor (Great Britain) urged that the consequences of the present tariff barriers could only be war and he said that even more emphasis was needed on that point. There were three attitudes that they could adopt—(1) an attitude of expediency which in spite of the Indian Delegate's views he believed could only lead, because of the conflict of interests, to further difficulties; (2) the attitude of compromise which had obvious dangers; (3) the attitude adopted by the Co-operative Movement in Great Britain of uncompromising hostility. He urged the importance of settling the problem of raw material and appealed for a vision such as earlier co-operators had had.

The resolution was then put to the vote and carried—the Indian delegates dissenting.

Mr. A. J. Cleuet then introduced the second part of his Report dealing with "International Co-operative Exchange," a synopsis of which is given below:—

The first commercial transactions between Wholesale Societies already date back more than twenty years.

As a matter of fact, these transactions were by no means large and their occurrence was intermittent. It was just after the war that their volume showed a tendency to expand. Those taking part in them were, on the one side, Wholesale Societies which had been functioning for a very long time, and on the other, new Organisations in the countries where the Movement, as a result of the war, was in process of establishment or reconstruction. It may be added, in order to make our survey complete while treating the question generally, that large credits advanced by the older Wholesale Societies to the younger were of considerable assistance in concluding these transactions. Finally, a factor which would appear to have launched this first stream of bilateral transactions between Wholesale Societies, was the more frequent contact between the representatives of the principal European Wholesale Societies due to the resumption of international co-operative relations in 1919.

These commercial transactions did not increase in importance because of the difficulties of a general character to which I referred in the paper you have considered this morning. The industrial and monetary crisis, which has affected almost all Europeans countries and obliged them to impose so many restrictive measures on the normal development of international exchange, had its reactions within our own Movement, and that is why international co-operative business has stagnated and declined. It is desirable to add that the absence of specialisation among the

Wholesale Societies in the sphere of international trade has prevented them from completely surmounting the obstacles of various kinds arising from the crisis and the difficulty of settling accounts.

In spite of everything, commercial contact has never been lost, and the greatest efforts have been made for ten years past to extend these bilateral relations as widely as possible.

In the midst of these events and difficulties, the idea of an International Wholesale Society, advocated as long ago as 1907, was revived, and led in 1924 to the formation of a Society, registered under British law, whose precise and legal title is "The International Co-operative Wholesale Society." From the beginning 14 European Wholesale Societies were members of this new Association, and its present membership is 25.

If since its establishment the International C. W. S. has not yet achieved any results of an organic character, it would nevertheless be unjust not to recognise that its activity has been useful.

In the first place, it has helped maintain and even to increase the development of bilateral commercial relations between the Wholesale Societies, and by so doing has maintained a contact which is indispensable to the future activity to which I shall shortly refer. Its permanent task has been the collection of commercial information and the compilation of statistics, the publication of a "Commercial Letter" for the purpose of keeping its members informed of the new co-operative trading enterprises, the market situation, the financial and economic position and, if necessary, the legislation of each country.

We may also mention that various inquiries into certain industries, studies relating to sources of supply of raw materials, an inventory of patents and manufacturing processes, various exchanges of experience and the joint purchase of dried fruit in America, Greece and Turkey have engaged its attention.

Finally, a year ago, in the course of one of its meetings, the idea of establishing an international commercial agency, which had previously been considered but had been prevented by various obstacles from being realised, was revived. The great step has now been taken. A few days ago the General Meeting of the International C. W. S. held in Paris was informed that its Executive Committee had succeeded in constituting such an Agency which would begin work without delay. It is now no more than a matter of days. This is the first important achievement of the International Co-operative Wholesale Society in the sphere of organisation.

The International Co-operative Agency, by a happy chance, is on the point of being established at the very moment when the resolution before us recommends its formation. It is not the result of hasty improvisation. Many discussions were necessary before the final decision was taken. All aspects of the problem have been carefully examined and every precaution taken to ensure its successful working. You will already be aware of the character of the activity in which it will engage.

In the first place, it will purchase tropical, colonial or other produce imported by European Wholesale Societies and already representing a considerable value. According to figures compiled by the I.C.W.S. our total imports amount to 45,000,000 sterling, of which 65 per cent consists of primary necessities. This figure does not include imports effected by the large Societies without the collaboration of the National Wholesale Societies.

If we succeed in organising a very small proportion of this volume of imports the material existence of the new Agency is definitely assured. Beside the imports destined ultimately for the Retail Societies, the Wholesale Societies import considerable quantities of raw materials required by their productive enterprises. The assistance of the Agency in combining their purchases of these commodities, and for transporting and distributing them amongst the various Wholesale Societies, will certainly be useful. With regard to the marketing abroad of the surplus productions of some of the Wholesale Societies the Agency can also play an important role.

It is well known that the productive departments of our Wholesale Societies sometimes meet with difficulties in disposing of their output, either because their national market is glutted with goods of a particular kind, or because the excessive speed with which new lines of goods and fresh changes of fashion are introducted requires the rapid liquidation of stocks. Another consideration to be borne in mind is the need which a Wholesale Society at times experiences of producing more than it can distribute through the Co-operative Movement of its own country. This can occur when it is urgently necessary to make use of a large stock of raw material or perishable goods, for example, in jam making, or when there is an advantage in manufacturing a larger quantity than is required in order to reduce the cost price.

Over-production in itself is always an evil, and must always be regarded as regrettable, in a co-operative enterprise, but it cannot always be avoided.

What is certain is that, step by step as we develop our production—which is the object of all the Wholesale Societies—we are tempted to expand in order to secure competitive cost prices. There is inevitably competition for markets, even outside the national territory. We consider that the Agency could play a useful part under such circumstances, and that we are entitled to hope that the establishment under its auspices of an international co-operative trade-mark would greatly facilitate the disposal of these unavoidable surplus productions.

May we not legitimately hope that the International Co-operative Agency will very rapidly cover the various fields of commercial activity at first allotted to it? To all those who cherish a profound faith in its success, it seems that the Agency will soon be obliged to consider other problems, such as the establishment of purchasing depots in exporting countries, the direct handling of certain colonial products, purchasing contracts or actual partnerships with Central Agricultural Organisations of stock-breeders or growers.

In short, the commercial success of this International Co-operative Agency which has secured the support of the majority—and the most important—of the Wholesale Societies of Europe, need not be doubted for a moment.

This first organic union between Wholesale Societies will lead to the happy result of a great commercial intimacy between them and a fuller knowledge of their needs and possibilities of development through an extension of their trading operations. Thus the realisation of the final conclusions which are submitted for your consideration can be more easily envisaged.

It will thus be necessary to associate in the international field, step by step as the magnitude of our needs indicates the necessity and the urgency, in order to form specialised Societies which will handle a single product or group of products of the same kind which can be dealt with together. These Societies would, of course, not include every member of the I.C.W.S. but often only a part. It is desirable to take into consideration the fact that any given article may not be utilised to the same extent in every country.

Moreover long-term contracts may prevent a Wholesale Society from joining at once in the establishment of a specialised Society. There will also be other obstacles, and the financial difficulties will not be the least important.

Nevertheless time is pressing, for in the field of industry and commerce the Wholesale Societies are already encountering—and they are not alone—the formidable trusts, and the manoeuvres of cartels.

Now in the industries in which the sway of the international trusts has attained a certain degree of domination, co-operative enterprises are, as a rule, inadequate. It is certain that we are confronted with enterprises or combinations of a financial magnitude such that it is difficult to find the side from which an attack might be lodged with the best chance of success, and even the organisation of effective defence seems impossible.

Admittedly, the trust aims at larger profits all the more because it finds them within its grasp in all departments of an industry under its control raw materials, transport, manufacture and distribution to consumers. But definitely, its technical organisation is remarkable, and from this point of view we must regard the trust as an advance on the old-fashioned formulas which are finding a smaller and smaller place in the economic organisation of modern times.

Besides, a formidable advertising service on behalf of productions continually increased and perfected renders the position of the trusts impregnable and may endanger some of our national co-operative productive enterprises. So far as certain articles are concerned the extent of the territory which they already occupy prevents us from attempting to enter new branches of production.

The trust is powerful because it is internationalised. Neither customs duties, nor quotas, nor the whole arsenal of protective regulations can prevent it from continually expanding its manufactures in every country where it establishes subsidiary undertaking.

Its methods of industrial organisation, its plans for machinary, its processes of manufacture, designs, laboratory experiments, publicity organisation, technical leadership , commercial procedure, etc. all benefit from centralisation and from co-ordination in the purchase of raw materials, and rest on wide and solid financial foundations.

The fundamentally international character of the Co-operative Movement demands that we consider these facts with the closest attention and seek the means of liberating ourselves from its domination. The danger to the development of our production is not immediate, but is sooner or later certain.

We must therefore rally our commercial and industrial strength, which is already considerable and admirably buttressed by our co-operative principles. Our international union must be not only a union of hearts but an amalgamation of everything which we represent in the shape of material power in the world. We referred just now to hostile economic forces against which we have to erect barriers in order that our co-operative ideals and achievements may not suffer a check. We must not forget that we are sometimes at the mercy of changes in the political constitution of certain countries. Recent examples, Italy and Germany in particular, prove how little resistance the Movement can still offer to great political hurricanes. We do not claim to have found any effective remedy against such set-backs, and that is, of course not the subject of the present discussion, but I may be permitted to express the opinion that the more solid and flawless the international cement which unites us, the more easily shall we triumph over the economic and political coalitions which oppose our ideal.

That is why we advocate in the first place the greatest possible loyalty on the part of the Retail Societies in dealing with their National Wholesale Societies, in order that the industrial and commercial strength of the latter may be reinforced.

It is the task of the Wholesale Societies resting firmly on the basic organisations of the Co-operative Movement, to bring International Co-operation a stage nearer its material realisation.

At the end of his speech, Mr. Cleuet submitted the following resolution dealing with International Co-operative Exchange :—

THE FIFTEENTH CONGRESS of the INTERNATIONAL CO-OPERATIVE ALLIANCE, in view of the importance and gravity which international problems have for the development of the Co-operative Movement in general, RECOMMENDS

A. *To the Co-operative Retail Societies :—*

The greatest possible fidelity to their National Wholesale Societies, in order to strengthen the Commercial and Industrial force of the latter.

B. *To the Co-operative Wholesale Societies :—*

1. *Their affiliation to the International Co-operative Wholesale Society, and their active participation in its work ; and also the continuation and extension of their own commercial relations ;*
2. *The renewal and development of the experiments in mutual purchasing which they have already made, with a view to the creation of an International Co-operative Agency, the only organisation capable of directing these operations in a rational manner, especially in conjunction with Co-operative Agricultural and Productive Organisations ;*
3. *The study and creation of specialised International Co-operative Societies, with a view, on the one hand, to safeguarding the interests of the consumers in the face of the modern forms of commercial and industrial organisation employed by International Trusts and Cartels, and, on the other, to improving, without any thought of competition, the technique and means of supply of the Wholesale Societies on the world market.*

Owing to the lateness of the hour, little time was given to the discussion of this all important section, the only speakers being Mr. N. S. Beaton (Great Britain) and Mr. K. C. Ramakrishnan (India).

Mr. Beaton, supporting Mr. Cleuet's observations, rejoiced that the meeting of the International Co-operative Wholesale Society in Paris had decided upon setting up its international agency in London. The Scandinavian wholesale society had already its buying agency in London. The new agency would act for 16 countries, and would do for the wholesale societies what the existing wholesale societies were already doing for their retail societies. Mr. Beaton made a powerful appeal for support for the new venture.

Mr. K. C. Ramakrishnan spoke as follows: I am indeed very happy to say, on behalf of the Indian Co-operative Movement, that we are in general agreement with this part of Mr. Cleuet's Report, and we heartily support the resolution re: activities of the International Co-operative Wholesale and particularly the idea of linking it with the organisation of agricultural and productive co-operatives. We note that the International Co-operative Wholesale Society is constituted of national wholesales of consumers and that attempts have already been made for joint purchase of requirements in the cheapest markets and if possible, from the agricultural co-operatives. In India, unfortunately, consumers' societies have not been well developed. In fact they were strangely enough not even contemplated by the British rulers who were responsible for the organisation of co-operative credit societies, though they came from the classic land of consumers' co-operation. There are a few good store societies in India, and I have the honour to serve on the Board of Management of the famous Triplicane Urban Co-operative Society (the 'T.U.C.S.' as it is called) which is by far the biggest consumers' society in India, having 6,000 members in its 25 branches scattered all over the city of Madras. This has been entirely independent of State aid and was indeed started prior to the first co-operative Societies' Act in 1904. But this society and some others that are at all comparable with European societies in transactions, consist of educated middle class members, and have practically no working class members. Some of the factory and railway employees have co-operative organisations of their own, more or less controlled by the management of the concerns. It is only with the development of the labour movement in the country and the increase in the wages of working classes that we can expect the growth of a genuine consumers' movement among them. The few good stores that we have at present are not federated into a national wholesale, and they may not act together as a federal body for some time to come. But permit me to assure you that some of us, like the T.U.C.S., will do all in our power to avail ourselves of the services rendered by the International Co-operative Wholesale and if possible to supply any information relating to buying. centres and markets, etc. in our country.

We in India, however, are far more interested in the development of agricultural co-operatives. On the credit side we are very strong, in number of members and working capital at any rate. Out of 100,000 societies we have 90,000 agricultural societies of which 80,000 are only for the provision of credit. A lucid account of their working and their problems is given by our leader, the Hon'ble Mr. V. Ramadas Pantulu in the August issue of the *Review of International Co-operation* and I shall not dilate upon them. They are not likely to be of interest to international co-operators here. But we are also developing other forms of agricultural co-operatives, notably the marketing societies, some of which have attained big size, handling cotton, jute, oil seeds, etc., which may not be in demand by primary consumers societies, but yet may be in demand by the national wholesales as raw materials of industry, which they have organised in their factories. If the International Co-operative Wholesale Society will do something to find a co-operative market for such produce of our sale societies it will be rendering a great service and inspiring a great deal of confidence in our country in the International Co-operative Movement.

May I say, Sir, in this connection that in India, and perhaps in other agricultural countries too, there has been for long an impression that the International Co-operative Alliance is essentially, if not wholly, an urban industrial consumers' federal organisation, in which agricultural co-operatives could have no place. Indeed, if we had studied co-operative literature aright, the leaders of the consumers' co-operatives had for long no faith in agricultural co-operatives composed of independent producers on land and they aimed at the control and organisation of agricultural production as well as industrial. Whatever might happen in other parts of the world, we in India cannot visualize any socialistic or collectivised form of agriculture, especially in the case of rice—the most important crop—which, far more than wheat or other grains needs and responds to the individual attention of the producer, that is, the cultivator who is self-directed. It is particularly heartening to us to note the recent change in the attitude of the big consumers' movement, including the International, and the desire for inter-co-operative relations with agricultural producers' organisations. I have, therefore, great pleasure in extending the humble support of the Indian delegation to this part of the report and the resolution on the development of international exchange.

The resolution was then put to the vote and carried unanimously.

THE NEXT CONGRESS

On the invitation of the Czechoslovakian Co-operators it was decided to hold the next session of the Congress in 1940 at Prague (Czechoslovakia).

VOTE OF THANKS

A hearty vote of thanks was proposed to all the co-operative organisations of France for their generous hospitality to delegates and the excursions arranged by them to centres of co-operative interest and to the French Government and public authorities for the receptions and the presence of their representatives in the Congress, at the Exhibition and elsewhere.

THE XXIV MYSORE PROVINCIAL CO-OPERATIVE CONFERENCE.

Mysore, 12th Oct. 1937.

Extracts from the Welcome Speech of Mr. S. Venkatakrishnaiya, B.A., B.L., President of the Mysore Co-operative Institute.

It is a matter for gratification that the working of the co-operative societies in the State during the year 1936-37 has shown an all round improvement with better recoveries, larger transactions and an appreciably greater net profits. There was, however, a slight fall in the number of societies, membership and deposits held, due to cancellation of registration of a number of bad societies and the disinclination shown by many societies to accept deposits for which they could find no profitable investment.

There has been an improvement in the recoveries in the Central Financing Institutions consequent on the rise in prices of some agricultural produce. The Land Mortgage Bank recovered Rs. 53,944 against a total instalment demand of Rs. 69,726 leaving a balance of Rs. 13,982. It has been able, besides declaring a dividend, to grant a rebate of half-a-per-cent on its loans. The Apex Bank recovered towards principal and interest Rs. 4,45,323 as against Rs. 3,49,413 last year. The arrears outstanding are still heavy. The Registrar and his Staff have been unsparing in their efforts to collect the arrears. In addition the Apex Bank itself has appointed Circle Inspectors and Collection Agents on a commission basis in suitable areas in addition to offering concessions to debtors on certain conditions as inducements for payment. As a result of the concessions offered, 159 out of a total of 420 indebted societies have so far been able to make themselves eligible for those concessions by bringing their interest accounts up to date. The Apex Bank and the Co-operative Department have undertaken the revaluation of the mortgaged securities. The preliminary investigation made of 103 societies shows that the security is mostly adequate, despite the fall in prices, and the general position is on the whole satisfactory. It is hoped to complete the investigation of the remaining societies during the year. The debentures of the Land Mortgage Bank are very popular and are eagerly subscribed for. The credit and the stability of the Apex Bank are well maintained, in spite of the continued economic depression and other adverse factors, as evidenced by the free inflow of deposits and the maintenance of ample fluid resources amounting to Rs. nine lakhs.

The department had hitherto confined its attention to mostly the consolidation and rectification of the existing societies with a cautious policy of expansion. We think the time has come for adopting a bolder policy of expansion on new lines in the light of past experience and present conditions.

The new line of development is in the direction of controlled credit, organisation of multiple purpose societies and societies for marketing, construction of licensed ware-houses and development of subsidiary occupations and home industries and rural reconstruction. The Government have organised rural reconstruction centres in different places. The co-operative department is considering the feasibility of organising an areca sale society in Shimoga. The Department of Industries is engaged in investigating subsidiary occupations and home industries suitable to particular areas, and it is hoped that concrete proposals would ere long be formulated. We are confident that these new lines of development would be actively pursued and that as a result a new era will be ushered into the co-operative movement.

The outstanding event of the year in the co-operative movement has been the holding of the Fourth Joint Conference of the All-India Co-operative Institutes' and Indian Provincial Co-operative Banks' Associations in Bangalore in July last, on the invitation of the Institute. It gave opportunity to our members to come in contact with eminent co-operators from all parts of India and profit by their discussion on important problems confronting co-operators to-day. Of the various resolutions passed at the Conference those that are of practical importance to us at this stage are: 1. The organisation of multiple purpose societies, 2. The compulsory licensing and registration of money-lenders ; 3. The creation of a statutory charge of agricultural produce in favour of the creditor societies ; and 4. Free permission to grant advances on fixed deposits to non-members. I hope along with the recommendations of the Mysore Co-operative Enquiry Committee these will also receive the favourable consideration of the Government and early effect given to them.

The Government have now passed orders on the recommendations made by the Mysore Co-operative Enquiry Committee in some of the chapters of their report. Barring a few exceptions this Conference has expressed its general approval of the recommendations of the Committee. When all the recommendations are given full effect to, we are confident the societies will be placed on a sound footing and the movement will develop along sound lines.

Extracts from the Presidential Address of Rajadharmaprasakta K. Shankaranarayana Rao, Officiating Chief Justice, Mysore.

Retrospect.—The Co-operative Movement in Mysore, just as in other parts of India, was started with a view to improve the economic condition of the rural population and the first step taken in this direction was to start credit societies so as to provide cheap credit on easy terms, and thereby to wean the agriculturist from the clutches of the usurious money-lenders. Unfortunately in the first outburst of enthusiasm many societies were started, regardless of the local conditions, and monies were advanced indiscriminately, without due investigation. Economy, integrity and efficiency are the three essentials of Co-operation, and these do not appear to have received sufficient attention in those early stages. The result was that very little of the money advanced came back to the societies. It is not my intention to blame anybody, because at that early stage those that started such societies and those entrusted with their management had no previous experience, and in common with all pioneer movements of this kind, they had many difficulties to contend against. Now that sufficient experience has been gained and the questions pertaining to their improvement have been investigated, not only by several Committees that have sat from time to time in Mysore, but also by many others in other parts of India, we have many illuminating and practical suggestions as to the manner in which Co-operative Societies have to be started and run, and how those already in existence can be improved. Whatever mistakes might have been committed in the past, it is quite heartening to learn from what Mr. Venkatakrishnaiya has just now said, that an investigation into the affairs of several of the societies, which have already been examined, shows that the position of the bulk of them is satisfactory.

Education on Co-operation.—As has been pointed out by the Committee on Co-operation, one of the serious handicaps for the success of the movement is the general ignorance of members and the absence of trained men among office-bearers of societies, who lack even elementary knowledge of the principles of Co-operation and the Committee, feeling that the present arrangements for instruction and training are inadequate, have urged the need for the establishment of a Central Co-operative School at Bangalore under the control of the Government. But what is more important is the necessity to impart instruction in the principles of Co-operation to every school-boy both at the Middle School and at the High School stage, in regard to which the Committee says: "It seems sufficient if it is dealt with as part of civics in High Schools and if lessons illustrative of the benefits of Co-operation are included in the text books in the Middle Schools. It is certainly desirable that the subject should have a more prominent part in the teaching of Economics in the Colleges as well as in the University Curriculum." That appears to me to be a very valuable suggestion. A knowledge of the principles of Co-operation is in some respects more important than cramming into the heads of the students detailed information about a variety of other subjects which is forgotten as soon as the examinations are over. But Co-operation plays a very important part in the daily life of every human being. Indeed one might say that life itself is a school for learning lessons on Co-operation. The need for co-operative education is universally recognized and steps should be taken to achieve this essential objective.

Women and Co-operation.—M. Henry Rivet in his book on "Co-operation in France" published in 1904 is said to have classed women as one among the nine obstacles to the movement. But that was said of women in France in 1904. But in India, fortunately, conditions are entirely different. Here, though most of our women are "uneducated" in the modern sense of the term, they have a culture peculiarly their own, and thrift is an innate virtue in them, and with a little training, they are sure to make very good co-operators. But we have so far not been utilising the services of our women-folk to any appreciable extent. I understand that in Mysore we have about 20 societies exclusively organised for women. It appears their present membership is 806 with a paid-up share capital of about Rs. 11,000 and a turnover of over Rs. 40,000. It is interesting to note that several classes of societies have sprung up in other parts of India. In the Punjab there are about 225 societies with a membership of over 4,500 women, and a working capital of nearly three lakhs. In Bombay, one of the most successful societies among women is the Gujerat Stree Sahakara Mandal with a Women's Co-operative Store, with a membership of over 300, which supplies its members with articles of daily use, and confines its sales to Indian-made goods.

The Chandrasekhara Aiyar Committee has pointed out that "practical experience shows that the working of separate credit societies for women is attended with special difficulties and dangers connected with management, the custody of funds, the taking of security, the recovery of dues and so on"; and the Committee is of opinion that it would be advantageous to start separate societies for the encouragement of thrift through the systematic collection and investment of savings, the carrying on of simple home industries, and the purchase and sale of articles produced by women, as well as for the purpose of training and employing women in such occupations as needle-work and embroidery, hosiery, and basket-making. I hope that these useful suggestions will be translated into practice. I have every confidence that the Department will afford all facilities for the formation of such societies. As I have said, the practice of thrift by women in the lower strata of our society is quite common; but it is otherwise with ladies of the upper, middle and higher classes. The practice of thrift by women will naturally have its influence not only on the male members of the family but also on their children. There is much truth in the statement "make women thrifty and you make a nation thrifty." There is therefore great need for popularising Co-operation amongst our women-folk to a much larger extent than it is to-day.

Rural uplift.—The edifice of the State has for its foundation the villages, and to the extent to which our villages are strengthened materially and morally the State as a whole gains in strength. As Lord Linlithgow has pointed out, "The peasant now as ever is the chief source and creator of India's wealth and her greatness, and of him it may with truth be said that he is India. His the heat and his the burden." It is therefore the villages that need and demand the first attention of the Government and of the Co-operative Movement. To-day, on account of the amenities in existence in cities and towns, men of means and intelligence are all attracted thither. And even the uneducated with a little "go" in them rush to the cities in search of employment in industrial organizations like mills, with the result that those who are left behind in villages to carry on agriculture, which is the main stay of our people, are the comparatively ignorant and the least resourceful. It is therefore quite essential that life in villages should be made worth living.

The great problems that face the agriculturist are those of food and perpetual debt. Though the world has advanced by leaps and bounds in popularising

improved methods of agriculture, the agriculturists in India are still confining themselves to primitive methods. Soil has become impoverished and is not properly manured. Even cattle manure is scanty and the agriculturist is unable to buy fertilizers. The produce is thus scanty and he is thus ill-fed, ill-clad and, what is worse, in debt. The disease of poverty from which he is suffering has been rightly named "pernicious financial anaemia." As Lord Linlithgow in his brochure on "The Indian Peasant" has said "Debt is the curse of the Indian farmer; for it robs him of the full fruit of his labour, saps his initiative, destroys hope and with it ambition and darkens the whole outlook of his life. In too many cases he is born in debt, lives in debt and when he dies his debt is shouldered by his son." He lives in insanitary dwellings and has an inadequate supply of drinking water. His earning and sustaining capacity has to be improved. He has many other needs. His debts have to be liquidated. He needs a supply of cheap capital for agricultural improvement, and training in cottage industries; both men and women should be provided with subsidiary occupations to enable them to supplement their meagre agricultural income and to keep them occupied during the long months when they are out of employment. Educational facilities have to be afforded by providing schools for their children and night schools for adults. Thus more sunshine should be put into their life and they should be made contended and happy. At present, by the contrast that exists between himself and those living in urban areas, whom he believes to be happier than himself, the villager feels miserable, and will ever be on the look out for an opportunity to move out from his village into a town or city. Therefore, better amenities should be provided and men of education, culture and experience and especially those who command leisure, should be induced to settle down in villages for the benefit of their less fortunate brethren. A more equitable distribution of the cultured and educated classes throughout the State should be secured, instead of their concentration in cities and towns.

We all know what a keen interest our beloved Sovereign and his Government are taking in the work of rural uplift and reconstruction. Electric power is being supplied as far as possible in the rural areas. Several villages have been selected in each taluk for being transformed into model villages. Every officer of Government has been instructed to take a keen interest in this work of rural reconstruction, and the Government have been pleased to make money grants to the extent possible. Now, therefore, is the opportunity for co-operators to formulate all their demands in a practical and workable form and to press them on the attention of Government, who are pledged to do their best to ameliorate the condition of the poor agricultural classes. But let us not forget that Government cannot accomplish everything by themselves. They are giving the proper help, lead and direction; but the main responsibility rests on the people themselves, and ultimate success will depend upon how far they join hands with the Government.

Overdues.—One of the great problems that is perplexing all credit societies is the question of overdues, and the incapacity of the average debtor to repay his debt. This disease has become almost chronic, and several remedies have been proposed to set the indebted agriculturist on his feet again. Broadly speaking, the agriculturist debtors may be classified under two heads, viz. (1) those whose assets exceed their liabilities and (2) those whose liabilities are either almost equal to or outweigh the assets. In the case of the former, in addition to the benefits secured under the Agriculturists' Relief Regulation, a scheme of debt conciliation has been proposed, and the Government have already been taking action in this direction. The question is not one free from difficulty, but there is a good deal to be said in its favour. It is not, however, enough if the debts are conciliated; adequate provision must simultaneously be made for helping the debtor to pay off the debt as conciliated. Obviously, no private agency can supply this urgent demand and the Chandrasekhara Aiyar Committee has suggested that this extensive work cannot be undertaken solely by Government and that the Land Mortgage Bank through Land Mortgage Societies scattered throughout the State, should come to the rescue of the debtors. Advances of this kind and for such a purpose can hardly be made by the ordinary co-operative credit societies, except in cases where there is a possibility of the amount so advanced being repaid within a period not exceeding ten years; but such cases are bound to be rare and it is only Land Mortgage Societies that may be expected to be prepared to make long-term advances of the kind needed.

As regards the second class of debtors I have mentioned, the only relief possible is to do for them what an insolvency court does for an insolvent debtor. But the procedure obtaining under the ordinary law of insolvency is scarcely helpful to the rural debtor. His assets as well as his liabilities are small and he can scarcely afford the cost involved in ordinary insolvency litigation. Therefore, a speedy and inexpensive machinery should be devised, which should be able to take charge of all the assets of a debtor, excluding of course the agriculturist's dwelling house and such other assets as the law makes unavailable to the creditors, and to make an equitable distribution of them amongst his creditors and set the debtor free. It is indeed a matter for gratification that action is already being taken by our benign Government to legislate along these lines with a view to give such a relief to the agriculturists. They have further in contemplation another piece of legislation to effectively control the vagaries of the money-lenders and to minimise the hardships caused by their usurious and unscrupulous practices. This is also quite a welcome measure.

The Problem of Unemployment.—How far Co-operation can help towards a solution of the problem of the unemployed is a question that is being considered everywhere, and in this connection I venture to make a few suggestions. Some of our unemployed educated young men could pool their resources together, after undergoing some preliminary training in agriculture if necessary, and form a Co-operative Colony. Horticulture might be tried in this way wherever facilities exist; Co-operative Stores may be started for the purchase and sale of khadi and other articles of purely local or Indian manufacture, thereby trying to foster local or national industries. That will also be a great encouragement to our home and cottage industries. I do not see why it should not also be possible to have a small industrial concern run on a co-operative basis, a concern in which all the workers from top to bottom, including the manual workers, are educated people, receiving their remuneration in proportions to be agreed upon, according to their capacity or skill. There is also ample scope for milk supply societies. Societies for stock breeding, dairying are also useful fields of activity; likewise, grain depots for taking deposits in grain, as in what are called Mianwali Societies in the Punjab. Engineering Co-operative Societies could be started by men trained in an Engineering school or college, (1) to prepare ferro-concrete materials for which there is much demand, (2) to take up contracts for construction of roads, buildings and (3) to stock and sell building materials, etc., at modest prices, and so on. The field of Co-operation affords, it seems to me, a wide and fruitful scope for at least a partial solution of the problem of unemployment. Many such societies are needed everywhere; indeed the whole of the State should be studded with various societies of these types, if we are to go onward in the path of progress. In such bold ventures those blessed with experience and wealth should lend a helping hand to such of the unemployed young men as have ideas, capacity and enthusiasm, and if carefully thought out schemes are formulated, the Government, with their characteristic generosity and desire to promote the welfare of the people, are sure to come forward to render such assistance as may be possible. There will, no doubt, be difficulties, but difficulties arise only to be surmounted, and in that process strength is developed, confidence is gained and experience is accumulated.

Resolutions passed at the Conference

1. The Government be requested to grant, in addition to the concessions recommended for house building co-operative societies by the Co-operative Enquiry Committee of 1936, permission for the conversion of agricultural lands into building sites without levying any penalty therefor.

2. This Conference requests the Government that loans advanced to the Apex Bank for lending to house building co-operative societies and the loans granted by the House Building Co-operative Societies may be repaid in equated instalments.

3. The Government be requested to charge only half of the fees leviable under the Court Fees Regulation in respect of all suits and other proceedings in Civil Courts instituted by the co-operative societies.

4. The Government be requested to exempt co-operative societies from the provisions of the Agriculturists' Relief Regulation.

5. This Conference requests the Government to take such steps as may be necessary laying down distinctly that in the matter of execution of decrees, the decree holder societies are always at liberty to choose for the execution of their decrees the Revenue Department or the Civil Courts having jurisdiction;

That they are at liberty to vary at any time the forum or agency of execution, so long as the decree remains unsatisfied wholly or partially;

That the choice of an agency or forum thus made does not mean that they are debarred from giving up that agency or forum and resorting to the other; and

That in reckoning limitation for execution in the Civil Courts, the date of termination of the proceedings on the revenue side, if proceedings have been already taken on the revenue side, be taken to be a fresh starting point and vice versa.

6. That the Government be requested to permit immediate attachment of crops of defaulters who fail to pay the instalments due or the interest due and the revenue due to Government in respect of lands secured for society's loans, as in the case of Land Mortgage Banks.

THE XXII MADRAS PROVINCIAL CO-OPERATIVE CONFERENCE

Madras, 23rd & 24th October 1937.

Extracts from the Opening Address of the Hon'ble Mr. V. V. Giri, Minister for Industries, Labour and Co-operation, Government of Madras.

The co-operative movement is a non-official movement and as far as possible, it ought to be self-governing. At the present stage of the movement in our country, some special help from Government is indispensable, as also certain kinds of services and guidance by the co-operative department. But it is the aim and policy of the Government to help the movement to develop on its own lines and to withdraw official control by degrees as soon as possible. I emphasize this point, because, even within the short time in which I have been in office, I have heard complaints from non-officials that the powers of official interference have been increased recently by legislation without due regard for co-operative opinion, that these powers are being increasingly used without any clear necessity and to the detriment of societies, and that the official staff is being forced on the bigger societies. I have not been able to find out for myself whether these complaints are justified; but I may assure you that the Government does not wish the department to interfere with the societies except when absolutely necessary, and that the official staff will be lent to the societies only at their request and for short periods only.

Audit fees.—I may further say that, far from wanting to be autocratic or bureaucratic, the Government earnestly desires to know the non-official point of view on all important matters concerning the co-operative movement and to give due weight to it while taking a decision. With this view, the Government have invited the opinions of concerned societies on the scale of audit fees, the revision of which has been engaging the attention of the Government for some time past. I dare say this conference will deal with that important question; and let me assure you that its opinion will be given every consideration by the Government.

You are aware that recently the Government has raised its guarantee of the debentures of the Central Land Mortgage Bank to 1½ crores. In this connection, the Government has received responsible banking advice pointing out the need for creating a sinking fund for the redemption of these debentures. In the Legislative Council, the Government accepted an amendment moved by our respected friend Mr. T. A. Ramalingam Chettiar to the effect that the guarantee might be raised on Government being satisfied regarding the arrangements made for the redemption of the debentures on maturity. On this point also the Government will welcome the views of co-operators.

The Movement Quite Sound.—The depression has brought to light many of the weaknesses of our societies. It has led to a high percentage of overdues from members to societies and from societies to central banks, in almost all provinces. I wish to say in this connection that some people have unjustifiably become altogether pessimistic about the co-operative movement itself on account of the growth of these overdues. It is claimed for co-operation that it capitalises honesty, but these pessimistic gentleman hold that we do not have honesty to be capitalised. I hope there are no such pessimists in this gathering. But such pessimism is absolutely unwarranted. In the report of the Registrar of Co-operative Societies for 1935-36 are given the results of a thorough examination of 6,228 or about 60 per cent of our agricultural credit societies. Out of 268 lakhs involved in loans in them, what may be considered to be bad debts are estimated to be less than 41 lakhs of rupees; that is about 15 per cent; and of these only about 7.5 lakhs would affect the central banks. Against this, however, the central banks have a special bad debts reserve of more than Rs. 17 lakhs, and ordinary reserve fund of more than 31 lakhs. It is, therefore, not surprising that the confidence of the public in co-operative banks should be quite undiminished, and that they have had to refuse deposits, being in possession of surplus funds. Moreover, during the last two years, owing to the improvement in the prices of agricultural produce, there has been a reduction in the percentage of overdues, in respect of both principal and interest, of members to societies and of societies to central banks. All this shows that the movement is quite sound on the whole.

Sale Societies.—The depression has also taught us that it is enough to provide credit to the members of societies, very important as it is, but that the sale of their produce co-operatively should also be organised. Officials and non-officials are, therefore, zealously promoting loan and sale societies in this province. I am glad to know that the co-operative sale of produce has not only been helping the members to realise better prices, but also to reduce their accumulated overdues to societies. The management of these sale and other non-credit societies calls for more skill and business ability than does the management of credit societies. These are not acquired in a day. Therefore we should learn not to be discouraged by failures, but to benefit by them. You will be justified in expecting a special measure of help from Government in the promotion of these non-credit societies.

Extracts from the Welcome Address of the Hon'ble Mr. V. Ramadas Pantulu, President, Madras Provincial Co-operative Union:

Indebtedness and the Congress Government.—At present three concrete measures for relief of indebtedness are being pursued in this Province, besides the grant of loans for land improvement and takkavi loans, under the India Acts XIX of 1883 and XII of 1884. One is a direct attack of the question by enabling agriculturists to discharge their prior debts bearing heavy rates of interest through the agency of land mortgage banks. Considerable advance has been made in this province, and I am proud to say that we have achieved a far greater measure of success than any other province in India. Loans to the extent of about Rs. 125 lakhs have been disbursed; the average size of the loan is round about Rs. 1,900; the repayments are coming in regularly. I wish that our land mortgage banks had kept a record of the concessions, if any, which the members obtained from their creditors who were paid through these banks to enable us to know whether any voluntary conciliation has been effected in consideration of ready cash payment to creditors and, if so, to what extent. The average rate now charged to ultimate borrowers is 5½ per cent, though only 5 per cent is levied on the new loans. It is said that there are proposals before the Government to enhance this rate at least by one per cent, in order to enable the Central Land Mortgage Bank to start a scientific sinking fund instead of working on a system of debenture redemption account, which is said to have some snag in it, and to enable the central and primary banks to meet the cost of the Government staff. Any such change in the arrangements for provision to retire debentures on maturity should, in my opinion, not apply, in any case, to the debentures already floated. It will be imposing a new condition, the financial implication of which will be very onerous to the Central Land Mortgage Bank. The possibilities of a change in regard to the future may however be investigated. But having regard to the fact that on the existing business the Central Land Mortgage Bank has a gross margin of over Re. one lakh a year, I feel that even if a diversion to a sinking fund of an equal sum annually, out of the equated payments, is insisted upon, it may perhaps be done without raising the present lending rate to the borrowers. In dealing with this question, the Government and the Reserve Bank must proceed on the assumption that there is reasonable scope for expansion in future of the business of the land mortgage banks and not on assumptions that the business will come to a standstill or fall below the required level in the near future. In such extraordinary contingencies, even a sinking fund will not save us from sinking. Even if the Government takes upon its shoulders the task of discharging prior indebtedness, there will still be the more important and economically more legitimate function of providing long term credit for improvement of land. Indeed, the Reserve Bank in Bulletin No. 2 says it in so many words. It says, "it should be however emphasised that the real object of a land mortgage bank is to lend money to finance improvements and not to liquidate previous debts and that the latter function should only be undertaken when necessary to make possible the former." Therefore the field to be covered by land mortgage banks in future is practically unlimited.

The borrowers cannot economically afford to pay a higher rate. I hope and trust that the Provincial Government will consult accredited co-operative opinion of this province and give due weight to the representations of the Central Land Mortgage Bank before they implicitly accept the advice of the Reserve Bank, in regard to the necessity to raise the lending rate. If the lending rate is raised above the present level, I think the very purpose for which these banks are started will itself be defeated.

In this connection I am constrained to say that the sweeping criticism levelled by the Reserve Bank against co-operative banks that their lending rates are unduly low and that they do not command the confidence of the investing public as they are dominated by the borrowers is, to my mind, neither correct nor justified. The adequacy of the margin on which a co-operative bank works is a matter to be decided by the bank with reference to several factors. The lending rates charged to our members are determined with reference to such factors, consistently with our studied aim to make credit to our members as cheap as possible, of course having due regard to the financial safety of the institution. Our aim has been to bring down the general level of interest by ourselves adopting rates lower than the prevailing rates charged by even good moneylenders. We have succeeded in this endeavour to an extent for which we may take legitimate credit. The fact that in most provinces, including Madras, co-operative banks are surplusing in spite of the low rates offered on deposits shows that they command the confidence of the investing public in abundance. As for our management being dominated by borrowers, it is a feature of which we are legitimately proud. Where this feature is not now pronounced and where borrowers do not at present have a preponderating voice, it shall be our aim to secure such voice to them. This feature of the constitution of our banks is not the result of error or drift but of conscious translation of the fundamental concepts of co-operation, its principles and methods into practice in the field of banking. Therefore capitalist criticism of co-operation does not naturally carry any conviction to our minds, which are trained in a radically different school of socio-economic philosophy.

The second measure of agricultural relief that is now being pursued is direct lending by Government for relief of indebtedness, under the amended provisions of the Agriculturists' Loans Act of 1884. The amendment was made by Madras Act XVI of 1935. Loans are advanced up to a limit of Rs. 2,000 for 25 years at 5 per cent to enable the borrowers to effect concilation of their debts with their creditors. The scheme is a modest one intended to help only small debtors, and so far only Rs. 16 or 17 lakhs have been advanced. The progress made so far is thus very little and has hardly made any impression on the situation. Speaking for myself, I do not see any necessity for such a scheme when there is provision for land mortgage banks and statutory debt conciliation boards working side by side.

The third measure of relief attempted is debt conciliation on a voluntary basis through statutory conciliation boards, created under Madras Act XI of 1936. We are told that five or six boards have been set up in select areas, but none of them has yet begun to function.

It is clear that these measures are far from adequate to deal with the problem of indebtedness. All eyes are now turned to the Congress Ministry to tackle this problem with thoroughness and courage. The Ministry has already promised to place on the Statute Book, in the near future, a comprehensive measure of relief to agriculturists.

Reform of the Co-operative Credit System.—The inauguration of the co-operative credit movement in India was motivated by the belief that co-operation would find an effective and lasting solution to the problem of indebtedness. With the growing agitation of the indebted classes and the increasing realisation by the creditors and the Government of the gravity of the situation and the urgency for its solution, the potentialities of co-operative credit are being re-examined somewhat seriously. There has been a general consensus of opinion among co-operators that all is not well with the rural credit movement, that it is far from healthy and that it has failed largely of its purpose to achieve the economic rehabilitation of the agriculturists. Co-operators, official and non-official, have been devoting their time and attention to the reform of the movement, to put new life into societies. But the public in general, on whose attitude a great deal depends, have not so far evinced any keen interest in the movement or its reform. It is, therefore, a welcome change to find that independent and expert advice is now forthcoming from quarters which ought to command attention and respect. After publishing its preliminary statutory report under section 55 (1) of the Reserve Bank of India Act, the agricultural credit department of the Reserve Bank of India has brought out two bulletins. The first deals with co-operative banking unions and the second with co-operative village banks. In these two bulletins, very useful suggestions are made for the overhauling and the reorganisation of the co-operative credit societies. Co-operators in this province may not agree with many of the specific recommendations contained in those bulletins; but they are sure to profit by a study of the general lines of improvement indicated therein, with a view to apply them, if possible, to the local conditions. In the place of a single purpose credit society multiple purpose societies are recommended; in other words, "the village bank must not merely be a source of credit but must help in the finance of marketing of crops and purchase of necessities, take an active part in agricultural and industrial development, influence and improve social and religious customs." The banking union of the type recommended in the bulletins is very different from the central banks, with which we are familiar in this province. Multifarious activities are assigned to it, activities which are unusual to find in a financing institution. Those activities cover what we in this province consider to be the functions of at least three different institutions, *viz.*, a central bank, a supply and sale society and a supervising union.

The idea of multiple purpose societies and small banking unions composed entirely of the representatives of primary credit societies, with no individual shareholders, is not a new one. It has been tried in many parts of India including this province. It cannot be said that irrespective of local conditions they can always succeed. We actually tried and abandoned them here in favour of the existing system. I feel it will be a hazardous experiment to embark on any scheme of wholesale replacement of the present type of credit societies by multiple purpose societies and our large central banks by small banking unions. The type of banking union and village bank recommended in the bulletins issued by the agricultural credit department of the Reserve Bank may be tried, and I hope and trust will be tried, where, after careful investigation it is found that local conditions favour their successful organisation and conduct.

A more congenial reform so far as this province is concerned lies, in my opinion, in exploiting the scope for extending the present restricted activities of the existing credit societies into new and useful spheres closely associated with their normal credit functions, without converting them into multiple purpose societies or attempting to meet all the credit needs of the villagers. On a point which has been the subject of prolonged controversy in this province, *viz.*, whether lending money to its members for the discharge of their prior debts is the legitimate function of an ordinary credit society, the bulletins issued by the Agricultural Credit Department of the Reserve Bank have thrown considerable light. It is definitely stated therein that it is undesirable and unwise for a society to set about repaying its members' other creditors and that liquidation of old debts has generally proved to be a bad bargain, leaving the society with frozen credit and often irrecoverable debts. The Madras Provincial Co-operative Bank has for many years been regulating its business on that basis. I hope the co-operators of this province will accept this opinion and endeavour to help the agriculturist to obtain his long term credit for discharge of prior debts from the land mortgage banks. But when the Reserve Bank recommends that co-operative credit societies should strictly confine themselves to supplying the short term seasonal financial needs of their members, they tread on controversial ground. Most co-operators in this province feel that the credit societies should supply not only what is termed short term credit, which is repayable out of the year's harvest, but also intermediate credit which is not so repayable but can be repaid only in the course of two or three years.

Again, there is admittedly need for the credit societies financing their members not merely for the seasonal operations of the agricultural industry but also for the movement to markets and marketing of the produce raised by their members; and also for processing of crops where it is done in the village. The Reserve Bank's bulletins rightly emphasise the benefits of marketing finance. A credit society may usefully finance its members to prepare hand-pounded rice and meal for the market or for processing of commodities like oil seeds, sugarcane, and cashewnut. In the case of cotton, members can be helped to purchase small hand-gins at least for the purpose of ginning cotton at home, for providing seed for sowing, which is better than mill-ginned seed, and some cotton for hand-spinning at home by the women folk. In the sphere of crop finance and marketing finance, the co-operative credit

societies, if reorganised and worked on more efficient lines, can in my opinion, fulfil very important functions in our rural economy and improve the system of organised village credit.

Cultivation Finance. The question whether the Reserve Bank on its rural credit side can be of any help to co-operative banks has come up for discussion frequently of late. It is desirable that we should form some clear ideas about it. One of the outstanding features of the present co-operative credit system, in relation to the money market, is the utter reluctance of the commercial banks to deal with co-operative banks or to discount or rediscount their paper. So far as *cultivation finance* is concerned, I feel that this position cannot be much improved, do what we may to reform the business methods of co-operative societies. Agriculture is a precarious and unremunerative occupation, specially in the case of holders of small and uneconomic holdings, and a loan advanced for raising a crop cannot always be expected to be repaid punctually or in full. We cannot expect a reasonably quick turnover of business in regard to loans given to members of societies for cultivation expenses. Hence a demand promissory note executed by a member of a society for a loan advanced to him to raise a crop does not possess a commercial value. To that extent the primary credit societies, the central banks and the Provincial Bank must be able to attract their own capital to finance their members. This is a problem which is peculiar to co-operative credit and so far as I am able to judge, our agricultural paper in respect of such loans will not obtain any rediscounting facilities from the Reserve Bank or other commercial banks within any measureable distance of time, in spite of our endeavour to stimulate prompt and punctual repayment of seasonal loans. Nevertheless, we are not unmindful of the need to regulate and control our cultivation finance and put it on a sounder basis. In this connection I must say that our thanks are due to our Joint Registrar, Mr. M. Giriappa, for the special interest he is taking in popularising and introducing the scheme of controlled credit.

Marketing Finance. But there is no reason why the marketing finance of co-operative credit societies and banks should not be placed on a strictly business footing, so as to bring this branch of the co-operative credit system into touch with the ordinary money market. Loans advanced on the security of produce and which can be recovered in full on its sale are self-liquidating loans, and paper held by a village bank or a marketing society relating to such loans ought to be eligible for rediscounting in times of seasonal stringency by a Provincial Co-operative Bank or a commercial bank through a central bank to which the village bank or the marketing society is affiliated. The Reserve Bank points out that if marketing finance is developed on sound business lines, "the dealings of the Provincial Co-operative Banks and the Commercial Banks will be more closely related to the dealings of the village societies with their agriculturist members, and a class of agricultural paper will be created which will enable the Reserve Bank to come into the field if and when necessary." There is enormous scope for the development of co-operative credit for marketing along these lines. The difficulties in connection with grading and storage of produce are not insurmountable and in some places have been successfully overcome on a small scale. Attempts must be made on a larger and more organised scale. Marketing finance must, however, be made cheaper than it is to-day in the co-operative banks. The commercial banks are offering better terms than we do. We must look into this question carefully. Recently, the Registrar of Madras has addressed the Provincial Bank to ascertain whether it can afford to advance funds to central banks for marketing finance at three per cent. If the central banks and societies develop this side of their finance on sound business lines, if money is made available to the ultimate borrower at rates not exceeding four per cent, and if the Provincial Bank is assured of a fairly good volume of business, I personally feel, without commiting the Bank in any way, that it ought to be possible for the Bank to advance funds at three per cent, to expand co-operative marketing finance. There is a great deal that the Provincial Bank can do to revitalise the primary societies and the central banks, to clear the silt that has accumulated in the credit channels obstructing the flow of finance through them to the agriculturist who is greatly in need of it and also to bring the co-operative banking system, in possible spheres, into closer touch with the organised money market. There are great possibilities from such a drive from the centre of the co-operative credit organisation.

Extracts from the Presidential Address of Dr. P. J. Thomas, Professor of Economics, University of Madras.

Debt Relief after the slump. The world economic crisis of 1930 created an unprecedented situation, especially in agricultural countries. The prices of primary products slumped nearly one-half in the course of a year and the downward trend of prices continued till 1933 in most countries. This meant a phenomenal reduction of agriculturists' incomes and caused endless embarassments owing to the rigidity of taxes, rents and other 'fixed' charges. The price of finished goods which the farmers consume did not fall correspondingly and this also aggravated the economic disequilibrium. In most agricultural countries, farmers who had loans to repay were threatened with foreclosures and loss of property. Such farmers were no small proportion in those days, because in the previous years when prices were high and the outlook highly optimistic, they had borrowed heavily. The creditors pressed for payment, but no agencies came forward to refinance debts. Where land banks had been in operation, those institutions had themselves fallen into a precarious financial condition and were unable to refinance agricultural loans. When thus a large class of producers in the land were face to face with bankruptcy, when the usual suppliers of rural credit were hard pressed, heroic remedies were called for and were boldly put into operation in many countries—remedies which in less abnormal times Governments would not have even dreamt of. In a few countries a moratorium was declared, thus giving farmers a breathing space for repaying their loans. Moratorium, as is well known, is a desperate remedy which governments resort to when their banking systems are threatened with crash by a war or other serious calamity. It had never been used before for preventing agricultural bankruptcy, but the gravity of the situation made certain countries in Central and Eastern Europe to resort to it. In some of those countries, compulsory conversion of the farmers' debts was carried out under the aegis of Government, and not only accumulated interest but even the principal was scaled down. These drastic methods created considerable bickerings between the creditor and debtor classes in some of those countries.

The United States followed a wiser course. In 1933, faced with a large increase in foreclosures and defaults, and with a tremendous collapse of land values, President Roosevelt set up the Federal Farm Credit Administration by consolidating the institutions hitherto functioning in rural credit (Federal land banks, etc.), passed the Emergency Farm Mortgage Act and thereby carried out, through the

medium of the existing institutions, a refinancing of farm loans on an unparallelled scale. Farmers were given loans chiefly for repaying debts; some were helped to regain farms lost by foreclosure. In many cases, claims were cut down and creditors agreed to it, as ready cash was forthcoming. As an emergency measure, interest rates were reduced from 5 to 3½ per cent, the Treasury reimbursing the land banks for the difference between the contract rate and the rate paid by the borrower. In this way were given 800,000 farm mortgage loans amounting to $2,100 millions, and thus 40 per cent of the total mortgage debt is to-day held by the land banks and the Land Bank Commissioner. It was thus possible to make a 70 per cent reduction in the mortgage interest bill which in 1929 came to $550 millions; in other words, while the American farmers spent 10 per cent of their income in 1932 on interest payments, to-day they spend only 4½ per cent. Having achieved all this, Government are now engaged in reorganising rural credit in the light of recent experience and are trying to set up a co-operative, self-sustaining credit system—for production, marketing and long-term purposes—on a strictly business basis. It remains to be seen how the farmers would feel when the State subsidy is removed.

In India also, provincial and State Governments—notably the Central Provinces, the United Provinces, the Punjab, Bengal and the States of Bhavnagar and Travancore—have carried out more or less comprehensive legislation. However, except in the State of Bhavnagar, debt redemption has not been made on anything like wholesale lines. In that State, with a population of half a million, the total debt which amounted to Rs. 86 lakhs in 1932, has been compounded for Rs. 20½ lakhs, and a complete refinancing has taken place, the Durbar paying off the whole of the debt. In the United Provinces and the Punjab, several agricultural relief measures of a far-reaching character have been placed on the Statute book, and provision exists for drastically cutting down claims, although this does not seem to have been utilized to any dangerous extent. In the Punjab, the lands of a 'statutory' agriculturist cannot be sold in execution of money decrees; the decree-holder can only get temporary possession of it (for a period not exceeding 20 years). In the United Provinces, Government have assumed responsibility under certain conditions for the repayment of land holders' debts. In most provinces the Usurious Loans Act has been amended with a view to arming courts with fuller powers for cutting down interest rates, and in some, certain of its provisions have become mandatory. Legislation for controlling moneylenders' transactions have been put through in many provinces. Statutory recognition has now been given to the time-honoured principle of *Damdupat* in four provinces of India. The Central Provinces was the first to set up debt conciliation boards; later Bengal, Madras, the Punjab and certain Indian States have followed in the same path. In all these provinces, conciliated debts have been scaled down by about 40 per cent. In Bengal there is now provision for compulsory conciliation also, under the Bengal Agriculturists' Indebtedness Act. In most provinces, attempts are being made to establish land mortgage banks to assist in long-term credit. Thus India has become a laboratory of intense experimentation in rural debt relief and the results will be watched with interest both here and outside.

Measures Taken in Madras. It is true that in Madras the Government have taken only mild measures. The Debtors' Protection Act, passed 3 years ago, has had no great influence; the Debt Conciliation Act, passed more than a year ago, has so far led to little practical results. But it must be admitted that Government have directly granted loans to agriculturists for debt clearance by amending the

Agricultural Loans Act, and this has been done after cutting down debts and at low rates of interest. Further, Madras has developed a sound system of land mortgage banking with 93 primary banks operating in the Presidency and they have already granted more than a crore of rupees for purposes of refinancing long-term debt, at reasonable rates of interest. It is no small credit to our Province that while the rest of India still raises long-term loans at high rates of interest, the Madras Land Mortgage Bank is now able to lend at 5 per cent., a rate which is lower than that charged by similar institutions in many countries in Europe.

It must be admitted, however, that the actual results of these measures have not been very striking. Government and Land Mortgage Banks together have only refinanced debt to the extent of about Rs. 1.20 crores, or about half per cent of the total estimated debt of the Presidency. But even in the northern Provinces where drastic remedies have found favour, the actual achievement has not been very great. There is one important difference between Madras and the northern Provinces, namely that in this province the principal lenders are agriculturists themselves and not professional moneylenders; nor is there any cleavage here in religion between the debtor and creditor classes. The implications of this must be fully realized. While it may be true that many agriculturists lend with a view to obtaining the lands of their neighbours, it will have to be admitted that the interest rates are generally low where land is the security and the terms reasonable. In Bhavanagar and in some parts of Northern India, where agricultural loans are mostly advanced by professional moneylenders—generally persons alien to the soil—at 25 per cent. and higher rates of interest, there was perhaps a case for stringent State action, but such conditions cannot be said to exist in the South India. No doubt the transference of land from cultivating classes to absentee non-cultivating owners adversely affects the economic welfare of the community at many points, but it may be a gain to national welfare if a slothful, impecunious and improvident land-holder is replaced by an industrious and thrifty one.

Even so, there is need for action to expedite the liquidation of debt; measures are certainly needed for quickening the pace. In this connection it is necessary to point out that there is no justification for treating all debt alike. Agriculturists, like other producers, raise loans for seasonal operations, but these cannot be considered indebtedness. Assuming that the total rural debt of the Presidency is Rs. 200 crores, nearly half of it must be such short-term debt and does not call for redemption. Only debt that has become burdensome by long accumulation of interest, especially debt which originated before 1930, whether secured or not, can claim any special treatment. The reason for this, I believe, is clear. If a person repays now a sum of Rs. 1,000 which he borrowed in 1929 (when prices were high), he will be paying in commodities nearly double of what he received in 1929. In interest charges also, a similar increase of *real* burden has taken place. This is the injustice that results from a falling price-level, and Governments have a duty to grant relief to debtors on such occasions. On the other hand, if the amount now repaid was borrowed since 1931 (when prices were already down), no injustice is involved in it. Therefore, if relief is to be granted it must be chiefly in the case of debts that originated before 1930, mostly mortgages. But relief must not be confined to landholders and statutory tenants; others, especially labourers, also stand in need of relief owing to the unjust burdens some of them are carrying, and the unconscionable rates of interest they are paying.

What may be the extent of such debt? There is no doubt that a good part of the mortgage debt existing before 1930 still remains unredeemed. Even pro-note debt, raised before 1930 may be continuing by means of renewals every three years. It is significant to note, from the statistics of the Registration Department, that while mortgages and other loan registrations have diminished since 1929, sales, especially of values below Rs. 100, have increased. In 1929, the total value of mortgages in the Presidency came to nearly Rs. 20 crores; but in the last three years, it has fallen below Rs. 15 crores. In 1933, it was only 14 crores. On the other hand, total sales have fallen little, and the number and aggregate value of sales, of values below Rs. 100, have both increased.

Any safe conclusion cannot be drawn without some local enquiries. It is perhaps clear that many of the older mortgages have been terminated by the sale of land by the debtor, and the sale value of land already mortgaged will naturally be put low. In other cases transactions must have been renewed by the registration of fresh mortgages. There must also be a large number of decrees on mortgages awaiting sale. Judging from various indications, it is clear that a large proprotion of the cases pending before the courts are money cases.

In these circumstances, there is every justification for granting fuller and more summary relief to debtors who are now oppressed by the burden of debt or of law and it would be but just to make substantial reductions in total claims. But if any such step is to be taken, we have also to consider along with it measures for increasing the repaying capacity of the agriculturist and for reorganising the whole system of rural credit in the country. Otherwise the effort would be veritably Sisyphian. It is certain that indebtedness cannot be cured by enacting stringent laws.

Proposals for Remedial Action. I would recommend the following remedial measures:—

We must immediately make out a list of all persons who are burdened heavily with debt mostly contracted before 1930. The extent and nature of their debt must also be recorded. A tribunal, armed with full powers, must be set up to deal with the matter. The debtors must be classified according to the nature of the load they are carrying; a clear distinction may be made between (1) those whose liabilities so largely exceed their assets that even after a fair reduction their assets cannot be expected to bear the debt burden, (2) those whose liabilities can be brought reasonably below their assets so that their debts could be repaid in instalments extending over a period of thirty years and (3) those whose assets far exceed their liabilities.

In the case of the first class of debtors, insolvency is the only practical solution, and this must be facilitated by the enactment of rural insolvency legislation, as recommended by the Royal Commission on Agriculture, the Banking Enquiry Committee and the Civil Justice Committee. Such legislation must be carried out immediately.

In the case of the third class of debtors, all that is needed is to scale down interest and to see that they are dealt with by the land mortgage banks by adding to the resources of those banks.

The second category of debtors is the most difficult to deal with. In the case of such debtors, interest can be drastically scaled down and perhaps even the principal can be touched, provided satisfactory provision can be made for repayment. The simplest method will be for Government to lend under the Agricultural Loans Act. But as the sum needed may be larger, Government may not be able to do this unless a large loan is raised, and this may affect public credit. There are three other possible ways of repayment. The first is for the Government to undertake to recover the annual or biennial instalments from the debtor; the second is to repay the debt through the land mortgage bank, Government undertaking to collect instalments; and the third is for Government to issue to the creditor long-dated bonds, undertaking to pay interest annually. All these cases would involve a large responsibility on Government. The burden will be least in the case of No. 1, seeing that Government are only an intermediary, and that in the event of default, the debtor's property would be sold. The issuing of bonds directly by Government is the simplest method, but it would be extremely difficult to manage without unduly burdening the tax-payer ultimately. It may not be fair to tax the poor in order to repay the dues of the rich. The land revenue is now regarded as a burden. How then can the ryot be expected to pay the additional sums needed under such schemes? With a stable Government pursuing a long-period policy, it may be possible to carry out even risky transactions, but as things are in India at present, these conditions cannot be expected to emerge in the near future. On the whole it seems best to manage the work of debt redemption through the land mortgage banks and give them all the facilities for undertaking it. In the U. S. A., Government did the work of refinancing through the land banks, although those banks were then in dire financial straits. Our land mortgage banks, on the other hand, occupy a much better position to-day, and can be made to shoulder such burdens if actively supported by the state.

Preventive Measures. Whatever action we may take for wiping out the existing debt, however complete the clearance may be, it will be of no practical use if measures are not taken to keep future debt under control. An examination of the debt phenomena in the past would convince one that in this country the course of debt is bound up with the movement of the trade cycle. When prices rise, a spirit of optimism prevails, and the agriculturist, expecting that the prosperity will go on and on, will freely raise loans for buying land, building houses, paying bloated dowries and celebrating marriages extravagantly. When the slump comes, he will find himself burdened with debt. The bania, however, may not press for money, not even for interest; he will declare a virtual moratorium, as he knows that it is to his ultimate interest. When prices rise again, he will make his exactions. In India, only the bania (not even Government) knows the delicate art of adjusting operations to the trend of the trade cycle.

Economists all over the world are to-day giving concentrated attention to the control and prevention of the trade cycle. So long as the present economic order continues, the trade cycle is bound to remain. Periods of rising prices will be followed by periods of falling prices. All we can do is to adjust transactions in such a way as to cause the least disturbance. The increase of borrowing in periods of rising prices is due to the improvident habits of agriculturists and the readiness of lenders to advance loans without taking into account the repaying capacity of the borrower. Improvident borrowing and speculative lending are the bane of Indian rural life. The American farmer raises loans almost entirely for productive purposes; the Indian ryot borrows largely for unproductive, or doubtfully productive, purposes. This peculiar weakness must be rectified if the Indian agriculturist is to be helped. Similarly, there is a large class of lenders in India who lend readily, hoping for speculative gains, or out of lust for the neighbour's land. Such lending must be discouraged by all possible methods. While in some ways the agriculturist money-lender may be more reasonable than the bania, his land-hunger makes him greedy and callous. The frugal agriculturist must be made to put his savings in co-operative banks and not in speculative lending transactions. From this point of view, suitable steps for discouraging money-lending transactions by agriculturist usurers are to be welcomed.

No doubt, the high interest rates charged on loans are a potent cause of debt. In days gone by, this was prevented by the statutory Indian custom of *damdupat*. A noble Maharani of Travancore went a step further a hundred years ago, and ordained that in her State interest was not to exceed half the principal. Legislation has lately been carried out in many Provinces to prescribe statutory rates of interest and to curb the high-handed dealings of moneylenders. Such legislation can be easily circumvented and cannot be an effective means of controlling debt, unless accompanied by measures for changing the habits of the borrowing classes and increasing their incomes. Agricultural rates of interest are high in India, not because there is a dearth of capital but because the average agriculturist is far from creditworthy. Even if the bank-rate is as low as 2 per cent, many agriculturists cannot get loans at anything less than 12 per cent. This is because they are bad borrowers and very unpunctual repayers. The problem of co-operative credit to-day is not to find more money—our Provincial Co-operative Bank has so much of funds to spare that it invests a large part of its deposits in Government securities. Therefore rural credit, at any rate in this Presidency, does not stand in need of much external aid. By granting ampler supplies of funds and by lowering the interest rates the ryot cannot be helped; facile credit in the hands of the average ryot would only mean greater debt and eventual ruin. The central problem of rural credit in India, therefore, is to make the ryot a better borrower and a more punctual repayer. He must be taught to use credit economically and productively. Preaching about this for long has had little effect; we must go further and devise a system which would compel the agriculturist to raise loans chiefly for productive purposes and in such a manner as to enable him to repay them punctually. Whether the source of credit be the co-operative society or the private lender, the credit must in future be controlled and strictly rationed. This seems to be the only way to make the ryot safe for credit and credit safe for the ryot. If the co-operative credit societies are not working as well as they might, it is largely because such a control has not been exerted so far.

Reorganization of Co-operative Credit. We are for the present concerned chiefly with the reconstruction of the co-operative movement and even this can only be dealt with in a general way here. It is well to recognize that there are three classes of credit which the ryot needs—productive credit, marketing credit, and long-term credit. To meet these three separate needs, three distinctive co-operative institutions are needed—the credit society, the sale society and the land mortgage bank. The mortgage bank will redeem old debt and give long-term loans; the sale society will lend on the security of harvested produce; and the credit society will finance cultivation operations. Some time ago the credit society did in some areas all the three jobs and this has caused much trouble. Henceforward, the credit society must restrict itself to giving loans almost entirely for productive purposes (I say 'almost', because it would be unwise not to provide for certain non-productive needs also). Where the villages are small, it should preferably function over a group of villages and must be managed by a trained hand.

It should sanction to each member seasonal cash credits, on which he may draw when required. An admirable scheme for the operation of cash credits was placed by Mr. Austin, Registrar of Co-operative Societies, before the Regisrtars' Conference last December (1936), and it deserves the close study of all co-operators. For the orderly marketing of produce and for the punctual repayment of loans, credit must be linked up with marketing. The harvested produce must be handled by the sale society and from the proceeds will be paid the loans advanced by the credit society as also other co-operative dues—perhaps even Government's revenue. The balance will be handed over to the ryot. A proper system of controlled credit can only be operated by the co-ordinated working of the three institutions mentioned above. The system has been partly tried in Cuddalore and Salem, and the results attained are said to be satisfactory.

The improved system of rural credit sketched above will not by itself ensure the agriculturist against debt. Along with it must proceed activities for increasing thrift and stamping out extravagance. It is a pity that in India, only a small proportion of the funds handled by the co-operative societies comes from their members. This is an undesirable state of things. Every effort must be made to encourage habits of thrift. In the Punjab, in order to emphasise the need for thrift, some of the co-operative credit societies are now called "Thrift and Credit Societies" and are really such. In this Province of agriculturist moneylenders, it would be good every way if more of their savings would flow into the co-operative movement. Under a reformed system of coperative credit, such a change may perhaps be easier to bring about.

A properly organised co-operative movement is an invaluable ally of rural uplift. Rural uplift means a great many things. First and foremost, it means an increase in the income of agriculturists; it also means raising their standard of living, which is now too low. Cleaner houses and bodies, a fuller and more varied diet, a better use of leisure—all these are needed if the standard of living is to become tolerably good. The prime essential is, of course, a larger income. Most crops do not leave much to the ryot except in periods of rising prices. In order to increase agricultural incomes better crop-planning and more economical ways of crop production and marketing will be needed and the activities of the Agricultural Department must become much more comprehensive. In the opinion of Mr. Darling, consolidation of holdings will add to the ryot's income anything between 10 and 25 per cent. This must be true, particularly of crops which require irrigation. In the Punjab Co-operation has devoted considerable attention to the subject, and 700,000 acres have already been consolidated. However efficient cultivation may become, the income from agriculture alone cannot be ample in the case of the smaller holdings. Therefore subsidiary occupations must be found everywhere to supplement the earnings from agriculture. The rearing of cattle, poultry and bee-keeping—these are some of the suitable handmaids to agriculture. We must encourage cottage industries in all villages and, wherever special facilities obtain, medium-sized industries must also be started, so that agricultural labourers may find work in slack times. The supply of cheap electricity from Mettur and Pykara will be of great help in the efficient working of such industries. A plan for developing small industries in this Presidency is to-day urgently needed, and it is hoped that such a plan would be immediately drawn up and worked. The point to be emphasised here is that in the case of all industries subsidiary to agriculture, co-operation, both in credit and marketing is the most suitable agency and perhaps the only means of success. Special societies will have to be started for these purposes, but it is not proposed to deal with this aspect here.

In order to enable the co-operative movement to carry out such a comprehensive programme, a thorough overhauling of the machinery will be needed. Local factions must be put down and fraud must be prevented. All this cannot be done efficiently by honorary workers alone. We need a trained full-time hand, one in a group of villages, for guiding the many-sided activities connected with rural uplift. There is a growing opinion that a paid rural guide is needed for this purpose. Such a guide can be the secretary of the co-operative society and may also perhaps help in the work of special societies. In order to train such guides and to impart co-operative education to other workers, we need several co-operative institutes in the Presidency, and preferably such institutes must be located in the close vicinity of experimental farms or rural reconstruction centres. As the coping stone of the co-operative educational edifice, a central co-operative college at Madras affiliated to the University may also be useful.

I may here venture to body forth what I consider to be the right rural organisation for the future. For attaining the central object of rural uplift, two powerful organisations, one political and the other economic, will function in every village or group of villages. The reconstituted Panchayat will keep peace and try nearly all the cases arising in the village and thus cure the litigious habit of the people, which to-day is a potent cause of debt. It may also set proper standards of expenditure at marriages and other feasts, and thus control extravagant habits. The collection of revenue also may be effectively done under the eyes of the Panchayat. On the economic side, the co-operative credit society will function as the direct agency for rural uplift, with societies for special purposes working side by side. Next above them will be the sale society and the land mortgage bank, both operating over a much wider area. The secretary of the co-operative credit society will be the economic guide of the village or group of villages. At the head of the district will be the District Officer, whose principal duty will be the economic improvement of the people. He will be relieved of his extraneous duties by the village panchayat and will have ample time for this work. While all the technical advice for economic uplift will come from the expert heads of the Agricultural, Industries and Co-operative Departments, the District Officer and his assistants will be in charge of the many-sided economic activities going on in the District. Of course, they will be trained for this work. All this means a transformation of the existing administrative machinery, but a Government strongly backed by the people will not find it difficult to carry this out.

Resolutions Passed at the Conference

1. This Conference is of opinion that the power of nominating directors to the primary land mortgage banks, one by the Registrar and one by Central Land Mortgage Bank, should be abolished.

2. (a) This Conference requests the Government that the recent G. O. levying half registration fees and half encumbrance certificate fees on land mortgage banks may be cancelled.

(b) The Government be requested to extent the same concession to other co-operative societies.

3. This Conference requests the Government to give the services of Deputy Registrars for land mortgage bank free of charge.

4. This Conference requests the Government to give the services of Sub-Deputy Registrars to primary land mortgage banks free of charge for a further period of five years.

5. This Conference is of opinion that the creation of a sinking fund on the lines suggested by the Reserve Bank should not be insisted upon. The scheme of debenture redemption proposed by the Bank to ensure repayment of debentures on maturity may be accepted.

6. (a) While this Conference recognises that the time taken for audit is a better test than others for the fixing of fees, the charge proposed, viz., Rs. 6 per day is too high. The Conference considers the maximum fee fixed should not exceed Rs. 3 per day of five hours."

(b) If this proposal is not accepted by Government, Government may publish a panel from registered accountants and auditors, and institutions may be permitted to employ one from the panel and settle fees with him."

(c) The auditors of central banks, urban banks and special types of societies should be better equipped men, specially recruited, and this audit staff should be directly under the Registrar."

(d) This Conference is of opinion that all societies working at a loss in any year should be exempted from the payment of audit fees for that year."

7. Resolved that the following resolution (with a memorandum) be circulated among the concerned institutions for the expression of their opinions; and that this Conference do authorise the Executive Committee of the Provincial Co-operative Union to call a Conference as soon as possible for the consideration of the subject:—

(a) Provision of a trained whole time agency for village Co-operative Societies.

(b) Good Co-operative Societies in villages to be put on a limited basis with a larger jurisdiction and to function as multiple purposes societies.

(c) Amalgamation of all district banks with the Provincial Co-operative Bank.

(d) Formation of an efficient Co-operative Service for all financing banks.

(e) Provision of branches either to act as agencies of villagers' societies or to individually lend to agriculturists.

(f) Discretion to financing Banks to utilise the services of Supervising Unions or open branches as the case may be.

(g) Provision of credit, facilities for production, supply and marketing, and promotion of cottage industries by branches.

(h) Recognition of urban banks to lend in a larger jurisdiction (instead of branches) with same functions as mentioned in (g) where small village societies cannot be amalgamated as mentioned in (b).

8. Urban Banks, big rural societies and Central Banks should be permitted by the Registrar to issue loans on pledge of jewels under proper safeguards to be provided by special by-laws.

9. This Conference recommends that the rate of interest charged by central banks should not exceed 5 per cent and that primary societies should not have a margin of more than 2 per cent.

10. This Conference requests the Government to consolidate all loans outstanding from building societies and to reduce the rate of interest on them to 4 per cent and to reduce the default rate of interest from 12½ per cent to 1½ per cent more than the rate of original loan.

11. This Conference recommends that lessons on Co-operation be included in the syllabuses of Training in Elementary Schools.

12. This Conference is of opinion that Marketing Societies should be helped with liberal subsidies from Government for meeting establishment charges, rent etc. in the first few years.

13. This Conference recommends that some village societies be worked as Mutiple Purposes Societies.

14. This Conference requests the Government to exempt Co-operative Banks from payment of income tax on interest earned on Government securities.

THE EIGHTH LAND MORTGAGE BANKS' CONFERENCE,

Madras, 27th November 1937.

Extracts from the opening address of the Hon'ble Mr. V. V. Giri, Bar-at-Law, Minister for Labour, Industries and Co-operation, Government of Madras.

I have perused with great interest the reports of your Bank. It is a record of work of which any body of public workers may be justly proud. Your work is of a kind which does not lend itself much to publicity. But it is hard and honest work, demanding much time and enegy which you have ungrudgingly given without any idea of reward. I can visualise how your efforts have brought hope and cheer into many a family and have rescued them from misery and degradation. You have justly earned a reputation all over India as pioneers in the successful working of the land mortgage scheme. May I avail of this opportunity to convey to you on behalf of the Government of which I happen now to be a part, their sense of gratefulness for the quiet and unostentations work you are doing and assure you, if assurance is necessary at all, that to the utmost extent possible consistent with their responsibility to the tax-payer, the Government are prepared to strengthen you in your efforts to tackle the problem of rural indebtedness.

Your distinguished President and my esteemed friend Mr. T. A. Ramalinga Chettiar, has been ever alert not to let go any opportunity to represent your point of view on many questions which are pending negotiation and decision. That the Government yet keep an open mind must have been evident to you from the fact that I had the pleasure of accepting an amendment moved by Mr. Ramalinga Chettiar in the Madras Council to the resolution sponsored by me on behalf of Government in regard to maximum amount of guarantee in respect of debentures issued by the Madras Central Land Mortgage Bank. Since then we have had the advantage of discussing the matters over again with the Deputy Governor of the Reserve Bank of India and your representatives. All the points of view presented during the discussions are under the careful consideration of the Government. I regret very much I am not in a position to announce the decisions of the Government. But however, I may be permitted to state, that in matters such as those under consideration, the Government cannot be expected to brush aside easily the suggestions of those who are competent to advise them on financial questions. To my mind it does not matter much whether we decide in favour of the Sinking Fund or the Debenture Redemption Fund as both are designed to meet the obligations when the time for redeeming them comes, as long as the burden of repayment of instalment towards principal and interest on the ultimate borrower is not unduly heavy and the rate of interest charged is reasonable.

In the discussions on the problems relating to Land Mortgage Banks, I find reference is made to the help rendered by Government to such institutions in other countries, especially in England. But I am sure it is realised that the constitution of those credit institutions, the sources from which their funds are drawn, the repaying capacity of the borrowers and other matters are different from those obtaining in our country. In spite of the varying conditions, the Government of our Province have not been unmindful of your difficulties and to the extent possible and necessary you have received their unstinted support. If more is asked and it is not easily complied with, it is not because that the Government are blind to your difficulties but that they are equally perhaps more painfully aware of the difficulties of those who are still less fortunate than those whom your Banks are serving. No one can question the well recognised dictum that the good of the largest number must always secure preference. Therefore to the extent possible, without seriously impairing the finances of the Province the Government will consider sympathetically your claims for various concessions you have asked from time to time. If I may venture to make an appeal to you, I request you to see that the benefits from your Banks reach a larger number of small ryots that the period of repayment is extended, that delay in sanctioning and disbursement of loans is minimised, and above all to reduce the overhead charges to the minimum extent possible.

Extracts from the Address of Mr. T. A. Ramalinga Chettiar, President, Madras, Co-operative Central Land Mortgage Bank Ltd.

The Government is seriously considering a radical scheme for liquidation of the indebtedness of the ryot. I have repeatedly expressed my view here and elsewhere that the real question to be tackled is the unremunerative nature of the agricultural occupation and the want of subsidiary occupations for spare members of the agriculturists' family and for the spare time of even those engaged in agriculture. But at the same time the accumulated debt is a serious problem the ryot has to contend against and the interest he has to pay takes away a large portion of his agricultural income. While for a permanent improvement in the position of the agriculturist other steps have to be taken, it is urgent that he should be relieved of the crushing burdens of over-taxation, uneconomic rents and heavy interest charges. Without relieving the ryot of his indebtedness he cannot be given a fair start. So, the liquidation of the old debts of the ryot has to be tackled. But at the same time care should be taken that in scaling down the debts, no scare is created which will prevent accommodation being given to the ryot for his ordinary needs. It should not be forgotten that the ryot needs finance for his cultivation expenses, for paying taxes and for maintaining his family. He first borrows for these needs and then pays what he has borrowed from his produce. If adequate accommodation by way of credit is not available to the ryot for all these purposes cultivation itself will suffer and the position of the ryot will be worse than what it was before.

In any scheme of scaling down debts, it is not enough if the accumulated amount is reduced. The ryot has, in addition, to be relieved of even the reduced burden by an advance from some agency which will collect the amount with such interest as may be fixed in easy instalments extending over a long period of years. Without this, the ryot cannot be saved. Various agencies have been suggested for these purposes. In Bhavanagar the state itself boldly undertook to foot the liquidation process by raising a loan and collecting the dues from the ryots in equated instalments spread over 20 years along with the land revenue. This will no doubt be the best method if the Government can undertake it. The second proposal that has been made is that of issuing debentures, with or without the guarantee of the Government, to the creditors themselves for the reduced debts. This will be unpopular for the reason that the creditors whose debts have been considerably reduced by the scaling down process should not also be made to take their money in instalments spread over a long period and many of the creditors are themselves debtors in their turn and they will have to meet their liabilities. The third method is that of allowing the ryot to make his own arrangements for payment with some facilities given by the Government, by way of help to land mortgage banks and other institutions working for the purpose. The ryots who can satisfy the requirements of credit of a business standard form only a proportion of those indebted. The rest will have to sell the whole or a portion of their holdings. Even those who can get credit on business terms can afford to pay in instalments only if they can get money cheap and arrangements are made for making money available to them on easy lines. It is the duty of the Government at least to render help to secure this.

Land Mortgage banks were started for doing an essential service to the ryot by supplying long-term credit for the purpose of liquidating the old debts and starting with a clean slate. The Land Mortgage Banks are essentially borrowers' Banks started for the purpose of getting money on the easiest terms possible. Investigators in rural economics are generally of opinion that the income on agricultural investments does not exceed 3 per cent. Such being the case, the interest will have to be paid by the ryot when it is higher than 3 per cent from the wages of his own labour which he will be entitled to even if he works on other people's lands. So it is absolutely necessary that the rate of interest should be as low as it is possible to make it. The rate of interest charged by the Land Mortgage Banks has been brought down to 5 per cent with effect from 26—8—36. It will be a great pity if for any reason proposals should be made to raise the rate of interest which already is 2 per cent above the estimated income on agricultural investments.

I have to state that even though eight years have passed since the Central Land Mortgage Bank was started, there are only 94 primary banks working in the Presidency covering about 100 taluks. There is still a very vast field to cover. It is absolutely necessary that the whole province should be covered if the question of long-term credit has to be tackled in an organised and serious manner. This is not a mere matter of business, but a matter of general national concern. The government has to feel its great responsibility in this matter. Simply because some land mortgage banks and a Central Bank have been started, it cannot throw all the responsibility on these bodies and take credit for the few facilities they have given to these banks. The Government has to change its view point. The land mortgage banks, with a Central Bank at their head, are doing a service which the Government ought to do themselves and they are doing this service at a very much less cost to the Government and to themselves than any Government agency can do. I hope this aspect of the matter will appeal to the Government in solving the problems that still remain to be solved and also in all future discussions.

It is my duty and a very pleasant one to acknowledge our indebtedness to the Government and to the several ministers and finance members who were in charge from the time the Central Land Mortgage Bank was started. They were all of them considerate and prompt in helping this Bank. While the Central Land Mortgage Bank is anxious to build on solid and secure foundations and has been following methods and principles which have been considered sound, changes are proposed which inevitably will lead to increasing the burden on the poor suffering ryot. The Government seems to be trying to get out of its responsibility for looking after the co-operative institutions and for the expansion of the movement. Even the facilities that were formerly given by way of immunity from payment of stamp duty and registration fees are being withdrawn. I may take this opportunity to appeal to the Government not to yield to the over-zealous officers who in the name of economy and saving to Government may suggest proposals which ultimately will work great hardship to the ryot.

I have in this connection to refer to two matters which are under negotiation with the Government. One is the question of the introduction of a scheme of sinking fund in place of the Debenture Redemption Fund. Under the Debenture Redemption Fund scheme, the Central Land Mortgage Bank raises money on debentures and it is lent to the ryots who pay an equated amount every year and discharge the debt in 20 years. The collections towards principal are placed in the Debenture Redemption Fund. Hitherto, every six months lots were drawn among the debenture holders and debentures to the extent of the principal collections were redeemed. As this system led to insecurity in investments, our investors wanted the period of redemption should be fixed. In view of that, the bank proposed to take away this drawing of lots and compulsory redemption of debentures and substitute the purchase in the open market of the debentures of the requisite series to the amount of the principal collections. When such debentures are not available, the collections will be invested in Government securities and debentures will be purchased when available. The principal collections will be placed in the Debenture Redemption Fund and no portion of it will be utilised in any way. This scheme has worked alright so far. There has been no demand on the part of any investor to change this scheme. Now on the advice of the Reserve Bank, the Government is asking the Central Land Mortgage Bank to institute in place of this debenture redemption scheme, a sinking fund scheme under which sufficient money, to make up with interest 1/20th of the amount of debentures issued in a series, will have to be put by every year and at the end of the 20 years the debentures will be redeemed. This scheme has got several defects. In the first place, the collections towards principal by the bank is not the same every year. It is naturally less in the earlier years and more in the later years. The result of adopting the sinking fund scheme will be to put by more than what is collected by way of principal in some years. with the result that it may necessitate the raising of the rate of interest to the borrowers. It cannot be said to be sound also because, the amount outstanding as debentures will not be the same as the principal amount due to us on the mortgages. The original policy was that the amount due by us to debentureholders should be the same as the principal amount due to us on the mortgages. This principle will have to be given up. It should also be remembered that we are lending money only up to a maximum of 50 per cent of the value of lands mortgaged to us and our valuation is always complained of as too conservative. So, there is absolutely no fear about the security for the debentures. It is also well known that we scrutinise the repaying capacity of the borrowers very carefully and so it cannot be expected that the defaults will be very many at any time. Our past experience has been that so far as this bank is concerned, there has been no default at all. We have also got our share capital and the several reserves we have created to meet every contingency that may arise in meeting our liabilities even if there was default in a few cases. We are building up, in addition to the ordinary reserve, a bad debt reserve and a Debenture Redemption reserve. There is no possibility of our lending transactions coming to a stop. All the symptoms show an ever increasing business. Such being the case, there is absolutely no reason why a mathematical and a theoretical security should be imposed on the bank by way of the sinking fund scheme. The sinking fund is no doubt a proper method for the liquidation of loans when taken by a public body or the Government which have to depend on revenue collections and which have no earmarked sources out of which the loan has to be repaid. In the case of the land mortgage bank the debenture loan is lent and and is always available to contribute towards the payment of the loan. I for one cannot understand the anxiety felt in some quarters about the redemption of debentures under the scheme we have proposed. I will appeal to the Government to consider the scheme in all its aspects and its effect on the bank before coming to a decision. I will also mention that there is a possibility, in the range of 20 years during which the sinking fund will have to run, of depreciation of the securities purchased. It may also happen that we are not able to get for our investments from the sinking fund the expected income. In these cases the bank will have to incur heavy losses. If we have to pay incometax and supertax on the income from the investments from the sinking fund, as we are advised we have to pay, the whole of the margin of one per cent will be exhausted and we will be forced to raise the margin and increase the rate of interest to the borrower.

The second matter I have to refer to involves a matter of principle and help to be given by the Government. The Government have been giving free of cost the services of Deputy Registrars and Sub-Deputy Registrars to inspect the banks and their working and to check the valuation of the hypotheca. I have to state that each land mortgage bank has got its own staff of supervisors, clerks and directors who attend to valuation of hypothea and legal advisers who advise on the title to lands offered for mortgage. They are, therefore, bearing the cost of what scrutiny and valuation they consider necessary. The Sub-Deputy Registrars, who are appointed by the Govenrment and who work under the Registrar and not under the banks, check the valuation after inspecting the fields and also examine the records as to title. This is partly necessary for the purpose of helping the banks and partly to safeguard the interest of the Government who are the guarantors of the debentures and the Registrar who is the Trustee for the debenture holders. The inspection of banks is one of the ordinary duties performed by the Co-operative Department for all co-operative institutions. The work of the Sub-Deputy Registrars is being supervised and checked by the Deputy Registrars. So the work of these officers is of a threefold character and only with reference to one portion of their work they can be said to work for the banks. I have already referred to the responsibility of the Government in devising means to relieve the ryot of his indebtedness. Taking all these into consideration, one would have thought that the Government would bear at least this portion of the cost of running the land mortgage banks which have their own establishments, have to pay dividend to the shareholders and build up a satisfactory reserve and also to make provision for bad debts and to meet emergencies. Instead of that, the Government wants the banks themselves to bear the cost of these officers and they have declined to sanction any additional establishment for expansion even though a very large portion of the province has still to be covered by land mortgage banks. The Central Land Mortgage Bank has, after an ineffective protest, agreed to pay the cost of the Deputy Registrars and it has been paying the same for the last two years. Now the Government want the Primary banks to pay the cost of the Sub-Deputy Registrars. As I said, they are already incurring heavy cost for their own establishments which attend to all work. Many of them are still working at a loss. Several of them have been started within recent times and there are many to be started hereafter. To ask all these banks to pay a contribution is hardly fair. It has been suggested that the banks may raise the rate of interest to the borrower for the purpose of paying contribution to the Government. The proposition itself sounds very ungenerous. Some of the banks have got large dealings and they are working at a fair amount of profit. Why should all the banks be asked to raise the rate of interest is a question that will naturally be asked. I would appeal to the Government that in this matter of rendering help by way of service they cannot look at these matters as a business transaction and impose all sorts of conditions on account of the guarantee they are giving for the debentures issued by the bank. They may consider their responsibility to act as partners in the scheme of giving relief to the ryot and bear at least this portion of the cost.

Resolutions passed at the Conference

1. This Conference begs to represent to the Government that a sinking fund on the lines proposed by the Reserve Bank is unnecessary and difficult to work. The scheme of Debenture Redemption Fund proposed by the Bank is easier to work and less speculative. But at the same time it is equally effective for securing repayment of debentures. In any case the Conference requests the Government to see that any scheme proposed by them does not involve any increase in the rate of interest charged to the ultimate borrower.

2. The charges of the Departmental officers should be a legitimate charge on the Government like all the other charges of the Department and the land mortgage banks should not be called upon to meet the cost of the Government staff.

3. This conference requests the Government to grant full exemption to all the primary banks from charges for obtaining encumbrance certificates and registration of documents as the withdrawal of the said concessions recenlty has seriously affected the members of the banks requiring loans.

4. In order to avoid delay and registration fees, it is desirable to dispense with the execution of the assignment deed and provide by an amendment of the Land Mortgage Banks Act for vesting of the properties in the Trustee on the execution of the mortgage bond.

(This was referred to the Board of the Central Land Mortgage Bank for investigation and necessary action.)

5. (a) While this conference recognises that the time taken for audit is a better test than others for the fixing of fees, the charge proposed, viz., Rs. 6 per day is too high. The Conference considers the maximum fee should not exceed Rs. 3 per day of five hours.

(b) If this proposal is not accepted by Government, Government may publish

a panel from registered accountants and auditors and institutions may be permitted to employ one from the panel and settle fees with him.

(c) The auditors of Central Banks, urban banks and special types of societies should be better equipped men, specially recruited and this audit staff should be directly under the Registrar.

(d) This conference is of opinion that all societies working at a loss in any year should be exempted from the payment of audit fees for that year.

6. In order to concentrate successful development of Land Mortgage Banks and to avoid duplicate machinery of financing the ryots on similar security by the Government direct, the issue of loans to agriculturists by Government be transferred to the respective Land Mortgage Banks, or in the alternative the scope of the Land Mortgage Banks, should be widened so as to include the purposes for which the Government advance money to ryots.

7. This conference is of opinion that where the Primary Banks require, the period of repayment may be extended up to 30 years.

8. The individual maximum borrowing power in land mortgage banks may be raised to Rs. 10,000/- in all districts if the other conditions are satisfied.

9. Loans may be advanced on the security of lands in whole inam villages and the mode of valuation in regard to such lands and the safeguards to be taken may be settled on the same basis as in Zamindari areas. Melwaramdars will not be given any loans on the security of melwaram rights.

10. Resolved to request the Government that due representation be accorded to Land Mortgage Banks in all schemes for debt conciliation and debt redemption.

11. Resolved that the disability now existing for representatives of Co-operative institutions to be represented on the Board of the Reserve Bank of India be removed and that the Reserve Bank of India be requested to take appropriate steps for the same.

PUNJAB CO-OPERATIVE UNION

An Address presented to H. E. The Marquess of Linlithgow, Viceroy and Governor-General of India at Lahore on 22nd October, 1937.

MAY IT PLEASE YOUR EXCELLENCY,

On behalf of 8 lakhs of Co-operators of this Province, we the members of the Executive Committee of the Punjab Co-operative Union, beg to offer Your Excellency and Her Excellency Lady Linlithgow a most hearty and loyal welcome on your first visit to the capital of the Punjab. The knowledge that in Your Excellency we are welcoming a genuine sympathiser, a true friend and a real well-wisher of the agricultural classes fills our heart with joy and pride and we are sincerely grateful for this opportunity of welcoming one who brings to India an abiding interest in her agriculture and a deep desire to improve the lot of her cultivators.

The Punjab Co-operative Union.—The Punjab Co-operative Union Ltd., Lahore, was registered in July, 1918. It is the chief non-official democratic co-operative institution in the Province and is responsible for developing and controlling the Co-operative Movement in the land of five rivers, carrying on its work in close touch with the Co-operative Department. All Central Co-operative Banks, Unions, Land Mortgage Banks and Commission Shops in the Province are its members, as well as the Gazetted Officers of the Co-operative Department, *ex-officio*. The controlling body of the Union is its Executive Committee which consists of 32 members including the Registrar, Co-operative Societies, who is its only official member. The co-operative institutions of every district are represented on the Executive Committee. The Union thus represents an attempt (and, we claim, a successful attempt) to blend a popular non-official movement with the official controlling element which is essential in the early stages of its development in a largely illiterate countryside.

Its main functions are:—(1) audit of all co-operative societies, (2) their supervision, (3) training and education of the co-operative staff and of members of co-operative societies, and (4) propaganda. The success of the Co-operative Movement in the Province is a measure of the zeal and vigour with which the Union has been performing these functions.

The two main sources of the income of the Punjab Co-operative Union are an annual contribution from all co-operative societies and grants from Government. As a result of the world depression it has become difficult for societies to contribute proportionately to our steadily growing expenditure, and although our ideal is self-sufficiency, we feel that in the special circumstances of to-day we are entitled to look for generous treatment by Government—even more generous than we have received in the past. We are convinced that public money could not be better spent, for, in the words of the Royal Commission on Agriculture over which Your Excellency presided some years ago, "We have great hopes that many millions of peasant proprietors may be led to a better life through a sound Co-operative Movement; if this is secured, much else is brought within the bounds of attainment *If Co-operation fails, there will fail the best hope of rural India.*" Following the constitutional changes that have taken place in India in recent years, Co-operation

is now fully under the control of a popularly elected Ministry, and we express the hope that Ministers will realise in an increasing measure the importance of propagating and encouraging the Co-operative Movement as a means of ameliorating the conditions of people of small means, not only in the country but in the town.

It is impossible within the bounds of a formal address to set out in more than the barest outline the story of Co-operation in this Province and its present manifold activities. Starting at the end of last century with a few experimental village banks in Multan under the guidance of Sir Edward Maclagan, then Deputy Commissioner of the district and afterwards Governor of the Province, the movement has now grown to the stature of 23,000 societies of different types with over 800,000 members; its working capital is 18½ crores of rupees. About 50 per cent. of the villages in the Province contain co-operative societies of some type; not all, of course, working with equal success but all affording to the inhabitants the means of improving their lot by thrift, mutual help and self-help. It was not to be expected that the movement should solve within 30 years (a period which contained one of the severest agricultural depressions in history) the problem of rural debt which has been accumulating for generations. But we do emphatically claim that, in so far as the problem is capable of solution or mitigation by the cultivator's own efforts, Co-operation is the best possible means which he can employ. As an illustration of this, a careful investigation carried out in 1935 in 438 societies, which celebrated their twentieth birthday in that year, showed that about 25 per cent. of their members were completely free of debt. Meanwhile, the agricultural industry has been kept alive and for this the finance afforded by co-operative societies is entitled to no small share of the credit. The sum advanced by agricultural credit societies during the last 5 years (that is after the onset of the depression) for purposes nearly all directly or indirectly connected with cultivation has been Rs. 4½ crores. We may mention, too, (and coming as Your Excellency does from a country renowned for its thrift, we feel certain of arousing Your Excellency's interest) that the thrift deposits of members in agricultural societies exceed Rs. 33 lakhs; it is true that these deposits are somewhat unevenly distributed over different districts of the Province but we understand that even in Scotland some areas are more thrifty than others.

Apart, however, from the direct effect of co-operative credit on rural debt, we maintain that many of the non-credit activities carried on by co-operative societies have a most important effect on this problem. Of these the most important—and one in which we take a legitimate pride—is Consolidation of Holdings, which has been described as the high water-mark of Co-operation in Northern India. At first a plant of slow growth (for it was an apparent attack upon the peasant's dearest possession, the land handed down to him by his fathers) the activity is now spreading with increasing momentum; the total area consolidated up to the latest date for which we have complete figures is 7,91,358 acres. Your Excellency has paid a personal visit to some of the villages which have been consolidated and it is, therefore, unnecessary for us to describe the manifold direct and indirect benefits which follow on this process. Much still remains to be done, and we must in this connection gratefully acknowledge the financial assistance which Your Excellency's Government has, through the Punjab Government, afforded to this beneficial activity. The peasants of this province have not been slow to respond, and the total amount voluntarily contributed by them towards the cost of the process has now reached a lakh of rupees.

Cattle breeding is another co-operative activity which will, we are well assured, have Your Excellency's sympathy. The number of Cattle Breeding Societies in the Province is now over 200 and membership and interest are markedly increasing; a separate group of societies is concentrating on the breeding of buffaloes and there are societies for sheep breeding in areas which are suitable. Better Living Societies now numbering over 800, with more than 30,000 members, are another important variety, which have made great progress recently; not all have the same scope or intensity of activity, but they have as their potential range the whole field of rural reconstruction and the general raising of the standard of living. In the fields of agricultural marketing and supply, in which in many other countries Co-operation has won its greatest triumphs, we cannot as yet claim equal success; but our efforts and our examination of the problem continue and we may justifiably hope that where others have led (and there have been notable successes in India itself) we may follow.

Our Industrial Societies cater for the cottage craftsman, the handloom weaver, the leather worker, the carpenter, the potter, and many others who without co-operative organization cannot hope to survive the stress of modern competitive production. These, too, after a period of depression, are showing unmistakable signs of revival, and their sale business has greatly increased in the last three years.

Although by the nature of our provincial economy the movement has been mainly in rural areas, the towns have not been neglected and in recent years special efforts have been made to encourage the growth of Urban Banks for the benefit of small traders and artisans. Mention must also be made of the movement amongst women, for the number of women's societies is now nearly 250 and the Province can justly claim to lead India in this respect. Hitherto, the scope of these societies has been mostly limited to thrift but their activities are expanding and some of them are now becoming the nuclei of Women's Institutes, affording an opportunity for the study of all subjects which contribute to the health and happiness of the home.

We must perforce pass over a number of other societies—Arbitration, Compulsory Education, Adult Schools and School Supply Societies—all of which have contributed something towards the education of humble members of the community in self-help and self-respect. It is indeed on this note of education that we would close our Address, education not only of the illiterate members of our societies but of the band of workers, paid and unpaid, who support the movement. As once remarked by Your Excellency "the greatest enemy that the Co-operative Movement has in this country, and in any other, is the uninformed enthusiast and the people who think that enthusiasm and zeal can take the place of careful study and exact knowledge. They cannot." The Punjab was fortunate to realize the necessity of the proper training of the co-operative staff and members of co-operative societies from the very beginning of the movement and has evolved a system of training which has earned praise from high and authoritative quarters, including the Royal Commission on Agriculture. The Province has been paid the compliment of extensive calls for assistance from other provinces in the training of their staff and the Gurdaspur Training Class of Inspectors has become an institution of All-India fame and has attracted candidates from all Provinces of India, from Burma and indeed from as far afield as Cyprus. We are, however, not ignorant of the great work that still lies before us. The teaching of the

individual members of co-operative societies in the essential principles of Co-operation and the methods of working of societies is of cardinal importance and demands systematic and sustained effort. The special grant of the Government of India for training and education has given an opportunity to the Co-operative Department and to our Union to concentrate their efforts on this important task.

Enthusiasm is, in truth, dangerous without education, but it is also true that education in all the methods of Cooperation, if uninspired by faith in its prnciples cannot create a living movement. Our faith is in Co-operation as the strongest unifying power in India to-day, a movement greater than party, more comprehensive than communalism, wider than nationalism, which will one day embrace all nations within its fold. We remember with gratitude Your Excellency's encouraging message to the recent All-India Co-operative Conference at Bangalore, and we hope and believe that during Your Excellency's regime the Co-operative Movement in India will grow to fuller stature and the result will be a healthier peasantry, a more prosperous agriculture and a happier India.

We wish Your Excellencies a long, healthy and prosperous life.

We have the honour to be,

Your Excellency's Most Obedient Servants,

Members of the Executive Committee

of the

Punjab Co-operative Union Ltd., Lahore.

THE REPLY OF H. E. THE VICEROY

Gentlemen of the Punjab Co-operative Union, you are well aware how close and personal is the interest which I take in the Co-operative Movement. I am very glad to see you here to-day and I am grateful to you for the kind words you have said about me. The constitution and the working of your Union well illustrate the happy results which flow from the co-operation of officials and non-officials for the common good; and I listened with the deepest interest to the lucid and informed statement of the activities of your Union contained in your Address. I am heartily with you in your anxiety to develop and consolidate the public-spirited work of which you have given me an account: and I am sure that the pursuit of that work in the manner you have described, and on that non-communal and non-partisan basis which is so essential to the character and the success of the movement, will continue to earn you in a high degree the respect and the gratitude of all responsible opinion in the Punjab.

The main function of the Co-operative Movement must be for many years to come the provision of productive credit. I am glad to note the success which in the Punjab it has achieved in the reduction of debt. The agricultural depression placed, as I am well aware, a severe strain on co-operative resources; and it is a matter for real congratulation that in your Province the Movement should have weathered the storm even though in certain districts the effects of it may still be evident. It is in my judgment of fundamental importance that whether a member of the Society is able immediately to repay his debt or not, he should be loyal to the body to which he belongs, and that he should not lose the will to pay. One of the lessons which we learnt from the economic crisis was the evil of excessive credit; and I feel confident that your Union, while continuing to serve legitimate needs so far as possible, will insist in your transactions on the elementary principles of thrift and the discouragement of extravagance.

Co-operation is not merely a credit machine. If it were, it would soon cease to be a regenerating force. Fortunately it has many other activities. I need only refer to consolidation of holdings, to cattle breeding, to better living societies. I have, as you mention, myself had the pleasure of inspecting consolidated villages in Jullundur and Ludhiana, where I also had the opportunity of examining the affairs of a village co-operative society. Consolidation opens out the way to many improvements which are not necessarily co-operative—the sinking of wells, the use of better seed, the introduction of improved methods of agriculture, the development of facilities for recreation, and in general a healthy pride in the progress of the village. I have heard it said indeed that consolidation is the real foundation of rural uplift; and I am glad to take this opportunity to pay a tribute to the pioneer work of the Co-operative Department, work with which the name of Mr. Calvert will long be associated. You referred in your address to better living societies. I am delighted to hear of the progress which has been made in this respect, and of the large number of members now enrolled in those societies and I would like to take the opportunity to emphasize the wide field which they cover and the opportunities they give of contact with officers of other departments, of developing the missionary spirit of enthusiasm and of spreading the gospel of self-help. Let me say, too, how much I welcome the good work which has been done in cattle breeding, in which the record of the Punjab is outstanding. There is much to be done in connection with village industries; while I am aware of the difficulties, I am also alive to the possibilities; and the extent of the progress which has been made in this regard in the Punjab is encouraging indeed.

I have noted your desire for greater assistance from Government. Let me say on that that I cannot conceive any government in the Punjab failing to give their active sympathy and practical help to the Co-operative Movement, least of all the present Ministry who have made it very clear indeed that their policy is to promote in every way the well-being of the people.

CO-OPERATIVE NEWS AND NOTES

The International Co-operators' Day was, as usual, celebrated by co-operative institutions all over the country on the first Saturday in November. Space forbids the publication of the reports received, and we are grateful to the institutions concerned for the reports they have sent. The All-India Co-operative Institutes' Association circularised the following resolution to all co-operative institutions for adoption on the occasion:

On the fifteenth anniversary of International Co-operative Day, the vast army of co-operators comprised in the co-operative movements of the world;

Deeply deplores the continued manifestations of the spirit of war in the general rearmament of nations, and expresses horror at the armed conflict which, for the past year, has wantonly destroyed thousands of human innocent lives and laid waste the achievement of centuries of culture and civilisation.

Proclaims the urgent necessity for an active campaign in the pursuit of peace, the preservation of democracy and the ideals of co-operation which are capable of arresting the processes of destruction now at work in the world, and of providing permanent conditions of economic prosperity and world peace;

Renews its declaration of fidelity to the foundation principles of co-operation as expressed in the system of the Rochdale Pioneers' principles which embody a superior plan of economic life to that which has prevailed for nearly a century; set up a noble standard of human life and action and call for the recognition of the links which bind the races of the Universe in one great family;

Pledges itself to use every means in its power to demand and support a policy which will give effective support to all national efforts having for their object collective security and world peace;

Relies upon co-operators and co-operative institutions to reinforce these demands by clear declarations of policy and the adoption of a programme of action calculated to bring to bear upon the councils of the nations the full force of the influence of the world co-operative movement.

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Some one with a practical idea of dimension, plus horse sense, has said that the size of an acre depends upon who farms it!

That's equally true of Co-operation! To a small mind, it may be only paltry, piffling, penny-pinching....and nothing else! To men of depth and breadth it takes on the stature of a system of economics...a science of living for human beings—*Pennysylvania Co-op. Review.*

* * * * *

The U.P. Government have decided to establish an Industrial Credit Corporation with a capital of Rs. 15 lakhs, empowered to take long term deposits which would lend money to small industrialists at a rate as low as possible. The Government would assist by contributing for five years towards the expenses of the management by paying a certain sum to supplement its profits with a view to the helping it to declare a dividend of 4 p.c. and by giving a grant to be placed in the contingency of reserve fund to cover bad debts. The non-officials have agreed to act as promoters of the proposed corporation.

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The Bihar Moneylenders' Bill has been introduced in the Bihar Legislature in Dec. 1937 and referred to a Joint Committee of both the Houses of the Legislature. The Bill will apply to all classes of moneylenders,—with power of exemption to the Provincial Government—provides for registration of moneylenders and maintenance of proper accounts by them, lays down that no court shall pass decree on account of arrears of interest for any period exceeding three years or at rates exceeding 9 per cent per annum in the case of secured loans and 12 per cent per annum in the case of unsecured loans, empowers courts to fix suitable instalments for payment of the decretal amount, according to the circumstances of each case, and prescribes a minimum extent of land, which is exempt from sale in execution of a decree—viz. one third of the judgment debtors land subject to a minimum of one acre, etc.

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The Government of Orissa have recently undertaken an enquiry into the working of the Co-operative Movement in the Province, and have, appointed Dewan Bahadur K. Deivasikhamani Mudaliar, Retired Joint Registrar of Co-operative Societies, Madras to conduct the enquiry. We await with interest the publication of his report.

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The South India Co-operative Insurance Society, Madras and the Bombay Co-operative Insurance Society have, it is satisfactory to note, made good progress in the year ended 30th June 1937.. While the membership of the Bombay Society rose from 2465 to 4640, that of the Madras Society rose from 3388 to 4672. The number of policies issued by the Bombay Society was 1245 for Rs. 9.81 lakhs and that issued by the Madras Society was 1477 to the value of Rs. 12.04 lakhs. The premium income was Rs. 1.95 lakhs in Bombay and Rs. 1.48 lakhs in Madras. The life fund of the Bombay Society increased during the year from Rs. 1.32 lakhs to Rs. 2.46 lakhs and its expense ratio decreased from 56.5 to 41.3 per cent, while the corresponding figures for Madras were Rs. 1.24 and Rs. 1.84 lakhs and 54 and 47.4 per cent. The Madras Society has opened a Branch at Delhi, which is making headway.

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Sir John Russel, the British Agricultural Expert, is reported to have stated in an interview in Madras that the great problem of Indian agriculture to-day was the poverty of the peasant, and there was no use blaming him for what was not his fault, for if he had the money he would take to new and better methods readily enough. The heavy burden of debt on agriculturists was a clog in the wheel of agricultural progress, but that did not directly come within the scope of his enquiry. Sir John however recognised its great importance and bearing on agricultural problems in India.

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The International Co-operative Agency Ltd, was registered in London on 20th October 1937 as an Industrial and Provident Society under British Law. It has been established under the auspices of the International Co-operative Wholesale Society which has been functioning as

a Bureau of advice and information and has not been engaged in trading. The International Co-operative Agency will act as selling agent and representative of oversea shippers for co-operative trade, and where this is not possible, as broker or general purchasing agent. It will also act as the selling agent of its member societies, 14 to start with, in respect of the export trade which they undertake. Financially, requirements will normally be small, since invoicing and payment would be a matter for the principals. Arrangements will be made for societies to provide funds in respect of any purchases they may make which necessitates the holding of cash payments. Mr. Dijkstra, formerly of Handelskamar (Wholesale Society at Rotterdam) is appointed the first manager.

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A CORRECTION.

We regret that in the article on "Two Village Banks" by Mr. F. B. Wace, I.C.S., published in the July-September, 1937 issue of the Review wrong figures were printed on pages 413 and 414. The correct figures are as follows:

Page 413.

Year	Debts owed to the Society.	Unsecured Debts out-side the Society.	Total.
	Rupees.	Rupees.	Rupees.
1931-32	38,975	26,990	65,965
1932-33	39,566	52,150	91,716
1933-34	38,230	66,136	1,04,366
1934-35	36,647	65,056	1,01,703
1935-36	35,483	46,906	82,389

Page 414.

	Rupees.	Rupees.	Rupees.
1931-32	7,062	6,750	13,812
1932-33	6,973	6,800	13,773
1933-34	5,682	6,800	12,482
1934-35	4,536	6,335	10,871
1935-36	3,927	2,396	6,323

SELECT CONTENTS OF CURRENT PERIODICALS

Review of International Co-operation, London.

Oct. 1937 : The Press as popular Educator by Maurice Camin.

Nov. 1937 : The Press as an Impulse to International Co-operation by B. Przegalinski.

Dec. 1937 : Co-operation and Labour Problems by Maurice Colombain.

International Review of Agriculture, Rome.

Oct. 1937 : Crop Finance by G. Costanzo.

Nov. & Dec. 1937 : Live Stock Insurance in Germany by F. Arcoleo.

The Co-operative Review, Manchester.

Nov. & Dec. 1937 : The Problem of Leisure by E. Fennelly.

Consumers' Co-operation, New York.

Nov. 1937. Training of Co-operative Officers and Employees.

Oct. 1937 : British Co-operation and Stateism by J. P. Warbasse.

The Madras Journal of Co-operation, Madras.

Oct. 1937 : Audit of Co-operative Societies by V. Ramadas Pantulu.

Dec. 1937 : The Madras Agriculturists' Relief Bill by V. Ramadas Pantulu.

ACKNOWLEDGMENTS

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The Nagpur Agricultural College Magazine.
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The Mysore Economic Journal.
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