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PROVINCIAL ECONOMIC
CONFERENCE.

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PROVINCIAL ECONOMIC CONFERENCE.

RESUMÉ OF THE DISCUSSIONS.

3rd April 1934. Forenoon.

The Provincial Economic Conference was opened at 9 A.M. by the Hon'ble Sir George Schuster, K.C.S.I., K.C.M.G., C.B.E., M.C. The following provincial representatives were present :—

Madras	..	..	..	1 The Hon'ble Sir Archibald Campbell, K.C.I.E., C.S.I., C.B.E., I.C.S., Revenue Member.
				2. The Hon'ble Mr. P. T. Rajan, Minister.
				3. Mr. .. Secretary.
Bombay	..	..	..	1. ..

Assam 1. The Hon'ble Mr. A. J. Laine, C.I.E., I.C.S.,
Revenue Member.

In addition to the provincial representatives the following Members of Government were present:—

- (1) The Hon'ble Sir Fazl-i-Husain, K.C.S.I., K.C.I.E.
- (2) The Hon'ble Sir Harry Haig, K.C.S.I.
- (3) The Hon'ble Sir Joseph Bhore, K.C.S.I., K.C.I.E.
- (4) The Hon'ble Sir Frank Noyce, C.S.I., C.B.E.

The following representatives of the departments of the Government of India were also present:—

Mr. J. B. Taylor, C.I.E.	..	..	Finance Department.
Sir T. ...	..	..	} Imperial Council of Agricultural Research Department.
	..	..	

Department.

cial Governments. In a sense we keep the ring in which you have to play your game, and by our currency policy, our borrowing policy with its effects on credit, our taxation policy, our expenditure policy, our policy as regards the great systems of communications—Railways and Posts and Telegraphs,—we affect the conditions in which you have to operate, and may increase or alleviate your difficulties. On the other hand it is you who are in contact with the most practical side of Government's business, the things which really matter most, namely, the actual conditions of the people and their daily tasks of agriculture and industry. We on our side therefore want to hear from you how things are working out and whether there are any ways in which we can help you, while we also want you to have an opportunity of exchanging experiences together so that as far as possible you may work on uniform lines. Obviously, to state the position in very elementary terms, if one province has a far reaching plan for dealing with agricultural indebtedness it must be advantageous or indeed essential for the others to know of it, for what is done in one part of India may set up demands for similar action in another. The discussion of these matters between yourselves ought, in our conception, to be an important part of this conference—perhaps the most important part, and we want you to regard this meeting essentially as an attempt by the central Government to provide you with this opportunity and not as based on any idea of our laying down the law for you.

At the same time we may, as I have already said, be able to regulate our policy in ways helpful to you, and in any case it is a good thing that you should have a chance of understanding what our policy is. So I want to say something about that. I reviewed this shortly in the last ten pages of my last budget speech, and as I have not time to go over all that ground again I will refer you to those passages. A copy of the speech together with two connected pamphlets will be found among the papers distributed to you. There are certain special points which I want to emphasise. In the first place our main effort up till now has had to be concentrated on merely maintaining the stability of the Indian financial structure. It is perhaps natural now when that object has been achieved, and when our loan and currency reserve position has been put on to a really strong basis, to look back upon that as a comparatively easy task, but I can assure you that the position looked very different when the culmination of the crisis came upon us in September 1931. Even the British position was then in danger of panic and collapse, while as far as we were concerned the difficulties were greater and the inherent stability was much less. Our currency reserves had been reduced to danger point owing to the rush of nervous investors to get capital out of India. Our credit in London was very low.

We were affected not only by the financial crisis, but by political and constitutional uncertainty. I only mention these points to bring home to you what the dangers were and to explain how we have been forced during the last 2½ years to concentrate on the mere task of keeping the financial structure from collapse, so that for this reason alone we have been precluded from indulging in speculative experiments, which those who do not carry the responsibility find it so easy to advocate. Apart from this it is the principles always followed by the Government of India (the methods of the British Government) that the primary though

by attempting too much, and as I am now explaining what led up to the calling of the present conference, I must emphasise that what we had chiefly in mind was to consider what direct action can be taken to alleviate the problem created by the fall in prices in increasing the burden of the fixed charges falling on the agricultural masses. The next task is to consider whether any steps can be taken to improve the general economic position; as to this, although I have made it clear that we do not think there is any short cut to recovery for India by way of an inflationary policy or currency manipulation, this does not mean that we think there is nothing to be done or that we ought to rest content with a mere passive attitude. In fact in these days of increasing economic nationalism and restrictions on the free flow of international trade, it is necessary for a government to have a purposive policy even in order to maintain its existing place. We can afford to spare no effort in increasing the efficiency of production and marketing of crops, but at the same time we must on the one hand regulate that production according to the demand and on the other hand seek to add security to India's competitive position by trade agreements and otherwise. Again we must endeavour to increase India's own internal markets and balance agricultural by industrial developments. Simultaneously we may perhaps be able to do something now both to give an immediate stimulus to purchasing power and to improve India's economic equipment and efficiency by undertaking capital expenditure on public works of various kinds. All these are obvious points and I need only touch very lightly on them because the agenda and papers which we have put before you will have indicated to you the sort of discussions which we have in mind. I mention them now for two special reasons. The first reason is that I want to emphasise that if any policy on these matters is to be effective, it must be based on close cooperation and mutual understanding between the central Government and all the provinces. If we are to keep the production of various crops properly balanced with demand, it is obvious that we must have in India a centralised source of information as to the position both in home and foreign markets. Again, if there is to be any concerted plan of capital expenditure, while we have to provide the funds, it is you who must mainly plan the expenditure. Or again if a proper balance is to be maintained between industrial and agricultural development, the work lies in your hands, while it must be the central Government which surveys the whole position for providing guidance to an all-India policy. For all these reasons we must work together. My second reason for mentioning these points is because it is important at the outset that we should have clear ideas as to what sort of results we are going to aim at at this conference. Clearly, with the limited time available we shall fail if we attempt to achieve too much. On a concrete subject like that of the problem of agricultural indebtedness you may perhaps be able to arrive at certain definite conclusions. In the wider field covered by the general and now somewhat irritatingly popular phrase of "economic planning" we shall obviously not be able to achieve any final and comprehensive solution but shall be able, I hope, to devise means by which we can continue mutual contact with a view to co-operate in developing plans in the future and at the same time have useful discussions on special questions such as programmes for capital expenditure, the development of marketing organisation or immediate problems

in relation to special crops like wheat and rice. My own chief hope is that this conference, even if its immediate results may be limited, will prove to be of such interest and value, that it will be a prelude to closer contact on all these matters in the future.

The Hon'ble Sir Archibald Campbell.—I appreciate the opportunity offered to discuss these important problems, and on behalf of the provincial representatives I wish to thank the Government of India. I recognise the shortness of notice but that was inevitable. In view of this shortness of notice I am not in a position to put definite decisions of the Government of Madras before the conference. We have come to discuss the questions in the hope of arriving at common solutions, which can then be referred to the provincial Governments for examination. In my view the primary objects now should be to put heart into the agriculturist and to restore confidence and these will be followed by steadying of prices. The Madras Government had approached the Government of India on such matters as reduction of railway freights, reduction of the export duty on rice and possibly the imposition of an import tax on rice or the prohibition of its import. Such measures would have a great moral effect as showing that the Government of India are making serious efforts to save the agriculturist from the effect of the economic depression. A telegram which I have received this morning shows that the retail price of rice had risen from Rs. 1-1-0 to Rs. 1-4-0 a kalam in Kumbakonam merely on a rumour of reduction in freight and an import prohibition. This is an instance of the moral effect of even rumoured anticipated action by the Government of India as distinct from action by the provincial Governments.

As regards rural indebtedness, conditions vary so much from province to province that I doubt whether uniform action throughout India is possible. The memorandum of the United Provinces is very interesting but some measures discussed in it would not be applicable to Madras because of the difference in the system of land tenure. Also, the co-operative movement is more widely spread in Madras and can be utilised to a larger extent than seems possible in some other provinces. It has been suggested that there should be some simplification of insolvency procedure in the case of small rural debts and arrangements for payment by instalments, so as to avoid alienation or sales of land. We wish to avoid anything

(b) We have one or two land mortgage banks but their achievements during the present crisis have not been such as to hold out much hope. This is however a line of development which calls for further examination.

(c) The Assam Government could not dream of taking over the debts themselves, or of working through village panchayats or any other local agency of that kind.

Item 5.—This contingency is not likely to arise.

Mr. Thomson.—We have very few co-operative societies in the province and though they are good, they would not help much.

(b) This is a possibility but we would like to know more of the practical experience gained elsewhere.

(c) We are opposed to this for the same reasons as the Punjab, which I have already explained.

As regards 5, we also take the same view as the Punjab. We stand by the Land Alienation Act. To give power to foreclose might also create the difficulty of making these mortgage institutions landowners on a large scale which would be undesirable.

4th April 1934, afternoon.

In addition to provincial representatives the following were present :—

The Hon'ble Sir George Schuster in the Chair.

The Hon'ble Sir Frank Noyce.

The Hon'ble Sir Fazl-i-Husain.

Mr. Taylor.

Sir. T. Vijayaraghavacharya.

Mr. Burt.

Colonel Olver.

Item No. 6 of the Agenda.

Marketing.

The Hon'ble Sir George Schuster.—I think that we should go through the memorandum prepared by Mr. Burt* item by item. The first question which I would like to ask the provinces is on paragraph 3 (1), propaganda and supply of information.

The Hon'ble Sir Archibald Campbell.—We feel the lack of information very much. For instance, the price of one crop, groundnuts, has been materially affected this year, we understand, by certain import duties imposed by France and Germany but we received no information on the subject.

Mr. Burt.—The Imperial Council of Agricultural Research is trying to collect information to distribute to provinces on matters of importance about their crops.

The Hon'ble Sir Archibald Campbell.—We have also had complaints that the trade in Malabar copra is being adversely affected by import of inferior copra from Ceylon which is being re-exported from the West Coast as Malabar copra. We should like to know how Malabar copra compares with Ceylon copra and whether nothing can be done to prevent the import of Ceylon copra.

The Hon'ble Sir Ghulam Hussain Hidayatullah.—We are in general agreement with the memorandum. We have markets for cotton and are thinking of extending the marketing system to groundnuts and oil-seeds. A special organisation for tobacco also seems desirable.

Mr. Burt.—We are considering what we can do about tobacco. It is a crop

