A CRITIQUE OF POLICIES FOR RECONSTRUCTING INDIA'S RURAL ECONOMY

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A THESIS

Submitted to the School of Graduate Studies of Michigan State College of Agriculture and Applied Science in partial fulfillment of the requirements for the degree of

DOCTOR OF PHILOSOPHY

Department of Economics

1948

CONTENTS

LIST OF TABLES

PREFACE

This study was undertaken primarily with the purpose of evaluating policies aimed at ameliorating the distressing poverty prevailing in rural India.

The writer's contention is that most of the measures to improve rural life have not been successful in the past because they either started from false premises or followed wrong methods. In the writer's judgment, any plan which does not remove the basic causes of poverty is unlikely to succeed. Furthermore, no program can achieve significant and lasting results if it is not compatible with the ideals of human freedom and happiness.

History bears ample evidence that despite apparent success, the revolutionary and dictatorial methods actually fail to achieve their putative objectives. Nor is a wholesale adoption of methods successful elsewhere a guarantee that they will achieve similar success in a country with a different history and culture.

Therefore, whatever reconstruction programs are adopted, they must be related to the needs of the country and the ideals which we cherish. Before they are introduced on a country-wide scale they must be carefully studied and tested. Moreover, we must build our economy with an eye to the future.

In the preparation of this study the writer has received much help and guidance from Dr. H. J. Tyngarden, head of the department of economics, and Dr. C. M. Hardin, professor of agricultural economics.

Through personal discussions and valuable suggestions they have considerably influenced the thinking of the writer and the development of this thesis. The writer is greatly indebted to professors D. C. Cline and L. W. Witt for patiently going through the entire manuscript and offering valuable criticism and suggestions. He also desires to acknowledge the helpfulness of the entire faculty and staff of the department of economics, as also of Dr. C. F. Loomis and Dr. J. A. Beegle of the sociology and anthropology department, who in various ways have been helpful in the preparation of this study. He is particularly thankful to Mrs. Collinson for getting the manuscript in final shape.

CHAPTER I

INTRODUCTORY: PURPOSE, METHOD AND SCOPE

Purpose

India was once rich and prosperous, possessing one of the finest cultures and civilizations.[1] She was carrying on skilled agriculture at a time when in their own unreclaimed mountains and morasses Europeans still hunted the bear and the wolf.[2] It is well known that "before the 19th century the highest quality of textiles were produced in India and the European manufacturers were in no way able to compete with them."[3] But today India suffers from grinding poverty. With 90 per cent of her people constantly living in sight of hunger line,[4] her teeming millions and poverty have become synonymous terms.[5]

This is a cause of concern not only to the people of India but also to the people of the world. In the contemporary world, where the fortunes of one people are closely bound up with the fortunes of others,

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[1] Will Durant, The Case for India, (New York: Simon & Schuster, 1930), p. 4-5

[2] Wolff, quoted by H. S. Chatterjee, Indian Economics, Part I (9th ed., Calcutta: H. Chatterjee, 1936?), p. 26

[3] Paul N. Sweezy, "An Economist's View of India", Harvard Guardian, Vol. VII, No. 1, Nov. 1942, p. 3

[4] G. E. Jather & S. G. Beri, Indian Economics, (7th rev. ed., Madras: Oxford University Press, 1942), p. 69

[5] Vera Anstey, Economic Development of India, (3rd ed., London: Longman's Green & Co., 1936), p. 1

through political and economic interdependence, the poverty of one people is a standing source of danger to the peace and prosperity of the rest of the world.[6]

It is therefore imperative that something be done with regard to the appalling poverty that prevails in India. Up till August, 1946 the Britishers, on account of their rule over the country, had to bear the brunt of the blame,[7] and with some justification perhaps. But now that the Britishers have gone, it is up to the people of India to lift themselves from the slough of poverty in which they find themselves. The leaders seem keenly conscious of the gravity of the problem. They are eager as well as impatient to raise their country to its traditional pedestal of glory and prosperity. This is a good sign.

But in their anxiety and impatience there lurks a danger. Although most of the great achievements in the history of mankind have been the outcome of a burning desire on the part of some men to achieve something great, yet many of the evils from which mankind has suffered, now and again, have had also their source in a similar enthusiasm to achieve worthwhile ends.

To quote one example, freedom which today characterises the American way of living is the outcome of unquenchable desire for liberty on the part of the early pioneers. They could not stand the tyrannies to which they were subjected in their home lands, and they staked everything to find a place where everyone could be free to seek one's material and spiritual salvation according to the dictates of one's conscience. However, it is also true that Hitler and Mussolini, to

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[6] J.C. Flugel, Population, Psychology and Peace, (London: Watts & Co., 1947), p. 94
W.S. Thompson, Danger Spots in World Population, (New York: A.A. Knopf, 1930).

[7] Durant, op. cit., p. 2

name only two, have also been animated by a burning desire to achieve an order which in their judgment would bring glory and prosperity to their own countries.

So the fact that some people are fired by certain ideals is no guarantee, that their plans would, in fact, achieve those ends. While it is very desirable to make use of the nobler aspirations and sentiments of the people to achieve worthwhile ends, yet it must not be forgotten that good intentions alone, however powerful, cannot bring about the realization of desirable ends. Very often the methods or the means adopted have foiled good intentions, and have aggravated the problem.

Whatever might have been the achievements of the Japanese leaders who transformed their backward country into one of the leading industrial and strong powers in the world, it cannot be said with any confidence that either their own people or others thank them today for these stupendous achievements. Yet what Japan finally came to was the inevitable consequence of the system which the Japanese leaders had developed for the good of their country.

This disparity between ideals and actual results is not a matter of chance. It is not the unkind fates refusing to bless the efforts of man. It is the stern causality which does not appreciate the pious intentions of men if they are stupid enough to use improper means to desired ends. In social life it is as much a matter of causal necessity that bad means cannot yield good results, as it is in physical world that a bad tree cannot yield good fruit. Those who ignore the logic of causation have to bear the nemesis when it comes, for come it must.

When the human effort fails in its purposes there can be two reasons. Either there is some confusion about the ends, or the means

chosen are improper--poorly conceived and badly executed. Generally, however, it is easier to get a consensus about the ends, and these can be more or less concisely formulated, at least when they refer to tangible results. For example, it may be generally agreed that one aim of the people of India should be to remove poverty and raise the standard of living of the masses. There may be a considerable difference of opinion as to what exactly constitutes the standard of living, yet within quite narrow limits it is possible to get a consensus on that issue. But as to the methods which may be followed to achieve that, it is not so easy to get an agreement. For whereas ends are few, the means are many.

This is the most tricky point in the situation. Very often in an anxiety to obtain immediate results, people give too little attention to the consideration of means. Any means are considered equally good, and accepted by the overwhelming majority if they can be related to the realization of the end in view. This attitude, however, is unwarranted, and it is here where lies the danger. In human affairs the means used are frequently as important as the end. For though in the first instance it is the end that determines the choice of means, yet the means adopted may so transform human character that finally men may become the slaves of means and forget the end, or a less desirable ideal may take hold of their hearts.

Thus while there may be a general agreement about raising the standard of living of the people, yet it may so happen that during the process, the organization of society is completely changed. And though rise in per capita income becomes a realized fact, the sacrifices involved may be so heavy and oppressive that the final result may prove to be inimical to the happiness and prosperity of the people except a

small number who may be wielding the power.

This is apt to be forgotten at times of crises like the one India is passing through just now. As the result of past frustrations and impatience to catch up with lost time, the people are likely to be swayed by a religious fervour to bring about their cherished millenium in the shortest possible time. Any precedent in that direction, especially if little is known about the inside story, tends to heighten their optimism and spur their active imagination. Thus lured by the ostensible success of other countries, the people of India may decide to follow their methods forgetting two important considerations. Firstly, that history never quite repeats itself, and so what might have been efficacious or possible in the past, may not work in the world of today. Secondly, that what might have been possible in one country, in more or less similar external circumstances, may not work with people having different mores and history.

This is a real danger in India. There is the possibility that the people in their zeal to recover the lost ground and bring India abreast of other nations, may, forgetting the above two considerations, accept programs which may not only fail to achieve their purpose, but may on the contrary aggravate the situation. With these considerations in mind the present study has been undertaken.

The aim is to analyse the problems of the poverty of India, to evaluate the programs that have been recently adopted as also those that are being proposed, to examine in a dispassionate manner what foreign plans and policies may or may not be adaptable to conditions in India, and finally to suggest possible ways of approach consistent with general welfare and commensurate with the ideals of human freedom and happiness.

For, whatever be the physical achievements of the economic plans, the final test which they must meet is: How far are they satisfying to the aspirations and ideals of the people for whom they are designed?

Method

This study involves four steps, viz. (a) analysis of the problem of poverty in India, (b) examination of the past and present programs to solve that problem, (c) formulation of criteria of good policy consistent with ideals of human freedom and happiness, and (d) in the light of the above criteria, and on the basis of experience in India as well as other countries, to make suggestions as to what might be more feasible and desirable in view of the peculiar situation in India.

As such the study is based on the use of the following three methods:

Inductive Method: This method has been relied upon in the study and analysis of the phenomenon of poverty in the country. Two types of data have been available in this connection. A large number of competent scholars and observers both Indian and foreign (see Bibliography) have made many studies of the problems of Indian economy. Though India is a big country and conditions, naturally, must vary from one part of the country to another, yet adequate sampling of studies is available from which it is possible to make generalizations about the whole country. This is particularly so because of the fact that despite the diversity of conditions, there runs an undercurrent of community of interests[8] and difficulties, which enables us to make fairly scientific generalizations that, with minor exceptions, would apply to the

[8] F.L. Brayne, The Indian and the English Village (London, 1933) p. 7

whole country[9] or at least to a major part of it. The writer, besides his intimate contact with rural life in the North where he has spent a large part of his life actually living with the tillers of the soil, made a special study of the rural problem in about 50 villages[10] in different parts of the Panjab in 1935-36 in connection with his dissertation for doctor of philosophy of the Panjab University, which however could not be completed on account of the changed plans of the writer. In 1941 and 1942 he could also visit Bengal and South India and had the chance to study rural conditions around Shantiniketan (Bengal) and Bangalore (South India). Through many relatives and friends he was able to get first hand information about the farming conditions in Sind and Central States and the United Provinces. This personal experience he has supplemented with village surveys made by many other competent investigators.

Deductive Method: This method has been used to formulate criteria of policy as well as to deduce the effects of certain programs and policies. In some cases as the result of experience in other countries, and in some cases even in India, such deductions have been confirmed by supporting data. Elsewhere a priori reasoning has been relied upon. This might seem contrary to the current trend in economic studies. But the writer feels convinced that there are certain things which a human being prizes, yet which cannot be gleaned from statistical studies, for they refer to things not as they are but as they ought to be. The greater portion of the lives of majority of men is controlled and governed by habit or impulse. It is only at certain moments that the ordinary

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[9] Report Royal Commission on Agriculture in India, (London: H.M. Stationary Office, 1928), p. 94

[10] In India the peasants (farmers) do not live on their farms but live in one compact place in a central situation. This compact collection of houses is called the village. It has no similarity to an American village.

man is truly himself and fully realizes the true nature and significance of his desires, ambitions and ideals. By catching him at any fleeting moment and questioning him or observing his behavior is not likely to reveal what values he cherishes more than others, or how he might act in a given situation. What people do, or do not do today, does not guarantee that they would follow the same course at another time, under different circumstances and different motivation. Of course when the facts of life belie the deduction, the latter will have to be modified or even rejected. But when it is not possible to appeal to facts, or when the facts cannot project us into the future, we cannot ignore the issue by not thinking about it. In such cases we must perforce resort to a priori reasoning. This is particularly true in the matter of formulating criteria of good policy and deducing consequences of policies which have not been tried so far, at least not under conditions where we are interested in seeing their application.

Comparative Method: In addition to the above two methods, use has been made of the comparative method. The results of the policies followed in some other countries, with more or less similar problems, have been examined and their applicability studied in relation to conditions obtaining in India. In connection with some policies data regarding their success or failure has been available, and therefore the conclusions have been based in the light of actual verification. With regard to still untried policies or inadequately tried policies, their desirability and effectiveness have been examined in the light of the criteria propounded. Of necessity, such conclusions are of tentative nature, and might be disproved in the light of future experience. But theories have to be formulated before they can be either accepted or rejected. Therefore the procedure seems perfectly logical and scientific.

Scope

This study is confined only to the problems facing rural (village) India. This has been done on the assumption that if India is able to solve the problems of about 87 per cent of her people who live in rural areas, the rest would become a simple matter, if not actually solved in the very process, since the welfare of the rural and urban populations is so interdependent.

Furthermore, this study deals mainly with the basic weaknesses of the rural economy. After having seen and examined the working of the past programs, designed to ameliorate the condition of the rural people, the writer is convinced that no program or policy, which does not strike at the root of the problem, can accomplish the desired end. Minor improvements or make-shift expedients might mitigate the severity of the evil, but do not remove the root cause, and therefore the efforts do not catch up with the malady. To take one example, while consolidation of parceled holdings is very desirable to make farming efficient, it does not solve the problem. It might succeed in bringing a temporary relief and advantage to the peasant, but as soon as his sons marry and have children, the land has to be divided again, and the problem reappears. In other cases the consolidated holding itself may be far short of the optimum economic size, and therefore does not help the situation.

The basic weaknesses which must be removed are (a) lack of education, (b) over-population, (c) lack of industries, (d) improper utilization of land and (e) low and fluctuating returns.

Without education no progress is possible. Without control of the growth of population the best efforts would come to naught

within a generation or two. Since land is one of the major factors of production, no significant improvement in production is possible without assuring proper utilization of land. But all the efforts of the peasant as well as the state may fail to improve the condition of the peasant if he is not assured adequate income through proper financial policies.

These basic weaknesses may be tackled in two ways: (a) through central over-all planning and (b) long-range coordinated policies. The first implies unified, comprehensive, centralized and bureaucratic control over the whole economic system. The second aims at removing the evils through regulated laissez-faire. In view of the importance of the means to be adopted, it has been thought necessary to consider the pros and cons of the two courses of action.

Since no discussion in this connection could be fruitful without considering the final goal of economic activity, an examination of what human beings want from life had to be brought into relation with the suggested course of action. Thus a study of the criteria of good policy has been considered necessary.

Ordinarily international trade policies should have come under the purview of such a study. These, however, have been omitted. For under the present international situation, and the fact that such policies can only be formulated in consultation with other powers, makes such a study unrealistic and meaningless. Such policies must wait till things settle down, and consensus among nations shows signs of effective development.

Finally this study confines itself to policies of peacetime economy. Should the country be compelled to gear its economy to war objectives, the policies outlined here might not have any application. At least not without considerable modifications.

CHAPTER II

THE BACKGROUND

To get a proper perspective and understanding of the problems of Indian economy it is necessary to outline briefly the geography, the demography and pattern of economic organization of the country. Throughout the following study the word India refers to the old geographical and political unity that existed before the division of the country in August 1947. This has been necessary in view of the fact that past data and literature relate to the whole country, and new data and figures based on partition will not be available for some time to come. Besides, the division of the country has not affected the basic problems of the country since the division is more or less arbitrary from an economic standpoint.

Geography

The influence of the physical factors on the economic life of a country need not be stressed. They are the prime determinants of the products of the country, the occupation of the people, their density and distribution, or in one word the pattern of their life.[1]

India is a huge sub-continent with an area of 1,581,410 square

[1] Vera Anstey, op. cit., p. 11

miles and a population of 388 million people.[2] In 1940, in British India 41.8 per cent (214 million acres) of the total area was classified as net sown area, 8.9 per cent (45 million acres) as current fallow, 19.1 per cent (98 million acres) as cultivable waste and 16.9 per cent (87 million acres) as not available for cultivation. While 13.3 per cent (68 million acres) was under forests.*

The country extends from 8° to 37° North latitude, about 2000 miles, and from 61° to 100° East longitude, about 2500 miles. The Himalayan range in the north and the east separates the country from Tibet and Burma, and influences the agricultural economy of the major part of the country through the Monsoons. These Monsoons not only supply rains but also feed the rivers which irrigate, and occasionally flood, many million acres of Indo-Gangetic Plain. Hindukush and Suleiman ranges in the north west separate the country from Afghanistan and Persia. But through the Khyber and Bolan passes, they have played a very important role in the history of India, first by permitting the Aryans, and later the Muslims to infiltrate into the country.

The Arabian Sea on the southwest and the Indian Sea on the southeast give about 4300 miles of coast line and four chief harbors, Karachi and Bombay on the Arabian Sea, and Madras and Calcutta on the Indian Sea. These seas connect India with the rest of the world, and also supply the Monsoon winds. These winds heavily laden with moisture, after striking against the Himalayan ranges, are deflected to different parts of the country to give rains on which depend the fortunes of India's

[2] East India Census 1941 (London: H. M. Stationary Office), p. 3

*Imperial Council of Agricultural Research, (Delhi, 1944)., Memorandum on Agricological Development in India, Figures for the native states are not available. But it has been estimated that of the total 488 million acres of the States area 148 million acres is net sown area, 34 million acres current fallow, 79 million acres cultivable waste, 188 million acres not available for cultivation and 39 million acres under forests.

predominantly agricultural economy.

The country can be divided into three geographical regions, viz., (a) The northern region of Himalayan ranges, which in addition to influencing the rain and the climate, forms the forest wealth of the country, (b) the Indo-Gangetic Plain extending from the Indus River in the north to Brahmaputra River in the east. Mostly composed of silt and watered by a network of rivers it forms the most extensive sheet of level cultivation in the world.[3] There are no rocks or stones to alter the uniform character of the alluvium, (c) the Triangular Peninsula of the south which is separated from the rest of the country by passable Vindhya and Satpura ranges. This part is an elevated plateau, about 1500 to 2500 above the sea level, flanked on the east and the west by two ranges, known as the Eastern and the Western Ghats. It is mostly hilly in nature.[4]

The average rainfall in India varies from about 4 inches in Sind, 9.5 inches in the southwest, 11.4 inches in the central states, 24.5 inches in Madras and Deccan and 30 inches in the United Provinces to 100 inches in Bombay and 400 inches in Assam Valley in the east. Since only about 26 per cent of the land is under artificial irrigation,[5] agriculture in India is mostly dependent upon rains which bring prosperity or famine by their abundance and scarcity. Too much rain occasionally brings destruction through floods and inundations.

The rains are dependent on the summer and the winter Monsoons. The former last from the middle of June to the middle of September,

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[3] Sir M. B. Nanavati and J. J. Anjaria, Indian Rural Problems, (Bombay: Indian Society of Agricultural Economics, 1944), p. 11

[4] L. Dudley Stamp, Asia, (New York: E. P. Dutton & Co., 1938), p. 175 (Most of the geographical discussion is based on this source).

[5] Statistical Summary, Census 1941, (Delhi: Manager of Publications), p. 11

forming the main rainy season in the country. The latter continues from December to February, giving limited rain to restricted areas. This seasonal rainfall is responsible for two crop seasons. The Kharif crops, e.g., rice, cotton, sugar cane, jute and millets are sown about June and harvested in the fall. The Rabi crops, e.g., wheat, barley, linseed, tobacco and oil seeds, etc., are sown at the end of the summer Monsoons about the middle of September and harvested in the spring.

The Monsoons, besides determining the rain and through it the density of the population, have also affected the character, outlook and social organization of the people. "An abundant rainfall resulting in an easy solution of the bread problem, has made people ease-loving, conservative, and disposed to religious speculation, while its uncertainty has made them fatalistic....."[6]

The temperature, except in the north which shows extremes from -5° to 125°Fahrenheit, varies from 40° to 85° Fahrenheit. This enables the people to live without any elaborate clothing and houses. This type of climate is also to some extent responsible for the slothfulness and laziness of the people. They lack vigor and stamina which is a characteristic of the people living in temperate regions.

There are four chief types of soil in India:[7]

(a) The alluvial in the Indo-Gangetic Plain. The main crops are wheat, sugar cane and rice.

(b) Red soil of the Southern Peninsula extending to the East through Hydrabad and Central Provinces. Millets are the principal crop.

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[6]R. Chatterjee, Indian Economics, (Calcutta: H. Chatterjee & Co., 1947) p. 11

[7]Report Royal Commission, op. cit., pp. 70-74

(c) Black soil of the Central Provinces and the Upper Southern Peninsula, producing cotton and millets.

(d) Lateritic soil is found in Central Provinces, Assam and also along the Eastern and Western Ghats. Plantation crop, especially tea, is important.

Resources

As the result of the varied geographical conditions, India can produce both tropical and semi-tropical crops, fruits, vegetables and forest products (Table I).

TABLE I

LEADING AGRICULTURAL AND MINERAL PRODUCTS OF INDIA

	Year	000 Short Tons
Rice	1943-44	51,305
Wheat	1945	12,612
Maize (Corn)	1940	2,341
Barley	1941	2,530
Cane sugar (raw)	1943-44	3,817
Tea	1943	275
Rubber	1945	17.5
Tobacco	1940	524
Jute (raw)	1944	1,087
Cotton	1945	688
Linseed	1943	458
Groundnuts (peanut)	1943	3,714
Rapeseed	1943	1,196
Sesamum	1943	508
Coal (Br. India)	1945	29,119
Iron ore (metal content)	1935	2,193
Pig iron and ferro alloy	1945	1,494
Steel	1945	1,416
Manganese	1941	539
Chrome ore	1939	27.5
Bauxite	1946	16.5
Gold	1945	170
Petroleum (crude)	1944	392

Source: Britannica Book of the Year 1947, (Chicago), p. 402

India is the largest cane-producing country in the world and shares with China the primacy for production of rice. In cotton it ranks next only to the United States. It leads the world in production

> of groundnut, and ranks next to Argentina in linseed. In jute and in lac it possesses almost a monopoly. In millets India ranks with China and Africa as one of the three main producing regions. Of tea it is one of the largest exporters to the United Kingdom, ranking next to China as the biggest producer.[8]

About 14 per cent of the total area is under forests. Besides preventing soil erosion and influencing rainfall, the forests are a great source of national wealth. Even with present insufficient development, they yielded a net income of Rupees 7,867,000 in 1939-40.[9] (One rupee is equal to 30.25 cents). The high mountains yield pine, fir, and bamboo, while the low mountains grow tea, sal and babul. There are great possibilities of such industries as manufacture of charcoal, turpentine, lac-culture, dyeing and tanning material, basket, rope and mat making.[10]

While India has climatic conditions very favorable for fruit production, the possibilities have been scantily utilized, the area under fruits being only 3.9 million acres in 1939-40.[11] The chief fruits are apples, peaches, pears in Kashmir and Northwest Frontier Province; citrus and mangoes in the Panjab; oranges in the Central Provinces; bananas and mangoes in United Provinces, Bombay and Bengal. In addition grapes, pomgranates and litchis can also be grown successfully in different parts of the country.

The country has one-fourth of the total livestock animals in the world. A large number of these, however, are uneconomic (old cows, etc., because Hindu sentiment and religion forbids killing of animals, especially cows) while most of them are of inferior quality.[12] Nevertheless, N. C. Wright in his report, "Development of the Cattle and Dairy

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[8] Sir T. Vijayaraghavacharya, The Land and Its Problems (2nd ed., Bombay: Oxford University Press, 1944), pp. 3-4

[9] Nanavati and Anjaria, op. cit., p. 15

[10] Ibid., p. 16

[11] Ibid., p. 18

[12] Ibid., pp. 18-19

Industries of India" (1937), estimated that animals yield in the form of milk and milk products, hides and skins, cattle labor and manure about 50 per cent of the total income of agriculture.[13] F. Ware, however, estimates that the total income is over Rupees 12,650,000 which is more than the value of India's cash crops.[14] As to the supply of fish, though so far it has not been adequately developed, it is believed that the resources are considerable.[15]

India has a large quantity of undeveloped mineral deposits. She has the largest coal deposits in the whole of the British Empire with the exception of the United Kingdom.[16] Her iron resources are much larger than any country of the south and east Asia. Shanmukham Chetty estimates these to be at least 3,000 million tons.[17] Her bauxite deposits, much of which is of high grade, are estimated at 250 million tons, which makes her the greatest potential supplier of this metal in the world.[18] There are ample resources of mica, chromite, ilmenite, molybdenum, salt tungsten and materials for cement, glass, refractories and abrasives. She is, however, not so well supplied with oil, sulphur, copper, tin, nickel, lead, zinc, graphites, phosphates, and potash.[19]

India's water power resources, however, are considered to be next only to Canada and the United States. The potential reserve is estimated to be 27 million kilowatts, but only half a million kilowatts

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[13] Quoted by Nanavati and Anjaria, op. cit., p. 19

[14] Mukerjee and Dey (ed.), "Animal Husbandry", Economic Problems of India, (London: Macmillan and Co., 1939), p. 140

[15] Nanavati and Anjaria, op. cit., p. 20

[16] Nanavati and Anjaria, op. cit., p. 6

[17] "India's Fighting Strength," Foreign Affairs, April 1942, pp. 410-20

[18] W. S. Thompson, Population and Peace in Pacific, (Chicago: University Press, 1946), p. 237

[19] Ibid., p. 237

have been developed so far.[20] Nevertheless, India promises to be one of the leading countries in the world in regard to the development of hydro-electric power.[21] The chief centers of hydro-electric development at present are (a) the waterfall of western United Provinces, which is expected to generate a minimum of 125,000 kilowatts when completed, (b) Tata and Andhra Valley schemes in Bombay Presidency have a combined capacity of 246,600 horsepower, (c) Mysore Works when completed would make a total of 89,000 horsepower, (d) Pykara Hydro-electric Works can with full storage generate 90,000 horsepower in addition to 30,000 horsepower from the tail water at a lower site, (e) Mandi scheme in the Panjab which will give a total output of 115,000 kilowatts.[22]

Demography and Living Conditions

Most of the vast vegetable and mineral resources, however, are undeveloped, and others inadequately developed. The result is that despite the potential wealth of the country, most of her 388 million people live in dire poverty. A comparison of per capita income in India with other countries will give some idea of poverty in the country (Table II).

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[20] Nanavati and Anjaria, op. cit., p. 7

[21] Indian Year Book, 1940-41, (Bombay: Times of India Press), p. 378

[22] S. M. Akhtar and others, Indian Economics, (2nd rev. ed., Delhi: S. Chand & Co., 1946)

TABLE II

PER CAPITA INCOME IN DIFFERENT COUNTRIES IN TERMS OF INTERNATIONAL UNITS
(over the period 1925-34)

U.S.A.	1,381	Finland	380
Canada	1,337	Hungary	359
New Zealand	1,201	Japan	353
Great Britain	1,069	Poland	352
Switzerland	1,018	Latvia	345
Australia	980	Italy	343
Netherlands	855	Estonia	341
Erie	707	Yugoslavia	330
France	684	U.S.S.R.	320
Denmark	680	South Africa	276
Sweden	653	Bulgaria	259
Germany	646	Rumania	243
Belgium	600	Lithuania	207
Norway	539		
Austria	511	BR. INDIA Approx.	200
Czechoslovakia	455	China "	100 to 200
Greece	397		

Source: Colin Clark, Conditions of Economic Progress, (London: Macmillan & Co., 1940), pp. 41-42
(NOTE: Because of the lack of statistical data pertaining to the Indian Native States, the figure for India applies only to that part which was under the British rule. And even in British India because of the absence of competent data collecting agency, the figures are only a rough estimate.)

The result of this low income becomes more significant if we compare the average span of life in India with other countries (Table III).

Not only is the population too large in relation to the annual income of the country but also the situation is deteriorating as the result of the rapid growth of population. In the past the effect of the high birth rate was considerably neutralized by a similarly high death rate and the population did not increase so much (Table IV). In fact the growth of population, contrary to the general impression, was considerably lower than in European countries. Thus,

> The population of India in the area as enumerated in 1921, but not including Burma, actually grew only by 49 million in the

latter year. This growth is 19 per cent in the 49 years ending in 1921, or an average annual rate of slightly less than 0.4 per cent. This is about half the rate that prevailed in Europe from 1850 to 1900....[23]

TABLE III

AVERAGE EXPECTATION OF LIFE AT BIRTH
IN SELECTED COUNTRIES

COUNTRIES	MEN	WOMEN
U.S.A. (1938)	62.12	66.20
U.S.S.R. (1926-7)	41.93	46.79
New Zealand (1931)	65.04	67.88
Japan (1935-6)	46.92	49.63
INDIA (1931)	26.91	26.56
Germany (1932-4)	59.86	62.51
U.K. (1937)	60.18	64.40
Italy (1930-2)	53.76	56.00

Source: Statistical Year Book of League of Nations, 1939-40 (Geneva), pp. 66-68

But during the last two decades ending in 1941, greatly as the result of better health, sanitary measures, hospital facilities,[24] and better provisions against famines, the death rate has fallen by 50 per cent. Since the birth rate fell only by about 24 per cent (Table IV) there was a population increase of 27 per cent in 20 years (1921-41), or an average annual increase of 1.2 per cent.[25] After 1941, however, the birth rate has gone down appreciably (about 25 per cent). Yet when related to the fall in the death rate of about 50 per cent, the population situation offers no reason for being optimistic.

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[23] Warren S. Thompson, Plenty of People, (Lancaster: The Jaques Cattell Press, 1944), p. 16

[24] Brij Narain, Indian Economic Problem: Pre-war, War and Post-war, (Lahore: Atma Ram & Sons, 1944), p. 12

[25] Thompson, Plenty of People, op. cit., p. 16

TABLE IV

BIRTH AND DEATH RATES IN INDIA
(Per Thousand Population)

Year	Birth Rate	Death Rate
1885-90 (av.)	36	26
1890-1901 (av.)	34	31
1901-1911 (av.)	38	34
1911-21 (av.)	37	34
1921-31 (av.)	35	26
1931-35 (av.)	35	24
1936	36	23
1937	33.7	21.9
1938	33.3	23.7
1939	32.7	21.5
1940	32.0	21.1
1941	32.1	21.8
1942	29.3	21.3
1943	25.9	23.6
1944	25.4	24.1
1945	27.3	21.5
1946	27.9	17.5

Source: From 1885-1936, S. Chandrasekhar, India's Population: Fact and Policy, (New York: The John Day Co., 1946), p. 59
From 1937-1946, United Nations Statistical Bulletin, Sept. 1947, pp. 10 and 16

This average population increase of 1.2 per cent per year in the last decade, however, does not indicate the seriousness of the situation. In ten years this seemingly modest increase has yielded India a net gain of more than 50 million people. This is a greater number than the entire population of any European country except Germany or Russia or of any Latin American country.[26]

Food production has not kept pace with this increase in population,[27] with the result that "poverty and need make themselves evident on all sides when one goes among the village people of India".[28]

[26] Chandrasekhar, op. cit., p. 16

[27] Brij Narain, Economic Structure of Free India, (Lahore: Indian Book Co., 1946), p. 15

[28] D. Spencer Hatch, Up From Poverty, (Bombay: Oxford University Press, 1936), p. 3

It is estimated that 90 per cent of the people of India are living constantly in sight of hungerline.[29] While this statement might be an exaggeration, a scientific study made by Sir John Megaw with the assistance of 600 doctors throughout India, showed that only 39 per cent of the people were adequately nourished, 40 per cent were poorly fed, and 20 per cent came under the category of "very badly nourished" (Table V).

TABLE V

STANDARD OF NOURISHMENT IN INDIA

Province	Population	Average acres cultivated per family	Average No. per family	Percent well Nourished	Percent Badly Nourished	Per cent Very badly Nourished
Assam	22,522	6.9	5.6	53	38	9
United Provinces	52,055	9.6	5.4	40	39	21
Central Provinces	83,351	16.5	5.0	50	18	0.8
Madras	278,377	6.3	5.0	36	18	1.7
Bengal	93,921	5.0	5.5	22	47	31
Bihar	35,748	5.7	5.8	42	40	18
Panjab	108,813	17.3	6.2	42	38	20
Bombay	68,700	13.8	5.2	45	44	11
Average for Whole India		8.4	5.4	39	41	20

Source: Sir John Megaw, An Inquiry into Certain Public Health Aspects of Village Life in India, 1933, p. 10

The rapid growth of population becomes a more serious problem in view of the fact that the vast majority of the people live in villages and, directly or indirectly, are dependent on land for their means of subsistence. The land virtually is fixed in area. The small increase in total acreage due to development of irrigation projects is almost infinitesimal in comparison with the increase of population. This increasing pressure on land, coupled with the law of inheritance, according to which

[29] G. B. Jather & S. G. Beri, op. cit., p. 69

land must be divided equally among heirs, has led to a great sub-division of holdings (Table VI).

TABLE VI

AVERAGE SIZE OF FARM HOLDINGS IN INDIA (1931)

Province	Average size of holdings (acres)
Bombay	11.7
Central Province	8.5
Panjab	7.2
Madras	4.5
Bengal	2.4
Assam	2.0 (circa)
United Provinces	6.0
Bihar and Orrissa	4 to 5
Sind	38.7

Source: Nanavati and Anjaria, op. cit., p. 132
Note: Large holdings in Sind are due to developments of irrigation projects by which more land has been brought under cultivation.

Besides the holdings are scattered in small pieces all over the area of the village. This is done to equalize the fertility and situation advantage of the shares of the heirs. This situation, however, is not characteristic of India alone but is also found in many parts of the world, including Europe.[30] In Europe, however, urbanization has somewhat eased the situation. But in India this movement has been very slow as the following table shows.

[30] J. B. Condliffe, Economic Pattern of World Population, (Washington: National Planning Association, 1943), p. 25

TABLE VII

RURAL-URBAN POPULATION IN INDIA
(PERCENTAGE OF TOTAL)

Year	Rural	Urban
1872	91.28	8.72
1881	90.59	9.41
1891	90.54	9.46
1901	90.21	9.79
1911	90.65	9.35
1921	89.70	10.30
1931	89.00	11.00
1941	87.28	12.78

Source: Chandrasekhar, op. cit., p. 29

The pressure of population not only makes itself felt in the form of small and scattered holdings which can be anything but efficient, but also in the form of over-crowded and unsatisfactory living conditions. Though no proper survey has been made in this connection yet

> it is estimated that of the 66.4 million occupied houses in India's 655,892 villages, not more than two per cent are "pukka" or brick built houses, and not more than 7 per cent are well built "kutcha" houses, namely houses with walls of mud, wood, or bamboo matting, roofs of thatch, tiles or corrugated iron sheeting, and with doors and windows of some kind or other. The rest are just huts, hovels or shacks, hardly deserving the term "houses".[31]

House room often exists only in name as whole families have to huddle up, live, eat, drink and sleep inthe same small room.[32] In many cases animals and men share a room together, especially in the North where the cattle must be shielded from the cold in winter.

The situation with regard to clothing is equally bad (Table VIII). Per capita consumption of cotton piecegoods in 1929 was 16.1

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[31] Chandrasekhar, op. cit., p. 36

[32] V. K. R. V. Rao, What is Wrong with Indian Economic Life, (Bombay: Vora & Co., 1938), p. 4

yards as compared to 64 yards in the U.S.A. While it is no doubt true that people of India, on account of the climatic conditions do not require as much clothing as in the United States and some other countries, yet the fact that cotton cloth is usually the only type that is used and people are seen going about in rags or insufficient clothes reveals that the situation in this respect is anything but satisfactory.

TABLE VIII

PER CAPITA CONSUMPTION OF COTTON PIECE GOODS IN YARDS (1929)

U.S.A.	64.0	Japan	21.4
Canada	37.7	Egypt	19.1
Sweden	36.0	Brazil	18.9
Germany	34.0	Iraq	16.9
Malaya	30.6	INDIA	16.1
Denmark	30.0	Greece	15.0

Source: The World Textile Industry: Economics and Social Problems, vol. 1, p. 168, quoted by P. Thakurdas and others, A Plan of Economic Development of India, (Penguin Books, 1944), p. 11

Occupational Distribution of Population

Of the total working population of India, 65.0 per cent are engaged in agricultural and pastoral pursuits, 10.3 per cent in industry, 7.5 per cent in domestic service, 5.5 per cent in trade, 1.6 per cent in transport and 1.6 per cent in professions and liberal arts. Five per cent have been insufficiently described, while one per cent have been classified as unproductive.[33] The distribution of the workers in agricultural and pastoral occupations is as follows:

[33] Chandrasekhar, op. cit., p. 49

TABLE IX

AGRICULTURAL AND PASTORAL OCCUPATION DISTRIBUTION (1941)

Occupation	Number
Non-cultivating landlords	4,150,758
Cultivators—Owners and tenants	65,495,244
Estate managers, rent collectors, agents, clerks	269,450
Agricultural laborers	33,523,423
Cultivation of fruits and vegetables	1,907,126
Forestry	412,631
Stock raising	3,911,335
Raising small animals	60,821

Source: Chandrasekhar, op. cit., p.50

Organization of Rural Economy

With about 87 per cent of the people living in India's 655,892 villages, the economy of India can rightly be called a Village Economy. These villages are of two types.[34]

One is the Zamindari village in which the whole land of the village is owned by the landlord or a body of co-sharers. The actual cultivators are tenants who may be hereditary tenants or tenants-at-will. Usually the landlord is the "sleeping partner" and takes no interest in farming, whether directly or indirectly. His chief concern is the rent. As long as he gets that, he does not bother with the affairs of the tenant. He rarely takes any interest in the improvements of the land, nor does he ordinarily supply capital to the tenant for this purpose.[35] He might lend money to the tenants for any needs they might have. But beyond getting a high rate of interest he is not concerned. Land Revenue

[34] Jather and Beri, op. cit., pp. 411-412

[35] H. Calvert, The Wealth and Welfare of the Punjab, (2d ed., Lahore: The Civil and Military Gazette, Ltd., 1936), p. 195

is paid by the tenant cultivating land on cash rent basis, while if the land is rented on crop share basis the Land Revenue is shared equally by the landlord and the tenant.

The second type is the Ryotwari village which has a different organization. Here the land is owned and cultivated separately by the various owners. There is more or less a family type of farming or peasant proprietorship, as it is more commonly called. The Land Revenue is assessed separately on each holding and the responsibility for the payment is by the individual title holder.[36]

It is this second type of village which is more characteristic in India. However, aside from the relations between landlord and the tenants it does not differ very much from the first type either in form or organization, though it is usually larger in size and more completely self-sufficient. The Zamindari village is usually smaller and may not have all the classes and castes such as barber, weaver, washerman, carpenter, blacksmith, cobbler, ministeral, etc., which would be found in the typical Indian village.

The typical village is a collection of huts, cottages, or houses huddled together in the midst of the fields from which the inhabitants derive their livelihood.[37] Very often different sections of the village are inhabited by different classes of people. Thus in one section may live the land owners and in another the tenants. The artisans and the laborers who usually belong to the lowest class, or caste, live in one corner. There may also be a business center where the moneylenders, shopkeepers, goldsmith, tailor live and carry on their trade. In the

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[36] Jather and Beri, op. cit., p. 4

[37] The Marquess of Linlithgow, The Indian Peasant, (London: Farber and Farber, 1934), p. 13

Zamindari village the landlord or his family may live away from the village itself, or they may have a big house in the center of the village surrounded by the huts or houses of the tenants.

The village economy centers around the landlord or the peasant proprietors as the case may be. They are the pivot of the whole village activity. The shopkeeper, the trader, the moneylender, the artisans and the laborers all are there to minister to the needs of the land holders. Around the latter is founded the whole structure of India's rural economy.[38]

Except in the areas of specialized and commercial farming and also in some of the Zamindari hamlets, where only a small number of tenants may be living, the village is more or less a self-sufficient unit, meeting most of the needs of the villagers from its resources.[39] Means of transportation and communications are still inadequate and migration is relatively uncommon. "Generation succeeds to generation, the life is largely controlled by custom, and the surface of existence is hardly ruffled by events in the great world beyond the confines of the village territory."[40] Life runs its slow traditional current in the framework of a social organization handed from father to son. Status and not contract provide the basis of social order.[41]

As the result of this self-sufficieny, in the past the economy of the village has fluctuated from prosperity to famine, depending on the nature of the harvest. In the absence of good means of transportation the grain rotted when there was a bumper crop, and people rotted

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[38] Linlithgow, op. cit., p. 9

[39] Report Royal Commission, op. cit., p. 478

[40] Linlithgow, op. cit., p. 15

[41] Ibid., p. 13

when the crops failed. This has been changed now as the result of improvements in communications and better means of transport. The self-sufficiency of the village is gradually breaking up. World influences, through the prices of agricultural products, have already penetrated to the village, although the peasant usually does not understand why and how the prices fluctuate up and down.[42]

The village very largely governs itself. Formerly it was the village Panchayat (council of village elders) which decided all issues or disputes. But the alien legal code introduced by the British rule weakened this institution considerably. Recently, however, efforts have been made to revive the Panchayat by legalizing it and giving it wide powers. The village headman, assisted by the chowkidar (the village watchman), is official agent of the government and is answerable to the authorities for peace and order in the village. But unless the headman also happens to be a big landlord or a revered elder of the Panchayat, his official status does not confer any special status in the deliberations of the Panchayat. The latter is usually an informal body of highly respected and wise villagers.

The unit of life in the village is the joint-family. A household usually consists of three generations (grandfather, father, and sons) who work together and pool their resources and income under the head of the family. The latter is usually the senior male member of the family. He makes disbursements from the common fund according to the needs of the family and its different members. Recently, however, there has been a weakening of this system. Now the tendency is that as soon as the grown

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42 E. V. Wilcox, Acres and People, (New York: Orange Judd Publishing Co., 1947) p. 177

up son marries and has children, he separates from the joint-family and establishes a separate household. However, he may continue to work jointly with the rest of the family, though when he has a number of children he ordinarily gets his share of the land and farms separately. Inheritance of land and other property is governed mainly by blood in the male line and seldom by will.

There is more or less a complete division of labor (by crafts) in the village. The different classes and castes do their special and traditional work, the son taking up the occupation of the father. Payments for the services and work of the different classes of people are ordinarily made in kind, in the shape of a customary share or percentage of the harvest. This share varies from place to place, according to local village usage, and bears little relation to the service rendered.

The first charge on the harvest consists of the payments to be made to the waterman, barber, priest, washerman, carpenter, blacksmith, shoemaker, tailor, oilman, and all those people who render some service or another to the peasant. The second charge is the rent in the case of tenants. The peasant-proprietor, of course, does not pay rent. Another most important charge is the Land Revenue (land tax) which every cultivator has to pay. This tax is assessed on the basis of the type of land and the acreage of different types of crops sown. For the commercial crops the rate is higher than it is for the fodder crops. The lands have been classified by type according to their fertility, and the tax rate varies according to whether the land is A grade, B grade or C grade and so on. Thus for lands used for the same crop, the tax will vary according to the fertility of the soil. In canal irrigated areas there is an additional charge called the water rate. This is supposed

to be the price for the supply of canal water. But actually it is much higher than the cost of supplying water.[43]

After the demands of the exchequer have been met, usually there is also the moneylender to be paid. If anything is left after the moneylender has been satisfied, which is generally not the case, that forms the income of the peasant. That income must carry him to the next harvest as well as meet his other social and religious obligations such as celebration of births, marriages, death and religious ceremonies. This, of course, is expecting too much. Very soon after the harvest, he is driven to borrow from the moneylender for these needs or for any emergencies such as sickness in the family or the death of his animals.

The moneylender, who is usually one of the few in the village that can read and write, not only charges an exorbitant rate of interest, but also takes advantage of the lack of education on the part of the peasants. Often he shows few scruples about indulging in arithmetical jugglery which can beat the best efforts of the borrower to free himself from the debt. The moneylenders accounts may show more than he has actually advanced. His multiplications and calculations of interest may be highly original and inflated, the repayments of debt may add to the debt, and so on.[44] To make things doubly safe, in certain parts of the country, the moneylenders use a script which can only be deciphered by themselves. Moreover the moneylender is usually the trader as well, and purchases the crops of the peasants. Since, by and large, the peasant is ignorant of the prevailing prices, the trader dictates the

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[43] Brij Narain, India Before and Since the Crisis, op. cit., p. 32f

[44] Report of the Central Banking Inquiry Committee, (Delhi: Manager of Publications, 193), Chap. vii

prices. He is also capable of fraudulent weighing and often uses this skill to the best of his advantage.[45]

However, farming in India does not suffer from the results of human frailties alone. Even nature may not be friendly. Since 74 per cent of the cultivable area has to depend on rains for water supply, and rains are usually uncertain, agriculture in India is called a gamble in rains. The industry of the most efficient peasants may be reduced to nothing as the result of too little or too heavy rains. Furthermore, plant and animal pests may destroy his crop as well as cattle.

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[45] Report Royal Commission, op. cit., p. 388 -389

CHAPTER III

THE PROBLEM: WEAKNESSES OF THE RURAL ECONOMY

Though there may be a wide difference of opinion regarding the ways and means that may be adopted to improve the level of living of rural people, yet there is considerable consensus as to what is wrong with rural life in India. The following are the well recognized defects in the present day rural economy of the country.

Pressure of Population: The average density of population in India is 247 per square mile. When compared with the situation in other countries (Table X), one is likely to get the impression that India is not over-populated. But like many other averages, the concept of average density is apt to be misleading. It does not take into consideration the resources of the country and the level of economic development.

TABLE X

AVERAGE DENSITY OF POPULATION OF SELECTED COUNTRIES, PER SQUARE MILE

England & Wales (1944)	727.6	Czechoslovakia (1937)	280.9
Belgium (1944)	707.6	Switzerland (1944)	273.6
Netherlands (1944)	581.5	Hungary (1944)	264.2
Japan (1940)	495.0	Ceylon (1944)	247.7
Germany (1944)	388.1	Denmark (1945)	244.0
Italy (1944)	385.3	North Ireland (1944)	241.1

Source: Summary of International Vital Statistics, 1937-1944, pp. 70-73

Moreover the average density hides the variation in population in different regions of the country. Thus the examination of the variation of density in different parts of India (Table XI) reveals that despite the low average for the country as a whole, certain parts are

as thickly populated as any in the world. The regions of sparse population are those which for one reason or another are unable to support a greater number. Sind, which has been recently colonized as the result of irrigation projects, is an exception.

TABLE XI

DENSITY OF POPULATION IN DIFFERENT PROVINCES OF INDIA (1941)
(AVERAGE POPULATION PER SQUARE MILE)

Bengal	627	Panjab	238
Bihar	464	Bombay	235
United Provinces	456	Northwest Frontier Province	179
Madras	350	Assam	156
Orissa	249	Sind	81

Source: Census of India (1941)

In fact, judged in terms of per capita income, average span of life, or whatever other standard may be used, there seems to be little doubt that India suffers from having to feed too many mouths.[1] Furthermore, the total population is increasing at a startling rate, as previously indicated (Chapter II).

Small and Scattered Holdings: As the result of increasing pressure of population on land, the size of farms has become too small for their economic exploitation.[2] Eighty per cent of the holdings are ten acres or less, while 60 per cent are under five acres.[3] If we remember that in Germany a holding of 12 acres is considered uneconomic,[4] the seriousness of the situation in India becomes more evident. Parcelation,

[1] Jather & Beri, op. cit., p. 70
[2] Rao, op. cit., p. 7
[3] M. Ezekiel (Ed.), Towards World Prosperity, (New York: Harper, 1947), p. 267
[4] Alexander Gerschenkron, "The Land Reform in Germany", Family Farm Policy, Eckerman & Harris (Ed.), (Chicago: Chicago University Press, 1947), p. 338

which involves considerable waste of time and energy of man and beast going from one land parcel to another, further aggravates the situation. Under such conditions the making of permenent improvements becomes more difficult, proper supervision is practicelly impossible and a considerable amount of good land is wasted in balks and boundaries.

The extent of this problem of small and scattered holdings may be seen for example in two studies, one in the South and another in the North. Dr. Mann, in his study of a village in the South, found that 62 per cent of the cultivators' plots were below one acre in size.[5] Mr. Bhalla, in his study of a Panjab village, found that 34.5 per cent of the cultivators had over 25 fragments or parcels each.[6] These results would be typical in other parts of the country.

Under such conditions, farming cannot be carried on efficiently. There is waste because of uneconomic use of labor and capital. Full use cannot be made of equipment and livestock, but capital has to be invested in these regardless of whether the farm is small or big.

Inefficient Farming: Over a large part of the country the peasant follows the same methods which his ancestors used many centuries before the Christian era.[7] The plough merely scratches the surface of land, seeds used are defective, the varieties sown are poor yielders, while artificial fertilizer is practically unknown. Most of the farmyard manure is burned as fuel. Bone meal, which could serve as good fertilizer, is precluded on account of the religious sentiment, and every year the country exports 100,000 tons of bone meal to renew the

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[5] Quoted by Nanavati & Anjaria, op. cit., p. 148

[6] Quoted by Jather & Beri, op. cit., p. 210

[7] Vera Anstey, op. cit., p. 23

fertility of foreign lands.[8] A comparison of yields per hectare with other countries reveals the seriousness of inefficient farming (Table XII).

TABLE XII

YIELDS OF SELECTED CROPS IN DIFFERENT COUNTRIES, 1932-36
(Quintals per Hectare)

Crop	China	Japan	France	Italy	Russia	U.S.A.	India
Rice	25.6	36.0	----	----	----	----	13.7
Wheat	11.1	13.8	15.9	14.3	7.8	8.3	7.0
Barley	12.1	20.4	14.6	10.6	8.9	10.5	9.4
Maize	13.7	13.8	14.4	19.6	10.1	13.2	8.7
Cotton	2.4	----	----	----	2.4	2.1	0.9
Linseed	----	----	4.6	5.9	2.8	3.5	2.7
Ground Nut	18.2	21.5	----	----	----	7.9	10.0

Source: R. K. Das, "Economics of Indian Agriculture", Modern Review, Jan. 1941, quoted by Wadia & Merchant, Our Agricultural Problem, (Bombay: New Book Co., 1945), p. 140

Improper Utilization of Land: There are two major defects in land use.

(1) Inadequate and improper use of land as the result of the law of inheritance and the systems of tenure. The former, as we have seen already, is responsible for small and scattered holdings which cannot be farmed economically. The latter is responsible for inadequate use of land. Due to lack of capital and real interest in the land, the tenant does not adopt measures to make permanent improvements. On the other hand the landlord, who has the funds and interest in the land, usually is too much of an aristocrat to give any thought to the sordid needs of farming. And since about 70 per cent of the land is cultivated under the landlord system, the results are quite serious.[9]

(2) Deterioration of land due to different causes of which three seem more important.

[8] Rao, op. cit., p. 17

[9] Nanavata & Anjaria, op. cit., p. 340

(a) Water-logging, due to the rise of sub-soil water in canal irrigated areas, makes the land unfit for cultivation by precipitating the salts in the soil. In certain parts of the country loss of land from this cause has assumed alarming proportions. In the Panjab, for example, 125,000 acres had been thrown out of cultivation by 1926-27, and the loss has continued to increase steadily.[10] In the United Province 8 million acres of the total area of 68 million acres have been lost.[11]

(b) Soil-erosion also has destroyed many millions of acres of once rich and fertile land. For instance, in Hoshiarpur district of the Panjab 100,000 acres have been made unfit for cultivation, while in another district, Gujrat, another 100,000 acres have been ruined.[12] However

> spectacular evidence of this loss is afforded by United Provinces, where villages once surrounded by valuable fertile fields now lie in a network of ravines carved out of the soft mud of the Jumna by uncontrolled drainage. Less striking, but even more serious losses of soil have taken place by the action of floods in the Chambal and other rivers flowing through central India, Gwalior and Central Province....The loss is not confined, however, to these or any other special tracts. It is taking place all over India, except the rice fields where ridging has conserved the soil.[13]

(c) Soil depletion: There are conflicting opinions as to whether India's soil is being depleted. Some experts hold that the evidence of soil exhaustion is irrefutable.

> This evidence is not backed merely on the theory that, while much is being taken out of the soil, very little is being put back; but also on practical demonstrations of increased production resulting in some areas from generous and continuous application of manure.[14]

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[10] Panjab Irrigation Report, quoted by Brij Narain, India Before and Since the Crisis, p. 115

[11] Nanvati & Anjaria, op. cit., p. 36

[12] Akhtar & others, op. cit., p. 136

[13] T. Vijayaraghaavacharya, op. cit., p. 24

[14] Mukerjee, Rural Economy in India, op. cit., p. 120

On the contrary, on the basis of the evidence produced before the Royal Commission on Agriculture in India, the commissioners were of the opinion that "a balance has been established, and no further deteriorations are likely to take place under the existing conditions of cultivation".[15]

In the face of this conflicting judgment it is difficult to state a positive conclusion. The majority of the competent observers, however, seem to agree that lack of artificial fertilizers and the burning of manure have been responsible for the loss of valuable soil properties at a rate greater than the replacement either by nature or the practices of the cultivator.[16] The writer's own study and experience is in accord with Sir Dudley Stamp's observation that in certain parts, at least, the land is being continuously impoverished owing to lack of manure and uninterrupted cultivation of heavy and exhausting crops.[17]

Inefficient Marketing: If the peasant has been hardworking and nature has been kind, there is still no guarantee that he will be adequately rewarded for his labour. If he is enterprising enough to decide to take his produce to the town market in the hope of getting better prices, his first difficulty is that there are no good roads. The bullocks which haul his produce to market may be weak, and he may not have the right type of cart. If, however, he overcomes these difficulties and somehow does reach the market with his produce, there he is pitted against the traders and dealers of the town, who are adept in practising every type of fraud. In this connection, the Royal Commission on Agricul-

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[15] Report, op. cit., p. 76
[16] Nanavati & Anjaria, op. cit., p. 36
[17] op. cit., p. 227

ture had to record that

> unless he (the peasant) realized that he must, as a seller of produce, study the art of sale, either as an individual or through combination with other producers, it is inevitable that he should come off second best in his contest with highly specialized knowledge and vastly superior resources of those who purchased his produce.[18]

It is said that with conditions as they exist, the peasant does not get more than 50 per cent of the full value of his produce.[19] There are no storage and warehouse facilities and the peasant has to accept the price offered, whether high or low. The dealers fully exploit this helplessness of the peasant. Such fraudulent practices as underweighing, the same man acting as the agent of both the seller and the purchaser, and settlement of the price under cover are quite common.[20] There is no provision for grading and standardization and the peasant has to accept the judgment of the purchaser which can not be disinterested.

Moreover, the peasant is required to pay many charges when he sells his produce. For example, Table XII shows the deductions made in the sale price of the peasant's produce in Lyallpur, one of the most progressive cities in India.

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18 Report, op. cit., p. 382

19 B. R. Chatterjee, Indian Economics, (Calcutta: H. Chatterjee and Co., 1947), p. 54

20 Mukerjee, Economic Problems of India, op. cit., p. 319

TABLE XIII

SELLER'S EXPENSES IN LYALLPUR MARKET PER RS. 100 OF SALE

	Rupees	Annas	Pies*
Commission of the Middleman	0	12	6
Palledari (porterage)	0	3	9
Weighing	0	3	9
Chungi (tip to buyer's servant)	0	1	3
Brokerage (to buyer's middleman)	0	1	3
Shagirdi (to apprentice of middleman)	0	1	3
Dharmao (charity)	0	1	3
Gaoshala (old cows home)	0	1	3
Changar (sundry payments in kind)	1	12	3
Total	2	5	6

Source: Hussain, Marketing of Agricultural Produce in North India, p. 96, quoted by Akhtar & others, op. cit.
*Note: one rupee is equal to 16 annas, and one anna is equal to 12 pies (Rupee = 30.25 cents)

Some of these charges are not only heavy but are unjust, since they have nothing to do with the marketing operations. Experiments conducted in cooperative marketing have indicated that marketing charges could be reduced considerably. Thus, in the same market the total charges through cooperative marketing were only Rupee one, annas six and three pies per Rupees 100 of sales, or 40.6 per cent less than the usual charges.[21]

Heavy Land Taxation: Another defect in the rural economy is the heavy burden of land tax. This charge is imposed upon the poorest peasant even though he does not make any profit from farming. The taxation Enquiry Committee appointed by the central government in 1924 to investigate into the matter recorded that while in some cases land tax takes only a small fraction of the "net income" of the cultivation, in other cases it absorbs the whole of the "net income", and even may exceed it.[22]

[21] Hussain, op. cit., p. 96

[22] Report Taxation Enquiry Committee 1924-25 (Delhi: Manager of Publications), p. 77

We may take an example from the Panjab. A study of farm accounts for the period 1938-39 revealed that where capital, land and labor were supplied by the peasant and his family, the receipts of 29 holdings showed an average excess over expenditure of only Rupees 28.21 (almost eight dollars) during the year. Where the land had to be rented, capital borrowed and labor hired there was actually a loss, on the average of Rupee 1.41 per year.[23] The Land Revenue must be paid, however, regardless of the lack of the income of the peasant. Since the Panjab is a relatively prosperous part of the country, the situation in other areas where the peasant farms on the average less than five acres, must be even worse.

We have the testimony of Rushbrook Williams who observed that "where rainfall is precarious and uncertain, the soil shallow and poor, the income from all sources per head in a typical village has been calculated at about Rupees 33 per annum as against a minimum of expenditure necessary for real needs in respect of food and clothing at Rupees 44 per annum".[24]

In view of these facts, it is no exaggeration to say that the land tax in practice commonly is oppressive and is a tax on subsistence. Furthermore, until recently, the land tax has been very inflexible. Whether the crop was good or bad, or the prices received were high or low, the demands of the exchequer did not alter.

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23 V. Balasubamanian, A Policy for Agriculture, (Bombay: Oxford University Press, 1945), pp. 5-6

24 Quoted by Mukerjee, Land Problems in India, op. cit., p. 25

Some writers have attempted to prove that the land tax has not been burdensome.[25] As an example, Thornburn and Darling, relying on records of cooperative credit societies in India, have argued that since only 15 per cent of the loans extended were contracted for payment of the Land Revenue charge, this tax could not be a burden on the vast majority of the peasants.[26] These writers, however, seem to forget that the peasant does not always state his real reason for borrowing. Moreover, the land tax has to be paid on a certain fixed day. Since it is a government charge which the peasant cannot dodge, in order to pay the tax he sometimes has to sell food which he will need later during the year. Consequently, later he must borrow to purchase necessary food. Seemingly he does not borrow to pay the land tax. But if after paying the tax he is forced to borrow for his daily needs, it is stretching logic too far to conclude that the tax is not a burden because the peasant does not borrow expressly for that purpose. On the contrary, heavy tax burden is commonly regarded as one of the most important causes of the poverty of the peasant.[27]

Lack of Credit Facilities: As we have seen, by and large, agriculture is not a paying industry in India. Even in normal years the peasant has difficulty in making both ends meet. But should a natural calamity, in the form of crop failure or death of his animals, overtake him, the situation becomes grave indeed. Then he is forced to borrow from the village moneylender, usually the only available source. The latter commonly not only charges exorbitant rate of interest but also

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[25] Akhtar & others, op. cit., p. 179

[26] M. L. Darling, Panjab Peasant in Prosperity and Debt, (London: Oxford University Press, 1932), p. 19

[27] Paul M. Sweezy, op. cit., pp. 3-5

practices many types of fraud on the illiterate peasant.

Of course, on account of the risk involved and the difficulty of collecting the interest and getting back the principal, the moneylender is entitled to a higher rate of interest. Actually, however, the rate is out of all proportion to the risk involved. In fact, before the Panjab Land Alienation Act of 1901 was passed, his chief interest lay in involving the peasant in huge debt and then getting his land. Even today, although the law prevents the transfer of land from the peasant to the non-agriculturist moneylender,[28] an agriculturist moneylender (or even non-agriculturist moneylender by arrangement with the former) can deprive a peasant of his land for nonpayment of debt.

In the Panjab in the year 1935-36 alone, 143,000 acres of cultivable land changed hands for nonpayment of debts. Often this process reduces the peasant proprietor to the status of a tenant.[29] The fact that total rural indebtedness for the whole of India had reached Rupees 180,000,000 just before World War II, and that most of the debt is unproductive, indicates the seriousness of the situation.[30]

Too Many Animals: Like the pressure of population on the land, the pressure of an excessive number of animals is very heavy. The resources of the country, in addition to supporting 388 million people, also have to feed one-fourth of the total number of livestock animals in the world. To aggravate the situation, as the Royal Commission discovered, the number of bullocks (work cattle) per hundred acres farmed

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[28] In India people are classified into two groups as statutory agriculturists and non-agriculturists. The former are those groups who have followed farming for countless generations. This group enjoys privileges in the matter of purchase of agricultural land, which are denied to the other group.

[29] Brij Narain, India Before and Since the Crisis, pp. 546-47

[30] Balasubramanian, op. cit., p. 6

is larger in the areas where the average size of land holdings is smallest (Table XIV).

TABLE XIV

NUMBER OF BULLOCKS IN RELATION TO AREA CULTIVATED

Province	Bullocks Per 100 Acres Sown Area	Acres Farmed Per Team	Av. Size of Holding (Acres)
Bombay & Sind	10	20.0	12.4
Central Provinces & Berar	15	17.9	8.7
Madras	15	13.0	9.0
Bihar-Orissa	27	7.4	3.7
Assam	27	7.3	3.6
Panjab	16	12.8	9.0
United Provinces	29	6.9	3.4
Bengal	36	5.6	2.8

Source: Report Royal Commission on Agriculture in India, p. 182

In Bengal the size of the average holding is smallest, yet Bengal has the largest number of cattle in proportion to sown area. "The worse the conditions for rearing efficient cattle the greater the number kept tends to be."[31] Since larger numbers means poor quality, the peasant has to keep more work animals to get the same amount of work that a smaller number of good animals could do. This starts the vicious circle. For the greater the number he tries to maintain, the lower becomes their quality, since he has to feed them from the same restricted area. Thus, where India supports 67 cattle per hundred acres of cultivated land, Holland has only 38. The result is that a full grown Dutch cow, on the average, weighs twice as much as the Indian, and yields ten times more milk.[32]

[31] Report Royal Commission, op. cit., p. 191

[32] Ibid.

Another cause of the excessive cattle population is that large numbers of useless old animals are maintained on account of the religious sentiment against killing animals. It has been estimated that the annual economic loss due to maintenance of such cattle amounts to no less than Rupees 176,000,000 or about four times the total income from the land tax.[33] There is further wastage because even useful plough animals are not worked fully throughout the year, but they must be fed. Except during the rains and other brief seasons, these animals do not have much work to do.[34]

Lack of Education: This is another major defect of the rural economy of India. In the last census (1941) only 12 per cent of the total population were classified as literates. Literacy is defined as the ability to read a post card in one's mother tongue.[35] This 12 per cent, however, conceals a wide disparity between male and female literacy. The percentage of literacy for men is 19.5 while it is 5.2 for women. Furthermore, the degree of illiteracy in rural areas is much worse.

Chandrasekhar has estimated that in rural areas there is one primary school for every 3.8 villages and that roughly one child out of four attends the school.[36] But the proportion of those who actually complete the primary course is much smaller. Education is not free in most parts of India. According to an official report, more than four-fifths of the children are withdrawn from school after a year or so be-

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[33] Vera Anstey, quoted by Chatterjee, Indian Economics, 9th ed., Part I, p. 81, footnote.

[34] Ambalal D. Patel, Indian Agricultural Economics, (Bombay: D. B. Taraporevala Sons & Co., 1937)

[35] [34] Ambalal D. Patel, Indian Agricultural Economics, (Bombay: D. B. Taraporevala Sons & Co., 1937)

[36] [35] Indian Year Book (1947), p. 36

[36] Chandrasekhar, op. cit., p. 44

cause of poverty or to help the parents in the fields or at home.[37] Chandrasekhar estimates that probably only one of every nine children attending primary school goes to the secondary school.[38]

In addition to the woeful lack of education, there is the religious philosophy which teaches the doctrine of Karma (according to which the deeds in the previous life determine the course of the present life). As a result, we have the typical situation where the masses, instead of making an earnest and concerted effort to improve their lot, blame their Karma or the stars and resign themselves to their Kismet (Fate).

Not knowing or not realizing the causal relationship between certain facts, the common people look for causes in the impersonal forces which run their pre-ordained course, against which nothing is of avail. Woe unto him who dare resist the divine order of the universe.

Blind obedience to custom and tradition, together with the respect for elders to which the growing child is subjected, kill all his curiosity and questioning attitude. By the time he becomes an adult he is so well steeped in the past that he cannot think of making adjustments to the changing world.

As a child he had been taught to believe that this world is Maya, an illusion, a sort of necessary evil through which he must go to attain the bliss of the real life in the world beyond. The more he suffers in this world, the greater will be his reward in the life hereafter.

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37 Education in India 1928-29. (Delhi: Manager of Publications, 1931), quoted by Chandrasekhar, op. cit., p. 44

38 Op. cit., p. 44

Consequently, he accepts the old customs and beliefs and opposes change and new ideas. He turns a deaf ear to the advice of the agricultural extension workers who advocate new methods of farming, or to the counsels of health and welfare workers who preach the gospel of better living. As if his ancestors were fools!

On the contrary, from the scanty means that the peasant has, he spends lavishly on birth, marriage, and death and other social ceremonies to ward off social stigma, and on religious ceremonies to win the favors of his gods or to appease the vengeful deities.

Thus caught between the upper stone of high expenses and the netherstone of low income, the peasant is doomed to a life of perpetual poverty.

CHAPTER IV

ATTEMPTED ECONOMIC REFORMS

The economic ills of rural life have not escaped the notice of Indian scholars and legislators. For a long time they have been keenly aware of the gravity of the problem and have advocated reforms. In many cases they have succeeded in getting certain legislative measures enacted. Some of these have been on the statute book, now, for a number of years. However, on the whole, not much headway has been made, though in certain directions progress clearly can be discerned. The reasons for this slow progress are many, of which the following seem more important.

(a) The British dominated government was not really interested in Indian national welfare. All along it had a lukewarm attitude towards economic reforms and sometimes actually followed policies detrimental to the interests of the people.

(b) Some of the schemes and measures were prepared by people who had studied rural life only from "outside". They did not have their roots in the soil. Even with the most pious intentions they could not get a real insight into the affairs with which they were called upon to deal. The result has been impractical measures, which either could not be introduced, or were doomed to failure at the very start.

(c) In some cases natural forces have not been cooperative. Failure of crops, epidemics and famines have upset many a program.

(d) Not a few reforms have met stern resistance on the part of the people who, on account of ignorance, religious and other prejudices, have failed to see the value of these measures.

(e) Many of the plans have been one-sided. They dealt too exclusively with one aspect of life, whether health, economic, social, or political. The reformers and legislators have overlooked the fact that life's problems cannot be solved piecemeal. In order to be successful, genuine reforms must touch the whole life of man.[1]

(f) Most of the measures have been too narrow and superficial. They did not strike at the root of the matter and so the evil has persisted, some time under disguise.[2]

A detailed study of the important measures of reform will show how such efforts are bound to fail unless they aim at removing the basic evils of the economy and social organization.[3] We may study these measures under two heads, viz., the individual legislative measures designed to deal with specific problems, and the official rural reconstruction programs aimed at improving the general conditions of living in rural areas.

Individual Legislative Measures

The number of such laws, with their amendments enacted in the light of further experience, is considerable. They vary in scope and

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[1] D. Spencer Hatch, Up From Poverty In Rural India, (Madras: Oxford University Press, 1938), p. 8

[2] T. Singh, op. cit., p. 15

[3] Ibid., p. 178

design, from one province to another, to meet the particular requirements of these regions. However, we shall discuss certain of the more progressive laws by which specific economic reforms have been attempted.[4]

Consolidation of Holdings Acts

The Panjab Consolidation of Holdings Act of 1936 provided for the formation of voluntary associations of peasants desiring to consolidate their holdings. They could pool their several holdings and prepare a scheme for a new allotment of the lands which must be acceptable to two-thirds of the members. The aim is to give each member, in one or more blocks, land very nearly of the same quality which he has contributed to the pool in scattered parcels. In 1939 an amendment provided that two or more land-owners having a certain amount of land, could apply to a local government official to prepare a plan for consolidation of their holdings. Consolidation was to be undertaken if two-thirds of the owners, holding not less than three-fourths of the cultivated area, agreed to do so. Provision was also made for compulsion should a small minority stand in the way of the majority. In addition, the Panjab government agreed to bear the expense of the staff needed to effectuate the consolidation.

An even earlier attempt was made by Bombay Legislature in 1927 to enact a Bombay Small Holdings Bill aimed at preserving economic sized holdings through preventing further subdivision of land. But it met with great opposition and did not become law.

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[4] Most of the following discussion is based on Nanavati & Anjaria op. cit., Brij Narain, India Before and Since the Crisis, op. cit.

Thus, the only effort in India to deal with uneconomic holdings has been made through consolidations of small parcels belonging to each peasant. The achievements of this law in the Panjab can be seen from the following Table.

TABLE XV

PROGRESS MADE BY COOPERATIVE CONSOLIDATION OF HOLDING SOCIETIES (PANJAB)

	1936	1937	1938	1939
No. of Societies	1,210	1,270	1,360	1,477
No. of Members	103,582	119,875	141,929	160,782
Area Consolidated per year (acres)	92,689	120,295	132,313	157,211

Source: Nanavati & Anjaria, op. cit., p. 152

The total area consolidated by the end of October 1941 was 1,300,000 acres, which is considerable.[5] However, in the Panjab, owing to homogeneity of the soil and simplicity of the tenure, the task has been simpler and success greater than could be expected in other parts of the country.[6] Thus in the United Provinces, in about 13 years, only 67,000 bighas or 33,500 acres were consolidated from 75,965 plots to 7,599 plots.[7] In the Central Provinces, however, 133,000 acres split up in 2,433,000 plots were consolidated into 361,000 plots.[8] This experience in the Central Provinces shows what may be expected from greater drive and effort on the part of those interested in the consolidation movement.

[5] Akhtar and others, op. cit., p. 153
[6] Report Royal Commission, op. cit., p. 139
[7] Nanavati and Anjaria, op. cit., p. 153
[8] Ibid.

The success of consolidation is fairly impressive. Although the exact benefits accruing to the peasant as a result of consolidation cannot be assessed precisely, yet there can be no doubt that it must have meant a considerable gain to the cultivator. However, this type of reform program is open to certain objections.

(i) Consolidation affords only temporary relief. Upon the death of the peasant, his holdings are divided among the heirs, thus leading again to uneconomic holdings and fragmentation.

(ii) The consolidation program tends to make people oblivious to the need for more fundamental changes which are essential to make agriculture a profitable undertaking.

(iii) In a large number of cases even the consolidated holdings may be below the optimum size. Therefore, those who are in most need of help would not have their situation improved very much.

Thus, consolidation of holdings, while it does provide much needed relief, is a temporary expedient and does not provide a satisfactory solution of the problem of uneconomic sized holdings.

Tenancy Legislation

Many tenancy laws have been enacted which vary in content and scope from province to province. The Bombay Tenancy Act of 1939 may be taken as an illustration of the general lines on which tenancy legislation has been attempted. The following are the main provisions of this act.[9]

(a) Unless settled by agreement between landlord and tenant or by local usage, what is a reasonable rent shall be determined by a local government officer in accordance with a specified procedure and principles.

[9]Nanavati and Anjaria, op. cit., p. 139

(b) Freedom from eviction is guaranteed except when the tenant fails to pay arrears of rent and Land Revenue, or sublets the land, causes injury to it, or uses it for non-agricultural purposes.

(c) The Act requires that in case of ejection, the tenant shall be compensated for improvements he has made.

(d) Continuancy of tenancy by the heir after death of the original tenant, on the same terms and conditions is assured.

(e) The tenant is protected from illegal exactions by the landlord.

(f) The Act provides automatic and proportionate reductions in rent payments when there are reductions in Land Revenue by the government.

In short, most of the recent tenancy legislation in Bombay and other Provinces aims at "three F's," i.e. fixity of tenure, fair rent, and free transfer to tenants.[10]

It is evident that such tenancy legislation attempts to remove some of the outstanding evils of the system of landlordism. However, it fails to meet the requirements of the situation for various reasons.

Firstly, in practice the amount of rent is left to be determined by agreement between landlord and tenant. Since the landlord is usually in a position to dictate terms, the tenant must accept the terms of the landlord or starve. Thus the law does not achieve its objective of preventing unfair rent charges. Nor is the determination of rent by local usage a satisfactory method. Customary rents are usually high

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[10] Ibid., p. 139

because of the competition among tenants to get land as that is the only way open for them to earn their living.

Secondly, the legislation rests on the assumption that the tenant can earn enough to be able to pay the land tax, the rent and other charges and still have sufficient income to maintain himself without running into debt. But studies of farm accounts in the Panjab show that this is not true, even for Lyallpur which is the most prosperous part of the country. The situation in this respect in other places is very grim indeed.

Finally, this legislation assumes that the landlord system is sacred and is socially justified and that nothing needs be done to remove the inequities and evils of the system which has been so commonly condemned by students of the tenancy problem.

It seems, therefore, that something more fundamental than tenancy laws is required if the condition of the tenants is to be improved significantly.

Marketing Laws

The Panjab Agricultural Produce Markets Act of 1938 is the most progressive legislation of this type in the Provinces of India. It aims at removing the dishonest practices and unjustified exactions to which the peasant was subjected when he took his produce to the town market in hope of getting higher prices than the village Bania (money-lender) would offer.

The law can be applied to any market area upon notification by the Panjab government. After the notification all sales and purchases of agricultural products must take place in licensed places, by licensed dealers, brokers and middlemen.

The Act further provides that every market will be administered by a committee, two-thirds of whose members shall be selected from growers. Not more than three members may be nominated by the government, and the rest are selected by the businessmen. This committee is empowered to levy fees on agricultural products bought and sold by the licensees. Fees may be imposed to raise funds for the following purposes:

(a) maintenance and improvement of the market,

(b) provision and maintenance of standard weights and measures,

(c) collecting and distributing of information regarding marketing and crop statistics,

(d) providing conveniences and comforts for those who use the market,

(e) regulation of the marketing charges.

The Act has brought a long over-due reform in agricultural markets where the peasant typically is so much at a disadvantage in dealing with the well-organized traders.

However, the Act does not go far enough. It makes no provision for storage and warehouse facilities where the peasant could store his produce and receive advances for his immediate needs. As it is, the peasant has to sell his produce immediately after the harvest at whatever price he can get at the time. He must have money for the payment of the land tax on a certain day as this cannot be postponed without his getting into trouble. Since storage facilities are lacking, all the peasants have to sell at the same time. This aggravates the situation by bringing down prices in consequence of large supply.

Nor has any provision been made to improve transport facilities.

The lack of cheap transportation is a very serious obstacle in the way of successful marketing. Whatever advantages the control and supervision of markets will bring can be enjoyed only by a limited number of peasants who can take their produce to the market. But the poor unfortunate ones, who have neither the carts nor the strong animals and who need more help, will not be benefited.

However, even with its limited scope, the Act is meeting with stiff opposition on the part of the traders. Only time will tell whether it is successful in achieving even its limited objectives.

Land Tax Reform

The most outstanding change in land taxation has occurred in the Panjab,[11] with the introduction of what is known as the sliding scale system. The objective is to render the land tax charge elastic and flexible in relation to the prices of agricultural products.

Briefly, the system is that on the basis of prices of the agricultural products during the previous twenty years, "commutation" (average or standard) prices of agricultural products have been established. These "commutation" prices will form the basis of the "average" (or standard) Land Revenue charge, which will be so many rupees for each acre of a particular crop.

From this standard or average the Land Revenue charge will be calculated, taking into consideration the type of land and other factors influencing the income of the landholder. Thus for each acre of any one crop, two holdings with different fertility or income yielding capacity

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[11] The following discussion is based on the Report of the Panjab Land Revenue Committee (Lahore)

(depending on situation, good water supply, good climate, etc.) will pay different rates of tax.

Once the commutation prices have been computed, the basis of calculating the Land Revenue charge will not be changed before 40 years. The rates of land tax computed on this basis represent the maximum that may be imposed by the government. These maximum rates, however, will not be charged unless the actual price level of agricultural commodities is equal to the "commuted" prices.

The Land Revenue charge would be reduced in proportion as the market prices were lower than the "commuted" prices. But in the event market prices are higher than the "commuted" prices, then the peasant is not required to pay any increased land tax.

The new system introduces a much desired flexibility into the tax structure and removes one of the causes of hardships. But it does not go far enough. Brij Narain finds two flaws in it.[12] Firstly, it does not take into consideration the cost of cultivation. It is argued that prices of agricultural commodities is only one aspect of the income problem of the peasant; the other being his costs of production. Generally when prices of agricultural products fall, costs do not fall in the same proportion. So while the reduction of the tax demand in proportion to the fall in prices should be very helpful, much of the advantage may be lost by costs remaining at a higher level.

Secondly, Brij Narain holds that it is inequitable to tax land at the same rate regardless of whether it is used by a tenant or peasant proprietor, since the tenant must also pay a heavy rent. A tax

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[12] India Before and Since the Crisis, op. cit., p. 614

rate which may not be oppressive for a peasant proprietor who has no rent to pay, becomes burdensome for the tenant.

Other economists feel that it is wrong to fix the amount of tax demanded in any one year on the basis of the prices in the last year (as is done in practice), since the current prices may be very much lower as compared to the previous year.[13]

But the most important objection seems to be that the system assumes that every peasant, whether owner or tenant, makes some profit no matter what the prices might be. This, however, is an unwarranted assumption. As we have seen already the study of farm accounts shows that even in the most flourishing part of India, the income of the average peasant is barely sufficient to make both ends meet. So in a vast majority of cases, under the present situations, the land tax is a tax on subsistence[14] and as such has no moral or social justification. Especially when "an increasing chain of rent receivers who eat up the profits of agriculture go scot free".[15]

The argument that every citizen of the country must be taxed to make him feel the responsibilities of citizenship, even though he should go hungry, seems to be preposterous.

Agricultural Credit

The problem of rural indebtedness was the first to be realized by the government. The scarcity of credit facilities in villages and stories of the moneylender charging exorbitant rates of interest, with

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[13] Akhtar and others, op. cit., p. 276

[14] Report Indian Taxation Enquiry Committee, p. 82

[15] Mukerjee, Land Problems in India, p. 298f

consequent loss of the land of the peasant, led to the enactment of various measures to deal with the situation.

Thus the Land Improvement Act of 1883[16] sought to supply long term credit from the provincial treasuries for making permanent improvements such as digging wells, building bunds, or any other improvement that would add to the rental value of the land. The maximum period of repayment is 35 years and the rate charged is the current rate of interest. However, on account of ignorance of the peasant, difficulties of procedure and red tapism, loans under this act have not been utilized to any considerable extent.

The Agriculturist Loan Act of 1884 was designed to supply short term loans from the provincial treasury for current agricultural needs such as purchase of seed, implements, manure and cattle. The rate of interest is very low and the loans are to be repaid at the next main harvest or the next two main harvests. These loans too have not been utilized to any great extent for the same reasons as above and also due to the rigidity of collection.

The Cooperative Credit Act of 1904 was enacted as the result of the findings of F. A. Nicholson who was appointed by the Madras government to find a solution to the problem of rural indebtedness. He was so much impressed by the working of Raiffeisen banks in Germany that he summed his report in two words: "Find Raiffeisen".[17]

According to the provisions of the Cooperative Credit Act of 1904, ten or more persons may form a cooperative society to supply the loan needs of its members. Funds are obtained from sale of shares,

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16 Also known as Taccavi Loan.

17 Jather and Beri, op. cit., p. 314

deposits or loans from the central cooperative banks which were to be established to finance these societies. No single member may hold more than one-sixth of the total shares. Nor could his shares exceed Rupees 1,000. Every member has only one vote. The amount of a loan must not exceed a certain per cent of the value of the property of the borrower. Furthermore, every loan shall be protected by two co-signers as sureties.

In order to encourage the growth and development of these societies, they were granted certain privileges. The most important of these were, (a) exemption of the shares of the society from attachment for private debt of the members, (b) the society had priority over other creditors, (c) the society was free from income tax, stamp duties and registration fees.

From time to time various amendments have been made in the provisions of the Act, but the fundamental principles remain the same.

These cooperative credit societies were expected to supply long and short term credit to the peasant at a low rate of interest, to be repaid in easy yearly installments. It was expected that this would solve the problem of rural indebtedness, provide good training in self help and thus save the peasantry. But the ideal has not been achieved.

In 1942-43 the total membership of these cooperative credit societies was only about 6,900,000, which is very low considering the total rural population.[18] In 1934 Sir Malcolm Derling found that 24

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[18] Statistical Statement Relating to Cooperative Movement in India, (1940-41), Reserve Bank of India, quoted by Akhtar and others, op. cit., p. 197

per cent of the total number of societies since the beginning of the movement had gone into liquidation. Another distressing feature is that in four provinces 40 per cent and in three provinces about 25 per cent of the societies fell under categories D and E (bad and hopeless). Only 10 per cent in six provinces fell under categories A and B (very good and good).[19]

Whatever be the reasons for this sorry state of affairs, it is clear that the cooperative credit movement has belied the hopes of those who had expected to solve the problem of rural indebtedness in this way.

This is because it did not go to the root of the trouble. It is not simply a question of creating machinery to supply credit to the peasant when he needs it. The real problem is to create conditions so that he does not have to borrow for unproductive purposes, since most of the debt is of that nature. Everywhere during the writer's survey of villages in different parts of the country he was told that the peasants borrowed either to pay land taxes, to repay old debts, to replace dead animals, or to celebrate the birth, marriage and death ceremonies. None of these types of debts add to the productive capacity of the peasant. Other investigators have reached the same conclusion.

The basic solution of the rural credit problem existing in India, is to create conditions, first, so that the peasant does not have to borrow for unproductive purposes, and second, that when he does borrow there is a good chance of his being able to repay the loan within a reasonable period of time. In other words, he must be assured

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[19] Ibid., pp. 200-201

a certain income over and above the minimum needs of his family. Until that is done no plan of rural credit is likely to be effective. On the contrary, easy credit may prove to be the cause of his ruination. This actually happens in many cases, where the personal property of the peasant is auctioned to recover the loan. The writer has seen this happen before his eyes.

Some other measures, which do not aim at supplying credit, but are designed to protect the debtor may be examined very briefly.

The Panjab Land Alienation Act of 1901 provided that the non-agriculturist moneylender could not acquire the land of the peasant for nonpayment of the debt. Though this has been effective in many cases in preventing the land of the peasant from going to the moneylender, yet in a large number of cases the moneylender found a way to circumvent the law. He made arrangements with an agriculturist moneylender so that while it was the latter who acquired the land in default of the debt, the income was to go to the non-agriculturist moneylender. In fact the situation became so scandalous that the Panjab Government had to outlaw such <u>benami</u> transactions, as they were called, under Amendment II of the Land Alienation Act.

Another flaw in the original law which permitted the acquisition of the land of the peasant by the agriculturist moneylender was that the latter could acquire huge estates by reducing peasant owners to tenants. This has been removed also by Amendment III, which now debars an agriculturist moneylender from acquiring the land of the peasant in satisfaction of debt.

Two more laws have been enacted to prevent dishonest practices which had become proverbial with a large number of moneylenders. The

Regulation of Accounts Act of 1930 requires the creditor to keep regular accounts relating to each debtor. The Act also requires the creditor to send semi-annual reports to each debtor, showing the standing of his account.

Under the Registration of Moneylenders' Act every moneylender is required to obtain a license. The latter can be forfeited if the moneylender indulges in dishonest practices, such as defying the provisions of the Regulation of Accounts Act, or making entries for a greater sum than he had actually loaned, or for violation of the provisions of Panjab Relief of Indebtedness Act regarding the rate of interest charged.

The Panjab Relief of Indebtedness Act of 1934 provides that a person owing more than Rupees 250 can apply to the courts to be declared insolvent. The court also is empowered to rule whether or not the rate of interest is excessive. But the most important provision of the Act is the establishment of Debt Conciliation Boards.

The chief aim of these Boards is to adjust the available assets of debtors to their total debts and to facilitate repayment in a reasonable period through yearly installments. The creditors who refuse to agree to the Board's decision are placed under certain disabilities in recovering their dues, while the claims of those who accept it are given priority.

Rural Reconstruction Programs

The central idea of these programs is to imbue the villagers with the ideal of dignity of labor, the dignity of women, the dignity of cleanliness, the dignity of service by means of example and percept-

intense propaganda aided by laughter and song.[20]

The program is made up of action along three lines, viz., the material, intellectual and moral.

> Materially it seeks to improve the health and raise the standard of living of the agricultural class. The former is achieved by encouraging better sanitation and by provision of medical aid. To realise the latter, better methods of cultivation, finance and marketing are popularised. As regards mental and intellectual aspect, education facilities are provided for boys, girls and adults. Information and instruction is also made available through the radio, cinematograph, and lectures and demonstrations by touring parties. The moral aspect, however, is the most fundamental. It seeks to awaken the will of the villager, to make him conscious of the value of his personality and individuality. It aims at creating in him the desire for self-improvement and self-discipline by individual action.... In a word, to change the entire outlook on life.[21]

All this is necessary because "no substantial improvement in agriculture can be effected unless the cultivator has the will to achieve a better standard of living and the capacity, in terms of mental equipment and of physical health, to take advantage of the opportunities which science, wise laws and good administration may place at his disposal. Of all the factors making for prosperous agriculture, by far the most important is the outlook of the peasant."[22]

The following table showing the amounts allotted and expenditures incurred on different items, out of the Government of India grant, will at one glance show the nature of the work undertaken by the Official Rural Reconstruction Programs. Though there is great diversity in the details of the programs in different provinces, yet the purpose and scope are more or less common.

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[20] Vera Anstey, op. cit., p. 183

[21] Akhtar and others, op. cit., p. 228

[22] Report Royal Commission, op. cit., p. 86

TABLE XVI

EXPENDITURES ON RURAL RECONSTRUCTION PROGRAMS (1940-41)

(Thousands of Rupees)

	Item	Allotment	Expenditure
1.	Village improvement schemes through cooperative dept. & district offices...	829	790
2.	Rural Water Supply (drinking).....	4465	3936
3.	Rural Communication.....	2382	1931
4.	Rural Sanitation.....	570	547
5.	Rural Health.....	1172	1121
6.	Industrial Schemes	345	296
7.	Agricultural Improvements.....	924	887
8.	Establishment	208	208
9.	Consolidation of Holdings.....	411	411
10.	Debt Conciliation	100	100
11.	Improvement of Livestock.....	460	495
12.	Veterinary.....	93	91
13.	Improvement of Poultry.....	11	11
14.	Propaganda	667	667
15.	Welfare Schemes.....	582	436
16.	Miscellaneous	426	351
17.	Discretionary Grants	685	703
18.	Unallotted Reserve.....	466	---
	Total	14796	12981

Source: Nanavati and Anjaria, op. cit., p. 241

From this picture it is evident that this program aims at removing many of the distressing symptoms of rural poverty through an intensive educative process in the matter of health and better living.

But the actual results achieved are very disappointing. If F. L. Brayne, the pioneer in rural reconstruction, were to visit the Panjab villages which were the pride of his mission, he would be sorely disappointed. The whole life work of this official seems to have disappeared into nothing with his departure.[23] In other parts of India the success of rural reconstruction programs has never been very remarkable.

[23] T. A. Raman, Report on India, (Oxford University Press, 1943), p. 99

In the Panjab Mr. Brayne was able to achieve an apparent miracle because of the prestige he enjoyed as a Deputy Commissioner (District Officer). He was able to get action without the people realizing the value and importance of what he was preaching. The people obeyed him while he was at the helm of affairs. But as soon as he disappeared from the scene, the villages relapsed to their original state.

The writer, who has a personal knowledge of the areas where miracles were supposed to have been achieved, feels that some of the changes were very superficial and that statistics based on this experiment can be very misleading. Akhtar and others, too, are of the opinion that "this work has not brought about a significant change in the village or the outlook of the villager".[24]

If nothing else, Mr. Brayne's work should be a stern reminder to all who are interested in improving the well being of the people of India, that it is impossible to achieve any lasting results without removing the basic causes.

To quote a few examples, while every effort was made to see that the village water well was free from infection, it did not help very much, for the peasant drank from the open ditch when he felt thirsty during his work in the fields. Similarly, while emphasis was laid on ventilators in the rooms, no provision was made for preventing dust and thieves getting into the rooms. Similarly the propaganda regarding the use of mosquito nets or artificial fertilizers could be of no avail unless the peasant had the money to buy these things. Nanavati and Anjaria seem to be right when they say that "unless the fundamental issues bearing on rural welfare such as land reclamation, adequate irrigational facilities, planned consolidation of holdings, a rational system

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[24] op. cit., p. 234

of land tenure and tenancy, an equitable basis of land assessment, etc., are tackled, nothing appreciable would be achieved by the reconstruction work of the type which is conducted at present."[25]

Another defect in the program is that it is not based on a comprehensive survey of the needs and requirements of the different areas or the careful consideration of the long-term adjustments that are necessary to assure lasting results.

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25 Nanavati and Anjaria, op. cit., p. 248

CHAPTER V

NEED FOR NEW APPROACH

We have seen that various measures adopted in the past to deal with the problems of rural economy of India are of the nature of temporary palliatives. Even as such they have not been very effective. Therefore, it has been suggested that in order to achieve any substantial results, more drastic and thoroughgoing measures are necessary. T. N. Ramaswamy, for instance, feels strongly that "there can be no real improvement in the economic position of the cultivator without drastic reconstruction and regulation of future economic evolution."[1] Another competent economist observes that the "first prerequisite of a genuine social advance is a drastic reform of the land system".[2] While D. Spencer Hatch, who spent a large part of his life working for the uplift of the peasant in South India, feels convinced that "the Indian villager is not much benefited unless he is helped simultaneously in every phase of his life and in regard to every relationship he bears to others".[3]

In fact, in 1939 the National Planning Committee headed by Jawahar Lal Nehru actually started to prepare a blueprint of national planning believing that nothing less than a comprehensive over-all planning could be really effective. The work of this committee was

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[1] Stabilization of Indian Agriculture, (Benares: Nand Kishore Bros., 1946)
[2] Paul M. Sweezy, op. cit., p. 5
[3] Op. cit., p. 8

upset by a change in the political situation. However, soon afterward a group of well-known industrialists headed by Sir P. Thakurdas came out with a 15-year "Plan for Economic Development of India".[4] It was followed by M. N. Roy's "People's Plan"[5] with a slightly different approach, but the same end in view. Then there are the government "plans".[6]

Though the economic air in India seems to be thick with "plans", and many people believe that "planning" is fait accompli in India, yet it is also true that these plans have aroused considerable controversy and opposition on the part of those who have faith in "free economy". It would be well, therefore, to examine both points of view before a definite approach to problems of rural India may be accepted.

For some thinkers the opposition between planning and laissez-faire does not exist. They argue that strictly speaking all economic life involves planning, because it involves the disposal of scarce goods. And the disposal of goods, insofar as it is in any way purposive, necessarily involves some kind of plan.[7] The so-called "free enterprise" system is actually under the control of innumerable small plans, formulated by individual business men and households, as well as big corporations.[8] In fact, it is argued that planning is not a revolutionary

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[4] Sir P. Thakurdas, A Brief Memorandum Outlining a Plan of Economic Development for India, (New York: Penguin Books, 1944)

[5] G. D. Prikh and M. N. Roy, Alphabet of Fascist Economics, (Calcutta: Renaissance Publications, 1944)

[6] Memorandum on Agricological Development in India, (Delhi: Imperial Council of Agricultural Research, 1944?)

[7] L. Robbins, Economic Planning and International Order, (London: Macmillan 1937), p. 4

[8] H. R. Burrows & J. K. Horsefield, Economics of Planning, (Philadelphia: The American Academy of Political Science, 1935), p. 3

departure in human life. For "it is a logical category of any action having its future development along lines traced by the reasoning powers of the individual concerned and by the opportunities offered by his environments."[9]

It seems, therefore, that those who are opposed to planned economy are not so much opposed to it as "planned", but to its political and other implications, particularly the loss of individual freedom, or ruthless dictatorship which seem to be inherent characteristics of planned economy as evinced by fascism, naziism and communism.

However, those who advocate planning insist that planned economy does not mean the adoption of totalitarian ideologies. They insist that economic planning is one thing and political structure another, and the introduction of one does not necessitate a fundamental remodeling of the other.[10] They further argue that when the critics of planned economy decry the regimentation it would involve, they forget that the extent of regimentation that exists in the industry today was unknown in any previous society.[11] Of the working population in the U.S.A., 70 per cent are regimented in detail at least eight hours of the working day.[12] Besides, how much real freedom, under unequal distribution of income in "free enterprise" society, actually exists is usually overestimated. For instance, a person's freedom often is extremely limited in the matter of choosing an occupation, or its location, or in the

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[9] G. U. Papi, Introduction to Post War Reconstruction Programmes, (Rome: International Institute of Agriculture, 1944), p. 239

[10] Barbara Wootton, Plan or No Plan, (New York: Farrar and Rinehart, 1935), p. 313

[11] L. L. Lorwin, Time for Planning, (New York: Harper Bros., 1945), p. 58

[12] Ibid.

purchase of things he wants, or in starting an enterprise in the face of powerful monopolies.

Thus the advocates of planning contend that, if planning is divorced from political organization, in the matter of individual freedom it does not and need not compare unfavorably with "free enterprise" system. While with regard to economic efficiency, it is alleged that planning is decidedly superior. The planners are willing to accept the achievements of laissez-faire in the matter of volume of production and in bringing about a degree of material comfort unknown to mankind before under any other system.[13] But they argue that the recurrent fluctuations in the volume of production and employment that go with laissez-faire entail stupendous loss and human misery. In the United States alone, during 1931-39 the people suffered a loss of $250 billions in income which they might have received if prosperity had not broken down.[14] And if we calculate the loss to the world!

Thus the critics argue that the automatic mechanism of free economy has belied expectations. It has failed to insure anything of the nature of the inspired and beneficient equilibrium,[15] which was believed to be its strongest point. It has failed to bring about the best allocation of natural resources by the free working of the forces of supply and demand through the automatic pricing system.

> Free enterprise has led to a wasteful opening of oil wells when oil has not been needed. Free competition has led to exploitation of the seams of coal easiest to get at since costs were cheaper--hence a wasteful abundance of coal in partially exploited mines. Exploitation of agricultural

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[13] W. C. Mitchell, "The Social Sciences and National Planning", Planned Economy, (ed) Findlay Mackenzie (New York: Prentice Hall, 1937), p. 120

[14] Chester Bowles, Tomorrow Without Fear, (New York: Simon & Schuster, 1946), p. 25

[15] Mitchell, op. cit., p. 116

> land meant cutting down of forests, the increase of floods, and denuding of semi-arid lands, leading to ultimate destruction through soil erosion.[16]

The advocates of free economy, however, argue that it is not the system which is at fault, but rather the wage and other rigidities introduced into the economy for one reason or another. Robbins, for example, argues that the system "has not failed because of any inherent defect in the system, but because of the ill-conceived measures which have been adopted to set it right."[17]

But the opponents reply that the introduction of rigidities itself is a proof of the inherent weakness of the system. It fails to achieve the equilibrium and perfect allocation of resources through the pricing system, because inequality of wealth distorts the process of human satisfaction. The wants not clothed in money remain undetected, ineffective and unsatisfied.[18] Moreover, in actual practice choice is not free because of advertising and similar practices by which people are induced to alter their choices.[19] On the production side, monopolies and huge combinations distort the production pattern, and in their efforts to maximize profits pay little attention to the general welfare. Furthermore, production is designed for profit regardless of whether it is harmful or beneficial to the consumers or the community in general.[20] However, it is contended that the most serious weakness

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[16] W. F. Ogburn, "Invention and Economic Control", Planned Economy, Findlay Mackenzie (ed), op. cit., p. 96

[17] L. Robbins, The Great Depression, pp. 59-61

[18] Burrow & Horsefield, op. cit., p. 6

[19] Ibid.

[20] Ibid.

of laissez-faire is that it is accompanied by poverty amidst plenty. People starve in the midst of potential or even actual abundance.[21]

Therefore, it has been suggested that if we do not "plan", the alternative is status quo with its constant threat of unemployment, its poverty, its destruction of basic necessities of life so as to keep prices at the level of vendability, and finally, the last resort of every economy in distress, war between nations.[22]

Nevertheless, before the issue can be finally decided, it would be necessary to answer three questions:

(a) Whether intelligent steering of the wheel of our economy in the form of an over-all comprehensive planning is at all possible?

(b) If possible, is it desirable?

(c) If not, what is the alternative?

With regard to the first question it has been suggested that Russian Planning should convince anyone regarding the possibilities of effective central planning. It is claimed that the Russians have progressed as much in 12 years in the matter of industrialization as other nations have done in two generations.[23] While progress in education, recreation and health services in many ways has outstripped the rate in capitalist countries.[24] Although the success of the Russian Experiment may be accepted (though even Harris believes that the price paid in the form of human energy and loss of human freedom has been high,[25]) yet it must not be forgotten that many attempts at economic controls

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[21] Mitchell, op. cit., p. 118

[22] Sidney Hook, op. cit., p. 671

[23] S. E. Harris, "Can Capitalism Be Salvaged?", Survey Graphic, October 1947, pp. 525-527

[24] Ibid.

[25] Ibid.

and planning have not been successful. The New Deal in the United States is a case in point.

In such cases, however, it has been suggested that these programs were ill-planned, ill-timed, and inefficiently executed. Experience should make us wiser, while greater development in the science of statistics should enable us to predict human behavior with greater accuracy. Furthermore, if the planners or policy makers start with "institutional man" rather than "economic man", many of the failures could be avoided, because the actual behavior of man is not exclusively controlled by economic considerations.[26] Finally, it is contended that we need not be discouraged by some of the past failures. H. G. Wells, with his uncanny insight into the future of the things, argues that

> so far nothing has been attempted, so far no first class mind has ever focused itself on these issues, but suppose the laws of social and political developments, for example, were given as much attention, criticism and discussion as we have given the laws of chemical combination during the last 50 years. What might not we expect?[27]

Therefore, it is argued that the course of wisdom is not to oppose planning, but to make it more intelligent so that it is not accompanied by inefficiencies which have been responsible for the failure of some of these plans in the past.[28]

That intelligent planning is possible, stands to reason. This brings us to the second question: Is over-all national planning desirable?

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[26] E. R. Walker, From Economic Theory to Policy, (Chicago: Chicago University Press, 1943), p. 142

[27] Quoted by M. H. Hedges, "Foreword", Time for Planning, by Lewis L. Lorwin, op. cit., p. vii

[28] Lorwin, op. cit., p. vii

Now this is a highly controversial issue since it involves judgments of value on which neither the philosophers nor the people have ever agreed. However, it is possible to examine some of the implications of such an over-all planning, though the final judgment, of necessity, must be governed by the particular circumstances of the case. What may be one people's meat may be another people's poison, or vice versa.

First of all it can be said that no single program or policy is good for all people, and even for the same people for all times. This is because every policy is causally related to a set of circumstances, and since history never quite repeats itself, what might be good under certain conditions might not, and most probably will not, be good in different circumstances. So it seems that the desirability of a plan or policy must be relative to the situation.

Secondly, what is or what is not desirable may be viewed from the standpoint of either the economic or the social and moral consequences of planning. This distinction between the different aspects of human behavior, however, is unrealistic.

> The distinction between what we call economic life and social, political or cultural life is a division between abstractions, but not between real things; one and the same phenomenon may be regarded as economic from one point of view and cultural or political from another point of view. Economic planning by altering the structure and working of the economic system, must affect also the non-economic sphere, because economic activities are either the outcome or the source of other activities, and in many respects determine them.[29]

It is impossible to judge the efficiency of the economic system unless we know what job that system is supposed to be doing. And that job cannot be defined without cultural and ethical considerations, because economic activity does not seem to be the final goal of human

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[29] F. Zweig, Planning of Free Societies, (London: Secker & Warburg, 1942), p. 231

life. On the contrary, it appears that the ultimate place of economic organization in human life is to assure a secure basis for an ordered expression of individual capacity and for the satisfaction of the needs of man in non-economic directions.[30]

Besides, economic activity not only supplies man with the wherewithal of life, but also becomes a part of his life. The way in which a man earns his living influences the formation of his character and his capacity to enjoy life out of his work. So if an activity or a system is economically highly productive, but spells the loss or negation of values such as freedom and happiness which we cherish, and to preserve which we fight wars, it cannot be acceptable. Therefore, the question to be asked is whether the Russian type of over-all planning is commensurate with non-economic values which we prize so highly?

The question will have to be answered purely deductively. We cannot accept what is going on in Russia as a test of over-all planning. For what is happening there is the result not only of central planning, but of countless other forces, which of course might operate as well in other countries, but may not and need not be the same. There can be little doubt that if Russia were not so much taken up by political and other non-economic considerations, her plans and methods would be different. It is conceivable that if it were not for the active opposition of foreign nations and their attempts to undermine the Soviet system, the course of things in Russia might not be the same. So it does not seem to be fair to judge over-all planning on the basis of conditions that prevail in Russia, just as one cannot attribute all the material success of the United States and Great Britain to the system of private enterprise exclusively.

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[30] John Dewey, Liberalism and Social Action, (New York: G. P. Putnam's Sons, 1935), p. 88

> "That over a period of a hundred years preceding the World War II national income in this country (U.S.A.) doubled every fifteen or twenty years is at least a partial vindication of the system (free enterprise)...(but) one should not too readily assume that credit for America's dizzy rise goes to the system. A happy conjuncture of natural resources, vast free trade areas, native intelligence, fortunate relation of population and resources, and until recently, isolation from covetous neighbors--all these should share the credit."[31]

Thus, experience in Russia can neither be cited as a proof of the success nor of the failure of over-all planning, while no other country has given it a sufficiently long trial. Some countries like the United States and Great Britain approached something like national planning during the war days. But experience during war conditions cannot serve as a guide for conditions of peace. Though Beveridge[32] and others argue that what can be achieved in war can be achieved in peace as well, this seems to be an unrealistic assumption. During a war when the life of a people is in jeopardy, great sacrifices and herculean efforts can be expected and are made. But it seems impossible to expect people to continue to live on the level of super-normal activity of which they are capable during periods of national crises.

So with regard to the possibilities of over-all planning during times of peace, we shall have to rely on <u>a priori</u> reasoning alone.

If the aim of over-all planning were to improve the general level of living, and if it could be shown that the above purpose can be achieved better through over-all planning, it would have much to commend itself since a high standard of life is a necessary condition for abundant living.

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[31] Harris, <u>op. cit.</u>, p. 525

[32] William H. Beveridge, <u>Full Employment in a Free Society</u>, (New York: W. W. Norton & Company, 1945)

If we remember that in free economy "each individual or concern generally makes the plan without regard to, in ignorance of, and without concern for the plans of all other businesses in the same or other sections of the economy",[33] while in over-all planning a central authority could carefully plan production by taking into consideration the demand and resources and thus prevent disequilibrium which results in waste and misery, a prima facie case can be established for over-all planning.

Actually, however, it seems that planning on such a large scale is likely to become cumbersome and inefficient and suffer from the inherent weaknesses of big business. In such a huge enterprise "final authority cannot be delegated for that results in lack of unity of policy or regulation of performance. While if all authority rests in center, the system involves bureaucracy in its worst form: 'red tape', hopeless delay, decisions based on diluted memoranda".[34]

Besides, as Papi argues, such state interference with economic life is inherently defective since the state cannot take into consideration factors of marginal value, discount of future wants, insurance against risk and adherence to market conditions governed by consumer's choice.[35] Furthermore, it must be remembered that over-all planning has no

> mechanism for the equalization of failures, deficiencies, and omissions. In an unplanned economy the failures and omissions of some people in one direction might be compensated by other people in other directions. In planned economy both the good and bad qualities are multiplied and exaggerated.[36]

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[33] Burrow & Horsefield, op. cit., p. 8

[34] George J. Stigler, Theory of Price, (New York: Macmillan Co., 1946), p. 138

[35] Papi, op. cit., p. 257

[36] Zweig, op. cit., p. 25

Moreover, the claim that planned economy is capable of better utilization of resources is open to question. Zweig, for instance, feels that while planned economy may be superior to an unplanned economy in the domain of organization, it is not so in actual working of the system.[37] He argues that while Russia increased her national income 35 per cent during the period 1928-37, in the corresponding period Japan increased her national income by 21 per cent, Sweden by 27 per cent, and Norway by 30 per cent.[38] While this comparison may not be entirely fair, it shows that planned economy is not inherently more efficient in terms of economic productivity.

But even if it were so, we have to consider the non-economic costs which a system of over-all planning might entail. For example, if in the process of planning, or as the result of planning, the conditions necessary for optimum growth and development of human personality disappear or receive a violent setback, such a plan could not be acceptable even if it should offer greater returns in the form of material goods or per capita income.

Now, although other freedoms are also necessary for full and abundant living,[39] yet the most important freedom from this standpoint seems to be the freedom to choose one's work or occupation in line with one's forte or interest. If that is denied to a man, not only is his life soured during the hours of work, but also his outlook on life is warped and the growth of his personality hampered. It might be argued that after a time no matter what the work of a person might be, it be-

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[37] Ibid.

[38] Ibid.

[39] Beveridge, op. cit., pp. 21-22

comes a matter of habit and therefore the danger of uncongenial work is unnecessarily exaggerated. It may also be contended that with further development of technology, when most of the work will be done automatically by machine and the operator will merely supervise it, not much distinction will remain between one work and another. Yet it seems that man will continue to prefer one task to another, and one place to another. So long as he does so, freedom of choice of occupation is a necessary condition for proper and healthy development of human personality.

Another objection is that over-all planning assumes one goal to be achieved in a certain way. But

> the welfare and happiness of millions cannot be measured on a single scale of less and more. The welfare of a people, like the happiness of a man, depends on a great many things that can be provided in an infinite variety of combinations. It cannot be adequately expressed as a single end, but only as a hierarchy of ends on a comprehensive scale of values in which every need of a person is given its place. To direct all our activities to a single plan presupposes that every one of our needs is given its rank in order of values, which must be complete enough to make it possible to decide among all the different courses which the planner has to choose. It presupposes in short the existence of a complete ethical code in which all the different values are all allotted their place.[40]

Actually, human beings are never satisfied with such a life. "The richness and wisdom of life lie in pluralistic and not in monistic solutions and the greatest danger which faces planned economy is the tendency towards monistic solutions.[41] Some element of friction and conflict seems necessary from the point of view of fuller development of one's self or personality."[42]

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[40] Hayek, Road to Serfdom, (Chicago: University of Chicago Press, 1944), p. 57

[41] Zweig, op. cit., p. 263

[42] Ibid.

However, the greatest danger of over-all planning lies in the loss of political freedom of the people. History shows that power has the unfortunate tendency to accumulate on itself,[43] and sooner or later economic dictatorship finds itself forced, even against his will to become dictatorship over the whole political and cultural life of the people.[44] It has been shown in practice as well as in theory that the governments which practise collectivism in economic matters do not remain democratic in political affairs.[45] Besides one cannot fight abuses of private enterprise by substituting for it governmental power capable of greater abuses and less subject to check and control.[46]

In fact, if there is one lesson that history teaches in most unmistakable terms, it is that "within wide limits free government should be preferable to good government and the freer the better".[47] And if in order to achieve that, some efficiency and security has to be sacrificed, it is worthwhile doing so. For tyranny, whether it be of the local despot, or of ultra-nationalist government or of a foreign power, is equally corrosive of and injurious to the moral and spiritual well-being of human beings.

This would mean that some efficiency or security, which a central over-all plan may guarantee, will have to be sacrificed to preserve freedom which is a necessary condition for abundant living. Besides, some insecurity is desirable, for it acts as a spur to invention and discovery. Furthermore, "insecurity of some sort is of the essence of adventure, and lack of adventure is one of the most widespread complaints

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[43] Herbert Hoover, [illegible], (New York: The Scribner Press, [illegible]), p. 15.

[44] F. A. Hayek, Freedom and the Economic System, (Chicago: University of Chicago Press, [illegible]), p. 3.

[45] [illegible], [illegible] (Chicago: University of Chicago Press, [illegible]), p. [illegible]

[46] Ibid., p. [illegible]

[47] [illegible], Freedom and Reform, (New York: [illegible], 1947), p. [illegible]

against life to which most of us are condemned in modern society."[48]

What then is the solution? Free enterprise does not offer us security that we need so badly, while over-all planning does not assure us freedom that we prize so much. Luckily the choice is not between planning and freedom. We can have both if we follow Aristotle's principle of the golden mean which contains the essence of human wisdom. In the affairs of men, particularly when complete truth is unknown and unknowable, compromise seems to be the best solution. In the economic sphere it would mean that a mixed economy is a more desirable goal than either unrestricted "free enterprise" or completely "planned economy". Mixed economy would mean that certain enterprises, by virtue of their national importance or for some special reason, may be managed better by the state or local government, while others should be left to private enterprise. Further, that while completely controlled economy would not be acceptable in view of its non-economic implications, some form of intelligent guidance or direction may be necessary to coordinate and integrate production with demand to avoid wastes and business crises.

But the agency to bring this about should act mainly in an advisory capacity, except in the case of great emergencies; and it should be free from governmental domination.

The extent to which state interference or control might go, would have to be decided by the enlightened good sense of a people. No hard and fast rules can be formulated delimiting the spheres either of the state or private enterprise. However, one guiding principle may be laid down.

It needs to be recognized that state and society exist to create

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[48] J. M. Clark, Social Control of Business, (New York: Whittlesey House, 1939), p. 54

conditions for better fulfillment of the purposes of the individuals. For while it can be said that state or society exists for man, it cannot be said that man exists for state or society. Man alone is real and center of activity. Apart from his purposes society and state have no importance or justification.

So the function of the state should be to assure conditions under which men are better able to seek their salvation than they otherwise would be if they were constantly interrupted by the ill designs of their neighbors. If some individuals, or even a large majority of them, need help and assistance against a powerful interest or a combination of them, it will have to be provided. But should the state decide to control the life of the majority of the people because they are stupid and cannot look after themselves, something is wrong with the state or the people.

It is the duty of the government to create conditions so that people can look after themselves, just as it is the duty of the parent to see that the child learns to look after himself. Of course the parent can do things better. But a wise parent will help the child to learn to stand on its own legs. A wise government would do likewise by creating conditions so that people can look after themselves. Otherwise man, who is an end in himself, becomes the means of the designs of"a few" who, as history shows, are capable of as much bungling as the ordinary mortal.

To sum up, it seems that some checks and controls over "free enterprise" are necessary. But these controls, with a few exceptions, might be of a regulatory nature. They ought to aim at creating conditions under which individuals, with proper respect for the freedom of

others, can seek their salvation according to the dictates of their consciences. That these controls have not proved very effective in the past is no condemnation of this approach. Past failures were due largely to short-sightedness of the policies, lack of proper coordination and bad execution. It seems possible to avoid these mistakes. This would, of necessity, imply some central planning. But this planning ought to be in terms of long-range policies designed to remove the frictions and snags in the economic system rather than control the whole system. Moreover, as will be described later in the chapter on Industrial Policy, the formulation of these policies might better be entrusted to a non-governmental independent agency.

CHAPTER VI

CRITERIA OF GOOD POLICY

A policy is a plan of action to achieve a desired end. Consciously directed life, whether of the individual or the group, involves making plans for objectives which it is thought fit or necessary to achieve. These plans, when consistently or deliberately pursued, give rise to policies. Though the policies can be individual or group policies, yet in economic discussion, policy usually is taken to mean a public or state plan of action to achieve a certain goal commensurate with general welfare.

Of course economic life can be carried on without any conscious policies. But experience has shown that such a situation leads to waste, confusion and difficulties[1] and does not reflect creditably on human beings who are given the power to foresee and plan rationally. The fact that some of the policies have not achieved their objectives, or have led to different results than the one desired, does not prove that policy-making is a useless undertaking. It only indicates that policy-makers bungled somewhere in the process, and either started from the wrong premises, or committed a fallacy in their reasoning. Or, they lacked imagination to see that when they would launch the

[1] Hansen, Economic Policy and Full Employment, op. cit., p. 17f

policy circumstances might be different, or that the introduction of the policy itself would create new situations, where further adjustment would be necessary.[2]

Whether the policy-makers would ever surmount these difficulties is a question which cannot be answered with any degree of certainty. But the fact that human beings have the capacity to learn from experience should inspire some confidence.[3] Moreover, the alternative to policy-making is serious maladjustments, a situation which would never be accepted by a majority of human beings.

It is, however, important to avoid pitfalls, and when making policies it would be necessary to observe certain principles to facilitate the success of those policies. These principles are deducible from stern causality which operates in the world, and which is no respecter of persons, or their ideals and ambitions. The most well-intended and pious policy is bound to fail if it should miss some link in the chain of causality.

Of course, with our limited knowledge of causation, particularly in the social sphere, not even the wisest policy-maker may be successful in formulating a perfectly foolproof policy. Nevertheless, it certainly would be less vulnerable and attended with fewer unwanted features than the one based on scanty respect for hard facts, or the logic of events.

In order that a policy may have greater chances of success, it needs to take into consideration the following principles of logical relationships and causality.

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[2] Walker, op. cit., p. 142

[3] Joad, Testament of Joad, (London: Faber & Faber, 1937),

(a) Before laying out a policy, it would be necessary to agree on the structural design and the fundamental bases on which society rests.[4] A policy which deals with any of the basic issues of human life is likely to bring about some modification in the pattern of social life. Under the urgency to achieve results this point is apt to be overlooked. But sooner or later it is bound to make itself felt and cause consternation or disappointment to those who, if they had clearly envisaged the working of the policy, might have thought twice before accepting it. For instance, disgusted with the evils of unregulated capitalist economy, the policy of nationalization or socialization of industry might be proposed or even accepted. The people might forget that such a policy, in order to be effective or successful, might necessitate a design of living which they could not or would not accept if it were offered to them in clear-cut terms. Many people might not support collectivism in economic matters, if they realized that the governments which practise collectivism in economic matters do not remain democratic in political matters.[5]

(b) The policy should not only be consistent with and ensure the design of social life which we cherish, but it should also be clearly related to definite objectives. The motivation for any economic or social policy is the desire for change from a present unsatisfactory position to a situation that is supposed to constitute an improvement. So we must be clear as to where we want to go. In other

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[4] Karl Brandt, "Basic Elements of an International Food Policy", Food for the World, (Ed.) T. W. Schultz, (Chicago: University of Chicago Press, 1945), p. 321

[5] M. A. Heilperin, Economic Policy and Democracy, Public Policy Pamphlet No. 37 (Chicago: University of Chicago Press, 1943), p. 3
Zweig, op. cit., p. 231

words, a good policy must be based on well thought out objectives.[6] Very often, policies are formulated to eliminate certain situations which have emerged. These so engross the minds of men that changes are advocated without a full realization of what is to be substituted for the old, and what would be the immediate and remote consequences of the new order. Under such circumstances, the new policy must, of necessity, be incomplete and ill-conceived, and bound to give trouble when efforts are made to implement it.

(c) While the policy-maker may have a clear conception of the objectives to be realized, his policy may go in default, if these objectives are not coordinated and related to the general scheme of human life. Many times the policies, so far as the immediate objective is concerned, may be most appropriate; but when brought into relation with the rest of the life, they may confront values and ideals to which society might attach greater value.[7] Whatever the experts in different social sciences might think, human life is a complex of diverse relationships. A policy which, for example, aimed exclusively at economic efficiency may fail to achieve the purpose because human beings are not entirely economic animals.[8] Economic prosperity may be a very strong inducement or attraction, but it usually loses ground when pitted against religious and social values.[9] This would be par-

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[6] D. Gale Johnson, Forward Prices for Agriculture, (Chicago: University of Chicago Press, 1947), p. 13

[7] Brandt, op. cit., p. 322

[8] Ibid., p. 327

[9] A.B.B. Fisher, The Clash of Progress and Security, (London, 1935), p. 3

ticularly true of those countries like India where the materialistic civilization has not as yet taken hold on the masses. So every economic policy must be related in its objectives to the political, social, religious and moral objectives which operate in the life of the people.

(d) Another important principle is that the policy-maker must have a clear conception of the short-range and long-range implications of the policy he is endeavoring to formulate. While the policy-makers, of necessity, would be required to deal with a present situation which in many cases would require a short-range policy, they cannot afford to forget that short-range policy is usually a makeshift arrangement and therefore finally it is the long-run policy that should prevail. And so no element in short-range policy should be accepted which might create stupendous difficulties in following the long-range program at a later stage. To take a concrete example, while redistribution of landlord estates in small units of family size may be a good short-range policy to ameliorate the condition of the tenants, such a step might become an insuperable difficulty if later it might be thought desirable to have large scale mechanized agriculture as a long-range policy.

In other words, the short-term policy should be carefully related to the long-term policy so that the working of the latter may not be made difficult or impossible by short-range measures.

(e) The policy-maker will have to remember that he cannot begin with a clean slate. We have to deal with our economic system as it is, and as it may be modified, and not as it might be if we have a clean sheet of paper to write upon.[10] Moreover, it must be remembered

[10] President Wilson quoted by H. Gordon Hayes in Spending, Saving and Employment, (New York: Alfred A. Knopf, 1945), p. 195

that the economic system of a country is part of the mores of the people, and any change which goes counter to the mores of the people will have very slender chances of success. For this very reason, the introduction of policies and programs which have been successful elsewhere must be examined with the greatest care before they are introduced into a country with a different culture and civilization. The institutions of a country are an expression of the ethos of a people and cannot be changed successfully without altering the social milieu. This choice should be made only after thorough consideration.[11]

For the same reason, it is necessary to approach revolutionary reforms with the greatest circumspection. Revolutions have rarely achieved their objectives. The question whether it is worthwhile upsetting a certain order and causing much misery to a large number of people for the sake of gains which may not be achieved, must be carefully studied before such a change is recommended.

(f) In a free society all policies should be democratic, accepted and initiated by the will of the people whom they will affect. The experience of history has proved time and again that the best way of living consistent with the ideals of human dignity and personal freedom, is the democratic way. No one man or a committee of men have either the intelligence or the ability to outline or prescribe what is good for a people.

Social life or political institutions have a justification only

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[11] However, it is recognized that institutions may lag behind as values change. In such cases it becomes a question of how best to modify the institutions to the new situation.

insofar as they contribute to the happiness and abundant living of the individuals. Society or state apart from the individual has no entity and no existence.[12] The final end of all social activity is the human being and not a mythical society or state.[13] If the organization of society is such that human beings become tools of others--whether a small oligarchy or a tyrannical majority--the moral justification for that social order disappears. No committee of self-styled omniscient social architects should take shelter behind the proverbial stupidity and conservatism of the man in the street and force on him an organization or reform which he does not like or does not understand. The man in the street is not so stupid as is supposed. He may be lacking in expert knowledge and information, but he is usually well supplied with common sense concerning what is good for him. In any case, no one should have the right to inflict a policy on the people unless the people voluntarily accept it. The social reformer often is too impatient to bring about immediate results. Such a policy, as history bears ample evidence, seldom succeeds. And even if it could be implemented through dictatorial methods, it generally does not contribute to general welfare. On the contrary, it causes much agony and misery, as in the case of Russian reforms. Thus, a good policy should be limited to objectives and principles on which there is considerable agreement.[14]

(g) It is desirable that a policy should result from joint deliberations of technical experts, disinterested laymen, representatives of affected interests, and social scientists.

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[12] Wolfe, op. cit., p. 599

[13] Johnson, op. cit., p. 13

[14] Joseph Ackerman and Marshall Harris (Ed.), Family Farm Policy, (Chicago: University of Chicago Press, 1947), p. 6

[illegible] one [illegible] from [illegible] effect [illegible] only a few experts [illegible] the broader impli-cations [illegible]

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[illegible] problem. [illegible] the [illegible] if [illegible] later on, that group should [illegible] point of view and partly [illegible] the problem. If this were [illegible] misunderstanding [illegible] solved. It is extremely [illegible] a policy of [illegible] shall be chosen by consensus, [illegible] inflicted by [illegible].[27]

(2) [illegible] very likely [illegible] the [illegible] well [illegible].

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[27] [illegible], [illegible]),
p. [illegible]

In such a case, the advantages of the policy should be weighed carefully against the disadvantages, and the decision should be made with a clear consciousness of the net results. The people should know what sacrifices they are making, and for what purpose.

(i) A sound long-run policy should not be in the nature of a palliative, but should go to the root of the matter.[16] While in acute cases it sometimes might be necessary to allay the symptoms to give immediate relief, dealing with the symptoms alone cannot be expected to bring about the cure. So a good policy must go to the root cause of the evil.[17] While it often may not be possible or desirable to undertake an immediate major operation, nevertheless, it is possible to introduce gradually changes which will ultimately eradicate the basic causes responsible for the problem.

For example, the credit policy in India has failed because it tried to deal only with the symptoms and did not aim at removing the basic condition that was responsible for the indebtedness of the peasant. Under such conditions, even if the peasant could be freed completely from debt, he would not be helped permanently. In a short time he again falls into debt, thus indicating that the credit program has been merely a palliative.

Finally, every economic policy should start from the assumption that the "chief test of an economic system is not whether it makes

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[16] C. S. Orwin, The Future of Farming, (Oxford: Clarendon Press, 1930), p. 146

[17] Alexander Loveday, "What the Policy Maker Needs", Economic Research and the Development of Economic Science and Public Policy, (New York: National Bureau of Economic Research, 1946), p. 24

men prosperous or whether it secures distributive justice (though these are both very desirable), but whether it leaves men's instinctive growth unimpeded. To achieve this purpose, there are two main conditions which it should fulfill: it should not cramp men's private affections, and it should give the greatest outlet to the impulse of creation."[18] Since these conditions depend upon the freedom allowed to the individual, the ultimate measuring rod for the value of any public policy must be the degree of freedom of action for private initiative and free enterprise it manages to combine with other aims.[19]

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[18] Bertrand Russell, Principles of Social Reconstruction, (London)

[19] Brandt, op. cit., p. 326

CHAPTER VII

EDUCATION POLICY

A program or policy, particularly in a democratic society, has little chance of success without the active support and cooperation of the people.[1] People can lend willing cooperation only if they understand the value and importance of proposed programs, either to themselves or to the nation as a whole. Though the Socratic dictum that knowledge is virtue is not always confirmed by experience, and, in fact, if one may judge the efficacy of education from the records of world diplomacy or pressure groups, one may be tempted to doubt the value of education, yet it is true that in a free society the people must think, if they are to make intelligent decisions and give intelligent cooperation.[2]

Education is the basic condition of all progress. Competent authorities are unanimous that the chief reason of the backwardness of agriculture in India is the appalling extent of illiteracy.[3] Want of education keeps the people ignorant of the scientific practices and modern methods which have been developed in India or in other countries

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[1] Report of China - United States Agricultural Mission, U.S.D.A. (Office of Foreign Agricultural Relations), Washington, 1947, p. 61

[2] Policies for Education in American Democracy, (Washington: Educational Policies Commission, 1946), p. 13

[3] M. Visvesvaraya, Planned Economy for India, (Bangalore: The Bangalore Press, 1934), p. 34

for increasing production and income.[4] The failure to use land so as to conserve resources, to diversify crops, to seek a better diet, housing and health, to accumulate and improve domestic animals, these all rest, in part, on the lack of education.[5] Every year hundreds of thousands of people in India die because of the simple ignorance of the laws of hygiene or some such lack of information about the vital processes of the body.

Not only is the lack of education responsible for creating some of the problems which would disappear if the masses understood the real nature of certain causes and effects, but, also, very little progress can be made with positive programs or policies as long as the people remain uneducated. The failure of rural uplift programs to achieve success is one example out of many which demonstrates that not much progress can be made in improving the economic level of the people unless they take intelligent interest in such programs. In fact, there is a significant correlation between literacy and the material well-being of a people.[6] The need for general education is, therefore, imperative.

Objectives of Education Policy

But before we outline a program of education, we must have a clear idea of the objectives to be attained through education. To say

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[4] M. Visvesvaraya, op. cit., p. 34

[5] Joao Gioncalves de Souza, "Land Tenure Problems in Brazil", Family Farm Policy, Ackerman and Harris (Ed.), op. cit., p. 283

[6] M. Gormsen, The Principal Structural Problems of the Agriculture of Roumania, (Bucharest: Cartea Romaneasca, 1945), p. 27

that we need education is not enough. We may have an extensive system of education, yet it may fail to achieve our ends. For either the content or the methods may be such that while the schooling may impart information to the pupil, it fails to develop the qualities of personality or good citizenship which are necessary for the success of the individual in his own work as well as in the progress of the nation as a whole.

Unless the end is clear, a program or an organization will be ineffective and its activities random, as the arrows of a man will fly in every direction if he does not know what or where his target is.[7]

Now what should be the end or objective of education? This is a highly controversial issue. But we must face this question because, insofar as our aim is not clear, our policies are bound to be confused, inadequate and ineffective.

The controversy regarding the aims of education has taken many different forms such as culture versus cash, ivory tower versus watch tower, intellectualism versus intelligence, general versus vocational, and so on.[8] However, the essential controversy revolves around the question whether education should sharpen and train the intellectual powers of the individual without reference to his needs as a member of society, or should education aim at the training of the individual to fulfill a certain role in society for his own benefit as well as for the benefit of others. To put it in a more direct language, the question is whether education should be cultural or practical.

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[7] C. E. M. Joad, About Education, (London: Faber & Faber, 1945), p. 23

[8] R. Freeman Butts, The College Charts Its Course, (New York, McGraw-Hill, 1939), Chapter I

The study of the history of this controversy shows that the following factors directly or indirectly, have been responsible for this difference of opinion with regard to the aim of education.

(a) The early Greek view that education was meant only for "free men"; and, since they had slaves to work for them, education had no relation to earning one's living and was to be more or less an intellectual embellishment for the leisure class.[9]

(b) The influence of the church which emphasized that education should prepare one for the ministry.[10]

(c) Duality of mind and matter emphasized by Descartes and his followers.

(d) "Faculty psychology" which taught that different types of education would develop different faculties of mind.

(e) The recent reaction against the traditional studies as the result of changed mode of life where mechanical and scientific education is found more useful.[11]

(f) The development of the idea of universal education and faith in the democratic way of living.

Yet this controversy should have ended when it was shown that a human being is an organic unity and reacts as a whole. We cannot divorce the body from the mind, nor can we make a distinction between general and vocational, or between cultural and practical education. This division might have had some justification when society was

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[9] Ibid., p. 20

[10] Ibid., p. 26 ff

[11] Ibid., p. 49 ff

divided into "free men" and "slaves", or the "elite" and the "proletariat". But today when we have hitched our wagon to the stars of equality and democracy, there is no justification for this distinction, and the controversy is meaningless.

Since recent psychology has shown that human personality is an integrated whole and reacts as such,[12] education should train the whole man. For, if education dealt only with a certain restricted aspect of human personality, it would lead to an unbalanced development of the individual. Furthermore, since the individual is unthinkable aside from the society in which he lives, education would be faulty if it treated man as though he lived in a vacuum. Thus education should deal with the whole man as a member of society. However, we must not forget that education and society both are not ends in themselves but are only means to human satisfactions. Therefore, the efficacy of both education and society should be judged by how far they assure the individual and basic conditions for abundant living.

Consequently, we agree with C. E. M. Joad that the objectives of education should be:

(a) To equip a person to earn his living;

(b) To make him act the part of a citizen well; and

(c) To enable him to develop all the latent powers and faculties of his nature so as to enjoy good living.[13]

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[12] R. S. Woodworth & Donald G. Marquis, Psychology, (5th ed., New York: Henry Holt, 1947), p. 87 ff

[13] Joad, About Education, op. cit., p. 23

Present Situation in India

If, in the light of the above-mentioned objectives, we examine the educational system of India, we find it wanting on every one of the three counts.

(a) The education both at the primary and secondary level is completely out of touch with real life.[14] Though here and there agriculture is found as one of the electives on the curriculum of the school, yet actually very few students enroll in the course and, by and large, it is so academic that the student does not profit by it. If the student is equipped to do anything after the completion of high school, it is to proceed to college to pursue a higher course of similarly academic studies, or to decorate a clerical chair in an office.

(b) With regard to developing the qualities of citizenship, education in India is even worse. The subject of civics has been introduced only very recently. Since it is an elective subject in most universities, and since there are few qualified instructors to teach it efficiently, very few rural schools, or for that matter, urban schools, have any satisfactory provisions for teaching civics to even the small per cent of students who elect it. The great majority of students have nothing to do with anything which does not directly assist them in passing examinations. The efficiency of a school is judged by the percentage of students who pass the final examination held by a central authority. It is no wonder that the teacher's whole attention is devoted to getting the maximum "passes", on which depends his promotion. Generally, what the student learns in a typical rural

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[14] Calvert, Wealth and Welfare in the Panjab., op. cit., p. 61

school is answers to questions that the teacher anticipates might be asked in the final examination.

(c) As to training the student to develop his latent powers and faculties, good care is taken that he is developed into a shy, servile, blindly obedient individual, lacking in self-confidence and individual thinking. Self-initiative and independence of spirit are meticulously exorcised. A student standing up in the class to ask a question infuriates the teacher; discussion in the classroom is heresy; and originality of thinking is a defiance of authority. The student must accept what is offered. "Theirs is not to reason why." The teacher not only reigns but rules.

In short, the educational system of India suffers from all the defects of the old Japanese and Italian educational systems. Like the Japanese system, there is excessive regimentation, undue bureaucratic supervision, instruction by rote memory rather than by encouraging original thinking, producing people who are sterile, tradition bound, and lacking in vision and initiative.[15]

In common with the former Italian system, the program of the school is imposed upon children by those in authority. No child has the right to question either the motive or the purpose. Except in the high school, every child is prepared in exactly the same way as every other child. If he cannot meet the standards of the pre-determined curriculum, he is given no opportunity to develop what capacities he does have.[16]

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[15] Lafe Franklin Allen, "Educational Reform in Japan", Yale Review Summer 1947, p. 706

[16] Willis E. Pratt, "School System in Italy", School and Society, April, 26, 1947, p. 309

Immediate Policy

It is unnecessary to emphasize the need and importence of universal compulsory education. That it has already been suggested and introduced in certain parts of the country[17] is a healthy sign. But it seems that the emphasis on education is not what it ought to be. Of course, India's immediate and most serious problem is that of increased production of food, and it might appear to be a bit of mockery to spend money on education while people are dying of hunger or starvation. But it is, also, true that the success of programs for increased production of food is greatly dependent on education. Moreover, our next most serious of problems--the problem of population--can only be solved through education. If we can properly educate the people in the art of better farming and birth restriction, many of the other problems would become less acute and could be solved more easily.

So while all efforts should be made to increase food production to feed the people, a crusade for wider education needs to be started, in order that not only will better farming method become more universal, but also, some reduction might be made possible in the growth of the population. If we are successful in properly educating one generation, the task would become much easier with the following generations. Thus, food production and education should be our "priority number one". Industrialization and other activities can and must wait.

As a matter of short term policy, we should not worry too much about the ideal type of education. If competent and properly qualified

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[17] Such as Madras, Orissa, United Provinces, the Panjab and Sind, (Indian Year Book, 1947)

according to the plan described above, their education might proceed in the regular manner with all the subjects. Of necessity, this education would not be of the type that would be ideally desirable, or that could be possible under a long-range plan, since the teachers would not be satisfactory and necessary equipment might be lacking. But something would be better than nothing, and the deficiencies might be removed at a later stage.

Of course, where funds are available and properly trained teachers can be had, education would follow a different course. It might be possible to maintain at least one model school in every zail.[19] The more able pupils from the ordinary village schools, who may be expected to continue their education at a higher level, could be sent to the model school.

For the education of adults, a different course would have to be followed. In every region there are certain months during which agricultural operations are at a standstill. If this time could be utilized for educating adults, there may be little resistance, and not many difficulties to overcome. To get teachers for this work would not be a too difficult task. In India, the high schools usually close for two to three months each year for a long vacation. If, for a few years, these vacations could be split up to synchronize with the idle seasons of the peasants, the high school teachers, with some financial compensation, could be asked to go to the rural areas to undertake adult education. This would consist of teaching to read, and imparting knowledge of better farming methods. Since most of the high school teachers would not know much about farming, this part of the education may not be very

[19] Roughly equivalent to a county.

satisfactory. But if suitable books, charts and pictorial material could be made available to the teachers, they could teach at least some of the rudiments of good agriculture.

The actual success of this program will, of course, depend on the missionary zeal, intelligence and personality of the teachers. There does not seem to be any reason why, if such a course is followed for a few years, it may not achieve worthwhile results. That adults can learn more quickly has been well demonstrated in the Danish folk schools where what usually takes the half-grown youth five years to learn, is acquired by adults in three to five months.[20]

Since the adult program would be on a voluntary basis, the teachers would have to exercise some persuasion. In the first few meetings they would have to win the confidence of the people and inspire them with a desire to learn. The actual task of teaching them to read may only be started when people show some eagerness which, of course, would depend upon the way they were handled in the first instance. More attention might be given to young adults who are usually receptive to new ideas, though every one should be welcome to attend the meetings. The first few meetings might be made more attractive through some interesting programs.

Long Range Policy

(a) It should be the responsibility of the state to make adequate provision for the proper education of its children. An educated citizenry is a national asset and a child's education should not be

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[20] Livingstone, op. cit., p. 2

dependent on either the purse of the parent or the local bodies which might be lacking in resources to offer the needed instruction. However, the activity of the central government should be confined only to supplying adequate finances for school buildings, equipment and properly trained teachers. It should have no control over either the content or the method of education. As the experiences of Germany, Italy and Russia confirm, if the central government has control over the educational system, it becomes a potent power for evil. So, control of democratic education should be lodged completely with no single authority.[21]

The fundamental responsibility of the central government is to establish and maintain from generation to generation the broad conditions under which the education of free men may be carried on. Having set the framework within which the work of the schools may be conducted, the government should guard this framework and guarantee to the teaching profession and the educational authorities freedom and opportunity for the intelligent and loyal discharge of their duties, intervening directly only in case of evident breach of trust. This, rather than the detailed development, administration, and supervision of the program of education, is the responsibility of a democratic central government.[22]

The central government should provide finances on the bases of clear cut principles which can be applied automatically. In other words, the financing of schools should be free from any discriminatory judgment on the part of the government or the pressure groups.

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[21] Policy for Education in American Democracy, op. cit., p. 145

[22] Ibid., p. 145

The actual control and supervision of the content and method should lie with Independent Provincial Educational Boards, constituted of elected representatives of the people and the teachers, with a few independent thinkers. These boards would lay down general standards and consider questions of policy. Wide scope for local initiative and experimentation would be left to the District Education Boards, which should consist of an equal number of representatives of teachers and citizens. This local control would be necessary to adjust the system of education to meet the local needs of the people.

To insure a democratic way of life, it is imperative that bureaucratic and centralized control in education should go. We cannot maintain democracy if our educational system is based on autocracy and blind obedience to the orders of remote superiors. Democracy is worth preserving, for without it the freedom of the people disappears. After having fought a long and bitter battle to win political freedom, we should be very jealous about it. Freedom is very elusive and unless carefully guarded and fostered, it is likely to disappear. It is only under democracy that we can uphold freedom. For it is democracy that "makes for greater tranquility, justice, freedom, security, creative diversity, reasonableness and less cruelty, insensitiveness and intellectual tolerance than any other social system that has been devised and proposed so far.[23]

Of course, the decentralization of education might prove less efficient in certain ways than central control. But smaller values will have to be sacrificed for the sake of greater values.

(b) Another badly needed reform is the realization of the worth and dignity of each human being and the necessity of creating conditions

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[23] Sidney Hook, Education for Modern Man, (New York: The Dial Press, 1946), p. 11

for the unfolding of human personality. Such development should be free from the crampening influences which in the past have emphasized blind obedience to custom, tradition and the arbitrary authority of the teacher. Our system is notoriously guilty of killing initiative, self-confidence and originality in the students. This will have to go. The pupil, no matter of what age, must be respected as an individual.

This freedom of development might be achieved in two ways:

(i) By making such provisions in the school program so as to enable students to share making of decisions, particularly those affecting themselves. The system of students always receiving orders from "somewhere" needs to be scrapped. Of course, it would meet with resistance on the part of teachers used to the autocratic methods. However, if the attitude of our Indian Civil Service men can undergo a change with the change of the government, we need not be pessimistic that the teacher will not be amenable to the new order. The relationship between teacher and pupils must not rest on authority and fear, but on mutual respect and cooperation. It is impossible to maintain democracy in the political sphere if the educational system, which is to form life-long habits of the student, is run on undemocratic principles and practices.[24]

(ii) Through the press and the educational agencies, teachers will have to be educated into shedding the illusion about their own omniscience and sharing with John Dewey the realization that full truth is never known and that we must forever be led by the facts to revise our approximations to it. The teachers must be made to understand that healthy skepticism on the part of the pupil is

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[24] B. Wootton, Freedom Under Planning, (Chapel Hill: University of North Carolina Press, 1945), p. 157

necessary for the search after truth. They should encourage questions, doubts and discussions on the part of the students, rather than curb all difference of opinion.

(c) Thirdly, we must get rid of the present system of examinations. It not only is of no use educationally, but actually distorts the process of education, so that the energies both of the teacher and the pupil are directed exclusively toward getting a "pass". The uniformity it tries to bring about is psychologically and educationally unhealthy. We do not want uniformity in individuals, but diversity, for it is through diversity that the human personality unfolds itself and becomes the condition of individual happiness and progress to the community.[25] The real test of education is not the amount of knowledge acquired, but whether the students get mentally and emotionally developed.[26] In fact, education is what a person is left with when he has forgotten all he knew.[27]

The criticism that teachers might show undue favoritism if central examinations are abolished cannot stand the test of experience. In those classes where there are no central examinations, the results have been satisfactory. Moreover, experience in the United States and other countries indicates that where trust and responsibility are reposed in the teacher, he does not fail.

Freed from the tyranny of the central examination, the teacher can adjust the program of studies according to his particular forte,

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[25] National Association of School Masters, Post-War Reconstruction in Education, p. 7

[26] Livingstone, op. cit., p. 5

[27] Lord Josiah Stamp, "Essential Characteristics of Democracy", Education for Democracy, (New York: Columbia University), p. 54

and the aptitudes and needs of his pupils. This is more important than having every teacher teach the same things, in the same way and at the same time, without any freedom to make personal adjustments.

(4) The emphasis on the education of girls and women needs to be augmented considerably. Whatever the position of women in the social framework of Indian society is in theory, actually women determine the mode of living to a very significant degree. Keeping up the home and rearing the next generation place them in a position where they can do much good or much harm. Lord Linlithgow had a thorough realization of the problem when he said:

> "My firm conviction, after two year's work in India (and my view was shared by all my colleagues, British and Indian), is that no more potent instrument lies to hand for promoting rural development than a bold, determined, and persistent drive towards the goal of a sound primary education for the girlhood of the countryside".[28]

Many changes and reforms in India, as Darling found in his own experience in the Panjab, have either not taken root or have failed to achieve any worthwhile results because men have found it difficult to convert or persuade the womenfolk.[29]

In fact, educating women and girls is likely to bring returns and in a shorter period of time than educating men and boys. Because, whereas boys will themselves profit from their education, the education of girls also profits all the children she will have. So if for any reason, such as shortage of funds or teachers, a provision cannot be made for the proper education of all the children of the nation, it

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[28] Lord Linlithgow, op. cit., p. 21

[29] M. L. Darling, Wisdom and Waste in the Panjab Village, Rusticus Loquitur, (London: Oxford University Press), 1930

would be worthwhile to concentrate a greater effort on the education of the girls.

The education of girls can, also, be greatly expedited and facilitated through the introduction of co-education, which is coming sooner or later anyway, as the experience in other countries and India itself proves so well. It is also desirable from psychological and educational points of view. Our approach to sex is highly unscientific and detrimental to the health of the individuals. Human personality is an organic whole and by suppressing or repressing any function of the organism, whether it be emotional or sexual, we cannot hope to achieve a well-balanced growth of human personality. Segregation of the two sexes is based on primitive psychology and irrational prejudices. Unless boys and girls can come together to build normal and healthy relations and are able to sublimate the needs of their libido through work and play, they would only succeed in building abnormal attitudes.

However, prejudices die hard and slowly, and, therefore, in the early stages it might be necessary to have separate schooling of boys and girls. So far, this has been a considerable obstacle, since in many cases neither the local government nor the community could afford to have a double school system. But it seems that this difficulty could be overcome by some sort of double shift system. School work in India could begin at 8:00 a.m. in the winter and 6:00 a.m. in the summer and continue until 8:00 or 9:00 in the evening for a few years, as has been done in many American schools to meet the post-war demands for education. If, in the United States, temporary cheap huts can house the increased students, there is no reason why in India we

should insist on elaborate and costly edifices. The conditions for schools and colleges in the matter of buildings, equipment, and even the qualification of teachers must be relaxed considerably to meet the emergency of mass education.

(e) In addition to the system of general education, there is need for specialized education through agricultural extension services. Of course, many problems might disappear or become easier to handle with the spread of general education, yet judging from the experience of other countries, it is certain that we will have to provide for specialized education of the peasantry. An extensive program of education in better farming methods will ever remain a necessity of progressive agriculture. In other words, an extension service, after the model of the United States, is required to acquaint the peasants with the latest research and development in farming, marketing, conservation and allied practices. The spreading of such information will affect the prosperity of the peasants, as also, the national dividend through greater efficiency of production.

Extension services, however, must include not only agricultural work in the form of distribution of improved seeds, improved animals, fertilizers, insecticides and other materials needed to improve farm practices, but also, other aspects of life such as health, nutrition, housing, recreation, education, child care, home management, et cetera. This is because life of the farmers is characterized by a high degree of integration in which family, religion, recreation, tradition and community structure and organization are closely tied up with agricultural activity.[30]

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[30] U.S.D.A., Report of the United States-Syria Agricultural Mission, (Washington: Office of Foreign Agricultural Relations, 1947), pp. 30-31

Homemaking should receive as much attention as farming, since the level of living cannot be raised satisfactorily without adequate training and education in homemaking.[31] The home is the basic institution in any society. The children establish their attitudes, habits and ideals in the home. It is the home that perpetuates the culture of any people.[32]

In addition, something of the type of 4-H clubs also are needed to form an important part of the extension program in India, as it has been done in America. The purposes of 4-H clubs have been well stated by Professor Sanderson.[33]

> 1. To help rural boys and girls to develop desirable ideals and standards for farming and homemaking, community life, and citizenship and a sense of responsibility for their attainments.
>
> 2. To afford rural boys and girls technical instruction in farming and homemaking, that they may acquire skill and understanding in these fields and a clearer vision of agriculture as a basic industry, and of homemaking as a worthy occupation.
>
> 3. To provide rural boys and girls an opportunity to "learn by doing" through conducting certain farm or home enterprises and demonstrating to others what they have learned.
>
> 4. To instill in the minds of rural boys and girls an intelligent understanding and an appreciation of nature and of the environment in which they life.
>
> 5. To teach rural boys and girls the value of research, and to develop in them a scientific attitude toward the problem of the farm and home.
>
> 6. To train rural boys and girls in cooperative action to the end that they may increase their accomplishments and, through associated efforts, better assist in solving rural problems.

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[31] Ibid., p. 37

[32] U.S.D.A., Report of the Philippine - United States Agricultural Mission, (Washington: Office of Foreign Agricultural Relations, 1947), p. 37

[33] D. Sanderson, Rural Sociology and Rural Social Organization, (New York: John Wiley & Sons, 1942), p. 405

A district extension office would be located in each district subdivision within each province. The business of this office will be to provide adequate supervision for the extension work in each zail (i.e., county) within the district. There should be at least one agricultural, one home economics, and one youth work supervisor in each district office. In addition to the usual supervisory services, this office should act as a liaison between the zail offices and subject-matter specialists in the provincial office.

The zail extension office would be under the zail extension agent who would be assisted by agricultural, home economics and youth program assistants. An advisory Zail-Extension Council should be created to aid the zail extension service.

In each zail a rural-youth institute should be established with the zail extension agent as the principal. This institute would be designed to give farm boys and girls practical knowledge of scientific agriculture and home economics and help them to become successful farmers and homemakers. Short courses also could be held for adults.

So far, progress in rural uplift has been negligible because the program is not comprehensive, personnel is inadequate, and because it comes to the peasants from "above". To be successful, the program should evolve from the felt needs of the people. The program should be one which they understand and help formulate. Then the peasants will be really interested in its success. It will be necessary to remember that,

> Extension work is not a "pouring on" process. It is not merely the "chore boy" job of discovering a valuable bit of scientific information and carrying it to the farmer's doorstep. It is rather the educational process of living and working in the midst of farmers, of gaining their respect and confidence, of helping farmers to study their situations and to recognize their problem, of letting them know what help and information is available to them, and of helping them to obtain the additional infor-

> mation and service they need. Extension work is the two-way process of getting information and suggestions from the farmers and of making the best service and information available to them. To be effective, it must be a permanently established program based on personal contacts and mutual respect. It cannot be piecemeal or haphazard. Extension work must be based on a carefully prepared comprehensive plan. This plan grows out of the experiences of local people in determining their problems and of the extension service in providing solution.[34]

The suggested proposals for educational reform in India would necessitate huge expenditures. In the past that consideration has time and again acted as a damper, and despite the clearly felt need for improving education, little has been accomplished. But it seems that this has been bad "economy". Millions of rupees have to be spent each year to provide relief and other services for many exigencies which could be avoided, or at least considerably mitigated by having better education. Furthermore, "experience of war suggests that when a paramount necessity can be established, the money required to meet it can and will be found".[35] War on illiteracy is of as vital importance as war against a foreign enemy. India can finance a crusade on illiteracy and ignorance.

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[34] Report China - United States Mission, op. cit., p. 75

[35] Report by the Central Advisory Board of Education, Post-War Educational Development in India, (Delhi, 1944)

CHAPTER VIII

POPULATION POLICY

While education is the primary condition for making progress in any direction, population is the most important determinant of how far that progress would be conserved, and its fruits enjoyed in the form of a better level of living for the masses generally. For there would be little point in taking steps to increase outputs of agriculture or industry, or to divide them more evenly if the inevitable effect were a disproportionate growth of population and a consequent reduction in the share of each.[1]

We have seen that although the average density for the whole country is 247 per square mile, yet in terms of the cultivable land and effective utilization of resources, there can be little doubt that India, with nearly 400 million people, is an over-populated country.[2] Some authorities, however, are of the opinion that with full utilization of all her waste lands and with increased efficiency of present tillage, India could support a larger number.[3] Gandhi went so far as to

[1] S. H. Slichter, Modern Economic Society, (New York: Henry Holt, 1931), p. 851

[2] S. Mukerjee, Population Problems in South-East Asia, (Allahabad: Kitabistan, 1944), p. 4

[3] Mukerjee, Population Problems in South-East Asia, (Allahabad: Kitabistan, 1944), p. 4

[4] Chandrasekhar, op. cit., p. 79

[5] Young India, April 2, 1925, quoted by Gyan Chand, India's Teeming Millions, (London: George Allen and Unwin, 1939)

is no comfort when already at least 30 per cent of the people go hungry or undernourished, while the remaining maintain themselves at a very low level of living. The increasing pressure of population, judging from the trend in the past two decades, is bound to aggravate the situation.

Even if increased production keeps pace with the growth of population, it won't be a satisfactory state of affairs since the level of living would continue to be low.

Those economists who pin their faith on industrialization and wasteland that might be brought under cultivation, may be disappointed. It is extremely doubtful whether industrialization can proceed at a pace which will absorb any significant proportion of the almost 60 million increase India will have between 1941 and 1941, if she continues to grow at the rate of the past decade.[5] Even a very rapid rate of industrialization, as experience in Japan shows so clearly, can accomplish no more than merely to offset the increase in population, without improving the level of living.[6]

In regard to bringing waste land under cultivation, 200 to 250 million acres classed as cultivable waste has never been brought under cultivation, and therefore, its agricultural value is problematical.[7] Moreover, the mere existence of a productive resource capable of being used is not sufficient evidence that it is, or ever could be, worthwhile to make use of that resource. It might not be desirable or eco-

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[5] Thompson, Population and Peace in Pacific, pp. 225-226

[6] Raymond T. Moyer, "China's Agricultural Improvement Program", Foreign Agriculture, Vol. 11, No. 10, p. 133

[7] Sir Bryce Burt, quoted by Mukerjee, Economic Problems of Modern India, p. 126

nomically feasible to cultivate every scrap of land on which any produce can be grown or even put all land to any sort of productive use.[8]

With most of the people of India living at a subsistence level, it is essential to raise the level of living to a point which gives them a reasonable chance for a healthy, cultured and full life. All that we as a nation have, or can have, should be devoted to raising the level of people and not in trying to support a larger population.[9]

Of course, in the matter of crop yields, there is considerable room for improvement. With better seeds and more efficient cultivation, yields from crops might be increased from 30 to 50 per cent, according to the locality.[10] As to bringing new land under cultivation, even if we accept the most optimistic estimates regarding a possible increase in tilled area by about 60 per cent, it is hardly likely that this new land would yield more than one-half to two-thirds as much per acre as the land now in tillage.[11] This might increase the total supply of food only from one-fifth to one-fourth.[12]

This progress, however, can be achieved only very slowly. If the population continues to increase at the rate of 15 per cent in ten years, as in the last decade, India will have a population of 680 millions in 1981. This would leave only one-fourth of the increased

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[8] G. D. H. Cole, Economic Planning, (New York: A. A. Knopf, 1935), p. 21

[9] Gyan Chand, Teeming Millions, op. cit., p. 315

[10] Mukerjee, Economic Problems of Modern India, p. 126

[11] Thompson, Population and Peace in Pacific, p. 234

[12] Ibid.

production for better living. Furthermore, if India's economic situation improves at a faster rate than in the past, there is a good reason to believe that her population will also grow at a faster rate.[13]

Thus, improvement of Indian agriculture, even at the most rapid rate feasible, cannot do much to improve the level of living unless at the same time the Indian people take measures to reduce the birth rate.[14] So if poverty is to be abolished and the level of living is to be raised, India must exercise some control over the growth of its population.

Furthermore, over-population is a standing danger to the liberty of the people and democratic way of living. "Increasing density of population means diminution of freedom, more intricate and expensive organization, loss of community self-reliance and multiplication of centralized and pre-emptory social controls."[15] While on the contrary, the control of population tends to make less of other controls necessary by reducing the problems that confront humankind.[16] So control of population is also desirable for other than purely economic reasons.

As to emigration as a method of providing relief from over-population, the authorities agree that pressure of population cannot be relieved by this method. Even if barriers to population movements were removed and sparsely populated countries were willing to accept emigrants, which is not likely,[17] emigration could not be on a sufficient scale to neutralize the increase in population.

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[13] Ibid., p. 234

[14] Ibid., p. 235

[15] A. B. Wolfe, "The Optimum Size of Population", Population Problems, (Ed.) L. E. Dublin, (Houghton Mifflin Co., 1926), p. 73

[16] Guy Irving Burch and Wilmer Pendell, Population Roads to Peace or War, (Washington, 1945), p. 122

[17] H. Wright, Population and Peace, (New York: Harcourt, Brace & Co., 1923), p. 286

So "if the difficulties, dangers and miseries attendant on over-population are to be abolished within a reasonable period, it would be far better to help the process, so to speak, at both ends--by reducing the birth rate at the same time steps are taken to accelerate economic and cultural development."[18]

Control of births is not repugnant to the ideas of the people of India. Contrary to a general belief, attempts at controlling births have been operative in the history of India from time immemorial and have often been successful in keeping down the growth of population. No doubt it is true that according to tradition and religion every Hindu must marry and beget children, especially sons to perform one's funeral rites lest one's spirit should wander uneasily in the vacant places of the earth.[19] Although girls must marry before puberty to avoid social obloquy,[20] various practices tending to check growth of numbers have prevailed in India for centuries.

(a) The practice of Brahmacharya which entailed celebacy on young people until the age of 25. Of course, it never became a general practice, but quite a few people were affected by it.

(b) Voluntary abortion has never been unknown in India.[21] Though, of course, it was always under social opprobrium, it has been a common means of avoiding too many pregnancies.

(c) Infanticide, particularly of female children, has been quite common.

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[18] J. C. Flugel, Population, Psychology and Peace, (London: Watts & Co., 1947), p. 111

[19] P. K. Wattal, Population Problem in India, (Bombay: Bennet, Coleman & Co., 1934), p. 23

[20] H. Risley, People of India, (Calcutta: Thacker, Spink & Co., 1915), p. 15

[21] Mukerjee, Food Planning for Four Hundred Million, pp. 217-218

(d) Prolonged lactation has been almost universal and must be recognized as an appreciable factor indicating a desire to inhibit the growth of population.[22]

(e) Taboos regarding sexual intercourse at certain times, e.g., child birth, at new and full moon, during monthly period and so on have been generally prevalent.

(f) Denunciation of Kam (or lust) and emphasis on self-restraint as part of the philosophy of life has had a considerable influence on certain groups of people.

(g) Though early marriage has been in vogue, in a quite large percentage of the marriages actual consummation has to be delayed considerably.[23]

(h) The custom of hypergamy, particularly in Eastern Bengal, which enjoins the marriage of a girl to a man of higher class (not caste) and the practice of huge dowry have made it difficult for some girls to find mates at all, or at an early date.[24]

(i) Taboo on widow marriage has the practical effect of reducing the birth rate at least by six births per thousand.[25]

(j) Even contraception was not unknown. The ancient Hindus had expounded sex knowledge in detail in "Koka Shastra", which not only contains the view on sex psychology, sex union, and sex hygiene, but also methods to procreate male or female issues at will, as well as some physiological and mechanical devices of contraception.

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[22] Jather and Beri, op. cit., p. 67

[23] Ibbetson, Panjab Census Report, 1881, (Lahore)

[24] Jather and Beri, op. cit., p. 68; M. L. Darling, The Panjab Peasant in Prosperity and Debt, p. 56

[25] Jather and Beri, op. cit., p. 68

The prevalence of these practices indicates that there is no reason to suppose that attempts to control population would meet with stronger resistance or opposition than they have met in European countries.

Many writers have magnified the importance of religion or philosophy of living as a serious obstacle towards conscious control of population. But this, as Penrose has shown in the case of the Japanese, seems to be based on wrong observation. He rightly observes that begetting of posterity as a religious obligation and duty to ancestors "is probably, in most cases not a direct product of a sense of 'fundamental obligation' but rather is a by-product of mental relations among those who lack knowledge of birth control methods."[26] In fact, Mrs. Sanger, when she visited India, found practically no religious opposition to birth control.[27]

In the past the birth rate has been fairly well balanced by the death rate, and positive checks such as disease and famine prevented the growth of population. But now, with better health and medical facilities, unless something is done to check the growth of numbers, the falling death rate threatens to result in a substantial increase of the total population. Obviously, something needs to be done. While this is not disputed, there is a considerable difference of opinion regarding what must be done and how it should be done.

This, however, is not the peculiar difficulty of this problem. It is a part of the universal controversy regarding the desirable means

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[26] E. F. Penrose, Population Theories and Their Application, (Food Research Institute, Stanford University, 1934), p. 115

[27] Flugel, op. cit., p. 114

to achieve human ends, on which the philosophers have never agreed and probably never will agree. Yet some action is called for. A policy or program of action may not be logically or ethically 100 per cent sound, yet the alternative might be more disastrous. Whether we like or not, we have to face the evolutionary turn of events and certain practices have to be accepted.

With these two considerations in mind, let us see what can and may be done to restrict the growth of numbers, as well as to raise the level of living of the people.

(a) Self-restraint cannot be a solution of the population problem. Old taboos have never been universally operative, and with an increased knowledge and critical approach to customary and traditional practices, these are bound to weaken. Whatever the force and sanction behind these might have been in the past, they cannot stand the test of scientific inquiry. They will go and must go. And it is useless to mourn their loss.

Brahmacharya, or self-restraint, will continue to appeal to the philosopher and the ascetic. But it has never been generally effective and never will be, opposed as it is to one of the most vital urges of life. Physically it is found to be dangerous, while morally it is of dubious value. Brahmacharya rests on the assumption that reproduction is the only aim of sex activity, while in fact

> reproduction is only a secondary matter, the real aim so far as individual is concerned is the attainment of physical pleasure which he conceives as a vital need...the average person must lead a normal sexual life, otherwise he becomes neurotic or pathological in his outlets.[28]

[28] A. A. Brill, "Sex and Reproduction", Proceedings Sixth International Neo-malthusian and Birth Control Conference, Vol. 3, (New York, 1925), p. 64

Long abstention when attainable nullifies a primary object of marriage and produces such nervous tension and irritability as to destroy marital happiness. In actual practice it is found to aggravate prostitution and sexual irregularities.[29] "As a cure for overproduction, it is like suggesting the cutting out of the stomach as a cure for hunger; both have equal chances of being adopted."[30]

(b) By and large, abortion was and is one of the important checks on population growth.[31] Thompson believes that in pre-Nazi Germany the number of abortions exceeded the number of births.[32] While in America, Kosmak has estimated the ratio of abortions at one to every 2.5 births in urban areas and one to every five births in rural districts.[33]

Abortion and infanticide, however, are morally repugnant to modern man. It may be necessary to resort to abortion in certain cases, but it is dangerous and expensive to be advocated generally. Nevertheless, abortion needs to be made legal to prevent the evils and misery that attends cases when it is secretly attempted. The fact that it is a common practice and is practiced even against the law is sufficient justification for taking a more realistic attitude.

(c) Sterilization is a very controversial issue. The philosophers and moralists will continue to argue until eternity about its moral justification. Yet we do not always wait till the philosophers

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[29] F. H. Hankin, "Birth Control", Encyclopedia of Social Sciences, Vol. II, pp. 559-564

[30] Jather and Beri, op. cit., p. 81

[31] Thompson, Population Problems, (1942), p. 8

[32] Ibid.

[33] Landis, Population Problems, (New York: American Book Co., 1943), p. 67

are unanimous. In cases of certain mental and physical ailments and defects, it seems necessary to protect the health of the progeny and the future generations. Since it does not harm the individual or unsex him, it is not a punishment, but a protection.[34]

However, it is a dangerous weapon and as J. B. S. Haldane argues, as a eugenic measure it is open to question because of the difficulty of judging who is a defective, and our ignorance as to what causes abnormality.[35]

It seems, therefore, that although under the present stage of our knowledge, sterilization should not be used as a compulsory eugenic measure, it might be used in clear cases of mental and physical disease which could be inherited. To prevent any abuse, however, a unanimous verdict on the part of a commission of experts should be necessary. As a voluntary measure it needs to be encouraged through proper education and facilities.

(d) The subject of birth control through contraception has been discussed so much during the last generation or two, that it should be unnecessary to recapitulate the pros and cons of the matter. However, the following observations would not be out of place.

(i) Experience has shown, and expert opinion has confirmed, that contraceptives are not as harmful as was generally predicted. The alternative of over-population in India is more harmful and it is not irrational to choose the lesser of the two evils. Of course, it is un-

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[34] Paul Popenoe, "Intelligent Eugenics," Forum, July 1935, p. 26

[35] Quoted by J. A. Ryan, "Fertile Immorality," Forum, July 1936, p. 11

natural, but so is the wearing of clothes or cooking of food or taking medicines. Civilization itself is nothing but a story of man's control over nature, mainly by mechanical means.[36]

As to any ill effects, they are probably slight, limited to individual cases or to particular devices and tend to be offset by the general progress of medical science. The fact is that with wider use of contraceptives the health and longevity of women have increased and infant mortality has decreased.[37]

(ii) It is effective in checking the growth of population. Studies made by Pearl, Myrdal, and Penrose show that there is a direct relation between fertility in different people like Americans, Swedes, Japanese, etc. and "human control".[38]

(iii) Birth control might encourage immorality and frivolous living to some extent, but the "harm done by over-population would far outweigh any minor evils which might attend whatever way was selected of keeping the number of the people within bounds."[39] The results of lack of birth control are certainly more harmful.

On the contrary, there is the possibility that tendency to immorality would be checked by better satisfaction, since it is really marred satisfaction which is largely responsible for immorality.[40]

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[36] British Committee on Ethics of Birth Control cited in "Birth Control", Encyclopedia of Social Sciences, op. cit., p. 560

[37] Ibid.

[38] Landis, op. cit., p. 85

[39] Leonard Darwin, What is Eugenics, p. 35

[40] W. A. Pusey, "Medicine's Responsibility in Birth Control Movement", Proceedings of Birth Control Conference, Vol. 11, p. 27

(iv) Use of contraceptives is not contrary to the ethics of India or inconsistent with Indian wisdom.[41]

(v) What is perhaps more important is that use of contraceptives is coming to India. From one country the movement has spread to another and all the philosophizing of saints, moralists and others cannot check its infiltration. Therefore, it would be a part of wisdom to accept birth control and thus save the country much misery.

All these methods of restricting population growth, except compulsory sterilization, would be voluntary measures. Their success will depend on how soon and how effectively we can influence and educate the masses. But this alone would not be sufficient. A more positive public policy would be necessary. Increasing numbers create social problems of very serious nature, and so reproduction is not purely an individual affair to be left to the whims of married couples.[42]

Policy for India

Landis is not optimistic about governmental policies in the matter of population and argues that "in a field where personal behavior is in considerable part a function of more subtle cultural values, it is difficult to accomplish rational objectives through national policies."[43] Yet it seems to be true that social and cultural behavior of an individual is the result of early conditioning, and through proper control and environmental influences it is possible to make the individual accept the objectives of national policies. In fact, Landis himself at another place admits that "the fertility of a race or nation depends on

[41] P. D. Shastri, "The Outlook in India", Proceedings of Birth Control Conference, op. cit., p. 121

[42] Thompson, Plenty of People, op. cit., p. 204

[43] Landis, op. cit., p. 161

a great number of social variables which can be considerably regulated."[44] Consequently, governmental policy has a definite place in controlling the growth of numbers.

In order to check or reduce the growth of population the government might adopt various measures.

(a) Raising the age of marriage. Gelton estimated that marriage of women at the age of 18 will result in twice as many children as one at the age of 28.[45] Similar conclusions have been reached by other investigators. Theoretically, therefore, it appears to be a very effective policy. But actually it may not work, or may be attended by greater evils.

In India the Sarda Act of 1929 has attempted to raise the age at which boys and girls can be married. But it has been all along a dead letter. Of course, it was not aimed at restricting numbers, but it shows how difficult it is to enforce social legislation for which people are not prepared.

However, even if such legislation can be effective, there are other considerations which have to be carefully studied. Late marriages, if not accompanied by moral restraint (which itself might be dangerous to physical and mental health), may lead to young people seeking satisfaction in extra-marital relations. If continued for any length of time, this would be detrimental to the stability of marriage at a later time. Moreover, late marriage, when the habits and attitudes of persons have been definitely set, might hinder smooth adjustment to each other's personality, which is comparatively easy during the adolescent period when

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[44] Ibid., p. 55

[45] Davis, Barnes and Others, An Introduction to Sociology, p. 351

both body and mind are more plastic as well as readily adaptable.

In India there would be an additional danger. Unless young boys and girls have opportunities to come together and get "sublimated satisfaction for their libido" through common games, dancing and other pursuits, late marriage might lead to greater prostitution, irregular relations and development of homosexual proclivities.[46] Whether the present segregation of the two sexes would disappear with the spread of education, it is difficult to say. Anyway, it will take years. So under present conditions, raising the age of marriage is likely to raise more problems than it will solve.

In fact, late marriage which involves both continance and celebacy during the period of human beings' life when the sex urge is usually the strongest, has proved impractical as a means of population limitation.[47]

(b) Prohibition of Polygyny. Though there are no statistics as to the extent of polygyny and probably it is not so common as frequently supposed, there can be no doubt that polygyny is a factor in over-population.[48]

(c) Compulsory Education. This would make having many children a liability rather than an asset. They would not be able to work in the fields or factories to supplement the income of the family. On the contrary, they will have to be fed properly, decently dressed, supplied with books, etc. Education might act as a deterrent, particularly when the people, through education and propaganda, are supplied with

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[46] "Birth Control", Encyclopedia of Social Sciences, p. 560

[47] Burch and Pendell, op. cit., p. 7

[48] Mukerjee, Food Planning for Four Hundred Millions, p. 225

knowledge of how to control births.

(d) Birth Control Knowledge and Facilities. The boys and girls at the marriage age, both inside and outside the school, through teachers and extension workers, might be subjected to an extensive and effective system of propaganda for birth control. In order to be fruitful in a short period of time, this propaganda will have to be in the form of a crusade. Such a crusade would be more advantageous than one against the mosquito, litigation, extravagance on marriages and other ceremonies, etc. If a crusade were started against having too many children, many of the minor problems would be easily and perhaps automatically solved with reduced numbers. When one generation has been properly indoctrinated, there would be less trouble with the next. It will also be necessary to provide free advice on birth control in the hospitals, clinics and dispensaries. But all this will be of no avail, if the cost of contraceptives remains very high. So something will need to be done to make contraceptives cheap and easily available. For the very poor, who usually have a larger number of children, it will be desirable to supply contraceptives free.

(e) Urbanization. India has too many people in the rural areas. Whatever the poets and lovers of rural life may have to say for the glory of living in open spaces, it is also true that such a life makes the cost of transportation, education, hospital and medical aid too heavy. Besides, rural life does not provide all the stimuli necessary to develop the mind of a child who has to live in a modern world.

Of course, there are disadvantages in the city life, too. But most of these can be remedied and provided against in the light of the past experience in other countries. The cities can be made as healthy

as the rural areas. In the past, cities have been allowed to grow and expand haphazardly, without consideration of sanitary and hygienic conditions. That need not necessarily happen in the future.

(f) Social Security Measures. The introduction of social security measures in the form of employment, and old age insurance, would reduce the dependence of the parents on the children, and would diminish the desire of the parents to have many children to support them in times of sickness or old age when they would not be able to work.[49]

Optimum Population and Policy

Some thinkers cannot conceive of a population policy without the concept of the optimum. Therefore, it may be necessary to examine this concept to find out if it has anything to contribute to population policy in India.

Optimum means best and as such implies the question: "Best for what?" To which there can be as many answers as the possible goals a society can have. Thus the optimum may be:

(i) What is the most desirable number from the point of view of the military, defense, or

(ii) What is the desirable number from the point of view of imperialistic glory, or

(iii) What is the desirable number to utilize the present resources of the country, or

(iv) What is the best number in view of the potential wealth of the country, or

(v) What is the desirable number to preserve a certain stand-

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[49] J. H. Boeke, Structure of Netherlands' Indian Economy, p. 157 (New York: Institute of Pacific Relations, 1942)

ard of living, etc.

Since our ends are so many and people attach different importance to these, the discussion of optimum has not led to any fruitful conclusion. Thus Manuel Gottliev, in summarizing the views of many thinkers, says:

> Efforts to project research which would ascertain the optimum or even throw light on its approximate magnitude is lightly dismissed as a fruitless undertaking. And recently even the formal validity of the concept has been challenged, and accusations ranging from comparatively modest assertions that it is 'chiefly a matter of speculation' (P. K. Whelpton, Needed Population Research, 1938, p. 157), 'essentialy unscientific' (B. K. Sarkar, 1936, The Sociology of Population, p. 34), 'an old static analysis' (A. Myrdal, Nation and Family, 1941, p. 86) and of only abstract value Fur Ideellen Wert (Paul Mombert Berolkerungslehre "Grundrisse Zum Studium de Nationalokonomie" Band XV (Jena, 1929, p. 242) to strident claims that the concept is a "vicious logical circle" or a "will-o-the-wisp" (P. Sorokin, Contemporary Sociological Theories, 1928, p. 402), "one of the most sterile ideas that ever grew out of our science" (F. W. Wright, Population and Peace, 1939, p. 88), being merely an "intuitive" or a "strictly value concept" (G. Myrdal, Population: A Problem for Democracy, 1940, p. 26), a "speculative construction of little importance for judging actual situations" (E. B. Reuter, Population Problems, 1937, p. 278) and "not really entitled to a place in the corpus of theoretical economics" (L. M. Fraser, Population I, 1934, p. 41).[50]

Yet Gottliev is at pains to point out that the concept of optimum was developed explicitly as an analytical tool by "path-breaking theorists who established the essential foundations of modern economics: Marshall, Sidgwick, Cannan and, above all, Knut Wicksell," and in "its sociological preconceptions the concept indicated the increased secularization of economics and belief in the rational control of social processes for purposes of promoting individualistic-humanistic welfare values."[51]

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[50] "The Theory of Optimum Population," Journal of Political Economy, Vol. LIII, Dec. 1945, p. 289

[51] Ibid., p. 290

This does not prove, however, that the optimum is either objective or quantitatively measurable. Essentially, it seems that optimum is a value concept as Wolfe[52] argues so effectively, and is therefore relative and subjective.[53]

Even if we disregard the political, moral and religious value considerations (not that it is actually possible or desirable) and define optimum in purely economic terms, we are in no better position. Let us examine some of these attempts.

(a) It has been asserted that optimum represents the most productive ratio between population and natural resources.[54]

(b) It is believed that optimum number is one which brings about the largest per capita production and consumption.[55]

(c) It has been argued that optimum number is a point at which the population is neither too great nor too small, but is such as to secure maximum returns per head under the given conditions.[56]

(d) It is contended that optimum number is one which assures the maximum economic welfare.[57]

(e) It is suggested that optimum number is one which ensures greatest per capita real income.[58]

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[52] Wolfe, "On the Criterion of Optimum Population," American Journal of Sociology, March 1934, pp. 588-589

[53] Penrose, op. cit., p. 50

[54] D. A. McCabe, Lester and Dell, Population, Labor and Social Reform, (Boston: Little Brown & Co., 1937), p. 93

[55] Wolfe, op. cit.

[56] L. Robbins, "The Optimum Theory of Population", London Essays in Economics, (Ed.) T. E. Gregory and H. Dalton, (London: Routledge, 1927), p. 114

[57] Hugh Dalton, "The Optimum Theory of Population", Economica, March 1928, p. 30

[58] Carr-Saunders, Population Problems, p. 200

If we examine these concepts, we find that each poses issues which are not easy to resolve. The most productive ratio between population and resources depends, among other things, upon the stage of technology which is ever changing and developing. Therefore, there cannot be a fixed point which we can call optimum. Moreover, owing to certain rigidities and lags the most productive relation actually may not be realized.

As regards the second definition, Mukerjee cogently points out that even the largest per capita production and consumption of goods may mean disparity of wealth. The social consequences may be unequal opportunity, low vitality, bad morale, absence or misuse of leisure and social unrest. Even from a purely economic point of view, the definition is unsatisfactory as there may be a great waste of manpower and resources.[59] Furthermore, there remains the economic problem of how far the maximum production and consumption will jeopardize the interests of future generations.

The concept of maximum returns per head also depends upon the stage of technology and this cannot be predicted. Moreover, how far the maximum returns will deplete the natural resources will be another difficulty to overcome.

Economic welfare itself is a value concept. Not only are there differences of opinion as to what constitutes economic welfare, but also as to the degree of economic welfare which would be most desirable to achieve.

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[59] Mukerjee, "On the Criteria of Optimum Population", American Journal of Sociology, Nov. 1934, p. 346

The fifth definition given above also has several defects. Maximum per capita real income is an average and consequently does not indicate the distribution of the goods produced. Extreme inequality of wealth and income, even with maximum per capita income, can still mean near-starvation of the mass of the people. Furthermore, the rate of increase of per capita income actually can be considerable while its absolute level is still very low.[60] Again, a part of a country's total production (real income produced) may consist of war materials and other goods that do not benefit consumers.

Thus even economic optimum is not so simple a matter and therefore some population theorists, otherwise favorable to it, tend to reject it as a basis for practical population theory.

Mukerjee, however, seems to give the impression that while it may be difficult to calculate the optimum, yet it is comparatively easy to observe when it is absent. Using an analogy from the study of animal life, he argues that among flies and bacteria the average duration of life tends to diminish progressively as a certain optimum density is overstepped. The same may be expected in human groups. So we may judge whether a country is over-populated or not from the general life expectancy rate.

But longevity seems to depend greatly upon medical science and the extent of knowledge of healthy living as well as the resources of a country. We can conceive of a country very rich in resources with low density of population, but where the average life-span is low and the death rate is high. Longevity seems to depend more on fortunate climatic conditions and a healthy way of living rather than upon the

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[60] Penrose, op. cit., p. 52

density of population. It will have to be conceded, however, that when a population oversteps a certain limit, even under the best climatic conditions and knowledge of healthy living, longevity may decrease.

Thus it is clear that the concept of optimum population offers little as a guide to policy. We can be guided by some signs. Life expectancy seems to be one of them, as it can indicate if the population is overstepping the current resources and something must be done to check it. It may also suggest whether the size of the population is falling short of the best development of the resources and therefore, it should be boosted. As to exact calculation of the optimum, or even a close approximation to it, we shall have to wait till the science of statistics becomes more perfect. In the present state of our knowledge, human motives, operations and capabilities, defy mathematical prediction.

So the concept of optimum may have some use in formulating long-range population policy. But in India the problem is not one of finding out the "right" number that can be supported with full utilization of resources. For India, which is daily faced with the problem of hunger and famine, the problem is how to stop the growth of population. Its present rate of increase means inadequate food, poor health, low efficiency for a vast majority and starvation and death for many.[61] To those seeking to improve the level of living of the people of India, some abstract figure related to maximum utilization of the resources of

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[61] Helen R. Hinman and W. I. Batten Jr. have estimated that since the beginning of the century about 30 million people have died of starvation in India. Population Pressure, War and Poverty, (Newark: Arthur W. Cross, 1945), p. 36

the country would not serve any useful purpose. What is more important is to remember that "one circumstance (which) would appear to stand between Indian cultivater and his attainment of a standard of life and comfort higher than that which at present he knows...is the tendency to offset and cancel any increase in wealth by an immediate increase of population."[62]

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[62] Linlithgow, op. cit., p. 17

CHAPTER IX

INDUSTRIAL POLICY

The need for industrial development, side by side with reforms in the agricultural system, to raise the level of living of the peasantry, cannot be over-emphasized in a country like India.[1]

First of all, no significant change can be effected in the level of living of the peasantry, unless some pressure on land is relieved by taking a considerable number of people away from agriculture.[2] Industrialization alone seems to offer that avenue.

Secondly, the level of living of the peasantry cannot be raised without augmenting their income.[3] In view of the very uncertain demand in the international market, this could be possible only if there is a good steady market for the products of agriculture within the country. Extensive industrialization would require raw materials and create a remunerative market for agricultural products. Also by providing good wages to the laborers industry creates an additional demand for food and food products, thus helping the peasant.

Thirdly, the joint development of agriculture and industry, by increasing the national income, and enhancing the taxable capacity

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[1] Sir P. Thakurdas and others, A Brief Memorandum Outlining a Plan of Economic Development for India, (New York: Penguin Books, 1944)

[2] Brij Narain, Indian Economic Problems, op. cit., Vol. II, p. 139

[3] J. H. Boeke, Structure of Netherland's Indian Economy, (New York: Institute of Pacific Relations, 1942), p. 165

of the people, enables the state to finance many schemes for economic and social uplift of the people, which otherwise might be held up for want of funds. Thus better schools, better hospitals, better means of communication and transportation may be made available.[4]

Fourthly, through direct and indirect influences of industrial development, the peasantry is exposed to ideas of change, initiative and progress. This helps to lift the peasantry from its traditional inertia, conservatism and static life.[5]

Fifthly, industrialization is an imperative necessity from the point of view of national self-sufficiency and defense. In view of the trend of nationalism everywhere, India cannot afford to do otherwise, even if it were undesirable from the standpoint of economic efficiency.

However, the present situation with respect to industrialization, though considerably improved recently as the result of the war stimulus, is anything but satisfactory. The following table shows that in 1941 only 10.3 per cent of the total working population was engaged in industry.

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[4] Jather and Beri, op. cit., p. 495

[5] Ibid., 496

TABLE XVII

INDIA'S WORKING POPULATION BY OCCUPATIONAL DIVISIONS, 1941

Occupation	Number	Per Cent
Agriculture & pastoral pursuits	109,730,788	65.6
Industry	17,523,982	10.5
Domestic service	12,674,110	7.5
Trade	9,336,969	5.5
Insufficiently described occupation	8,499,689	5.0
Transport	2,788,520	1.6
Professions & liberal arts	2,724,166	1.5
Unproductive (inmates of jails, asylums, etc.)	1,748,735	1.0
Public administration	1,153,963	0.6
Fishing & Hunting	1,029,536	0.5
Public service (Army, police, etc.)	941,323	0.5
Exploitation of minerals	404,262	0.2
Persons living principally on their income	280,955	0.1
Total	166,836,998	100.0

Source: Chandrasekhar, op. cit., p. 49

Of the 17.5 millions classified under industry, less than two million were engaged in organized industry, i.e. in factories or industrial establishments employing twenty or more workers. The number of workers employed in large-scale industries of all kinds was 3,531,000, made up as follows: factories, 1,520,000; plantations, 1,080,000; railways, 777,000; and mines, 350,000. (It is estimated that the total has now increased to about four million, or just one per cent of the population). The rest were engaged in small-scale or cottage industries or were individual artisans or craftsmen working on their own, mostly in small areas as part of the agricultural community.[7] Of the small-scale industries, hand weaving is the largest unit. This industry supports nearly ten million persons, including 2,400,000 weavers, and 3,600,000 auxiliary workers. It is, however, essentially an urban industry since it is largely carried on in towns. Indian Year Book (1947), p. 742

Since 65 per cent of the workers are in agriculture, it is clear that we need a considerable shift of population to industries in order to relieve the pressure of population.

While the importance of industrialization is obvious, it is necessary to study carefully the tempo and the extent to which indus-

7. Chandrasekhar, op. cit., p. 51

trialization should go, and how it should go in order not to repeat the mistakes of other countries.

If the economy of a country is not to be upset by periodic depressions with their resulting unemployment and misery, some control will need to be exercised over the development and working of the industrial sector of the economy.[8] It would also be necessary to control and guide the industrial development in order not to repeat the evils of industrial revolution, e.g., concentration of industries in a small area, the development of slums, uncontrollable size of the cities, smoke, noise, etc.

In India, where it is proposed to start industrialization as a sort of crusade to make up for the lost time, certain other considerations, peculiar to the situation, will have to be weighed carefully and the dangers properly guarded against.

There is, however, difficulty as to principle. While there is unanimity of opinion regarding the need for industrialization, there is a considerable difference of opinion as to the form it should take. With the death of Mahatma Gandhi, much of the opposition to large-scale industries might wane, yet there is a considerable body of people who share the belief of Gandhi that large-scale industrialization is the very negation of the type of living which Indian culture and civilization holds so dear.[9] On the other hand, an apparent majority of the people seem convinced that in the world of today the salvation and security of India lies in large-scale industrialization.

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[8] Hansen, op. cit., Chap. II, pp. 14-28

[9] J. C. Kumarappa, "Handicrafts and Cottage Industries", The Annals (May 1944), The American Academy of Political and Social Science, (Philadelphia), pp. 111-112

Since the above controversy relates to a question of values which cannot be subjected to an objective judgment, there can be an honest difference of opinion as to what course of action might lead to the greater good of India.

However, it seems that those who advocate going back to nature, as Mahatma Gandhi advocated, are trying to set the clock backward.[10] It also seems that much of the opposition against industrialization is based on the type existing until recently. For a visit to one of the most up-to-date factories and its environs will show that much of criticism levelled against large-scale enterprise is not valid today.

There might have been some force in the argument against mechanization where the machine required a simple swift movement on the part of the operator, which tended to turn him into a robot. But things have changed. The simple, the dull, the heavy, the endlessly repetitive work is being increasingly taken up by the machine, leaving the more intelligent and rather easy work to be done by the worker.

In a modern air-conditioned factory, such as the textile factory in Clemson (S. Carolina), to give a concrete example, circumstances have completely changed. The workers talk, move and loaf about, without any nervous strain or physical discomfort. They just wait until the machine automatically stops when something is the matter with it. Then they set it right and move about leisurely. In fact, a man in the office, with a heavy file before him, would envy the abandon of the worker in such a factory.

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10 Lord Linlithgow, op. cit., p. 16

Since India can profit from the latest research and developments and need not repeat the mistakes and slow adjustments of other countries, the opposition to large-scale industry does not seem to be rational. Of course, part of this opposition is due to the ignorance of the revolutionary changes which have been effected in the last few years. The writer, without visiting the plants, could not have believed that industrial work could be made as congenial as any other.

Industrialization will come to India anyway whether we like it or not, just as western civilization has infiltrated into it despite the laments of the orthodox. It seems desirable, therefore, to accept industrialization and make the most satisfactory adjustment to it. All the efforts and arguments for a return to the past would only prolong the period of the crisis and delay what must be done if the transformation taking place is to give the best possible results.[11]

Industrialization being inevitable, and also very desirable, the question to be considered is how far it should go and in what manner and at what pace it should proceed.

First of all, it should be realized that there is no fixed optimum proportion between agriculture and industry. It depends on many circumstances and is flexible.[12] The history of other countries should dispel all ideas regarding some definite percentage of population necessary to work on the agricultural resources of a country. The United States began with nearly 100 per cent of the people on agriculture and has come down to 22 per cent, with the trend indicating a further decline in prospect. The philosophers and sociologists painting the beauties of working with nature in idyllic language have lamented this,

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[11] Alberto de Stefani, Report of International Institute of Intellectual Cooperation, (Paris, 1932), p. 30

[12] Work of FAO, (Food and Agricultural Organization of the United Nations), (Washington, 1945), p. 7

and have drawn dismal pictures of living in overcrowded towns and working in stuffy, noisy and nerve-racking atmosphere of the factories.

But as we have seen above, recent technical developments have stolen the thunder from the arguments of the critics of industrialization. The beauties of the farmer's life have been painted by "outsiders", who didn't get up early in the morning to work in the icy cold in winter and scorching sun in the summer and receive only a meagre pittance as reward for their toil. As to appreciation of the beauty of their environment, Joad seems to be right when he says that no one who is broken with toil can be expected to keep his senses open to beauty and submit his character to its noble and gentle influences.[13] With regard to farming as a "way of living" there is the testimony of Professor Ashby who writes "as many farmers and their wives said—farming is a rotten way of life."[14] The writer's own study of rural life, in different parts of India, is in accord with the observation of the Oxford economist.

Then it is argued that rural life is more healthful. But actually vital statistics from rural and urban districts in Great Britain do not indicate greater healthfulness in the countrymen.[15] Though studies of Sorokin and others show some superiority of health in rural areas, in the United States,[16] yet with better town-planning and better working conditions in the factories, that difference, if any, is likely to disappear.

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[13] C. E. M. Joad, Guide to Modern Wickedness, (London), p. 24

[14] A. W. Ashby, "Social Implications of Economic Progress", Proceedings of International Conference of Agricultural Economists (1938), p. 69

[15] C. S. Orwin, The Future of Farming, (Oxford: Clarendon Press, 1930), p. 5

[16] Pitirim Sorokin & Carle C. Zimmerman, Principles of Rural-Urban Sociology, (New York: Henry Holt, 1931), p. 155

Up to the present the cities have been allowed to grow without proper regard for hygienic and sanitary conditions. The living room was insufficient, the hours of work long, the conditions of work insanitary, and wages low. But there is no reason why a city could not be so planned and the houses, streets and other features so adjusted as to make the urban home and the city as good as, if not better than the farm, either as living quarters for men or as places for rearing healthy children.[17] Other conditions of living have been improved considerably and can be improved still further.

In India, we cannot foresee the limit to which industrialization might not go. The beauties of the farmer's life seem to be unreal. People should be encouraged to leave agriculture to better their own prospects of living. This would also help those who would be left behind.

Some people accept the need of industrialization, but wish to take the industries down to the villages rather than have them concentrated in big towns and cities.[18] Their arguments run on two lines, (a) over-crowding and other evils of great concentration in the huge industrial cities and (b) preserving and helping the village economy.

The first reason seems to have considerable force. Colin Clark has estimated that beyond a certain size the services in the town begin to show diminishing returns and become less efficient. Other economists also seem agreed that beyond a certain size, a plant becomes less manageable and diseconomies overweigh the economies of large scale.[19] In India very few towns have grown to that size Clark indicates as optimum. When towns of a size below the optimum grow, the economies outweigh the diseconomies and stopping short of it would mean uneconomic organization.

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[17] Richard T. Ely & George S. Wehrwein, Land Economics, (New York: Macmillan, 1940), p. 17

[18] T. Singh, op. cit., p. 144

[19] Stigler, op. cit., pp. 134-138

Moreover, as we have seen previously, some of the disadvantages associated with big towns can be prevented by better planning and more up-to-date hygienic and sanitary provisions.

The advantages supposed to accrue from rural industrialization are dubious.

Firstly, the assumption that village life is inherently beautiful and healthful is open to question.

Secondly, it is expected that rural industries will utilize the leisure hours of the peasants which at present are wasted because of lack of a subsidiary or supplementary occupation. This would be true in certain parts of the country, but not in others, especially where a diversified type of farming is practised. Often the work hours are so long and tiring that, according to the judgment of the competent observers, what the peasant needs is more leisure rather than more work.[20] Of course, farming by its very nature is a seasonal occupation and there are necessarily busy and slack periods of work. But during the periods of heavy work the peasant has to work such long hours and do such strenuous labor, that it seems unsympathetic to grudge him a little respite in periods of slack work. It would seem that if the peasant's income is to be augmented, some other means should be discovered.[21]

Moreover, as the Royal Commission on Agriculture rightly opined:

> "There appears to be an impression amongst certain sections of the community that a cultivator can find temporary employment as and when he likes, in any of the industries which go on around him. This view ignores the obvious fact that the cultivator, within limits, is an expert in his own subject, just as a blacksmith, carpenter, or any other mechanic in his. It is

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[20] Darling, Wisdom and Waste in the Punjab Village, p. 256

[21] Ibid.

> only in exceptional cases that the agriculturist can be anything more than unskilled labourers in any industry other than his own. Speaking broadly there can be no satisfactory blending of two avocations.[22]

In view of the above facts the question that might be posed is: Whether it would not be more desirable and economical to shift a part of the rural population to the industrial areas, so that the rest can carry on full time farming, while those who move to the towns become full time industrial workers? The advantages of division of labour and specialization would certainly favor an affirmative answer. But a few objections need to be considered.

(a) It might be said that farming can never become a whole time occupation and to meet the needs of excessive demand of labor during the rush seasons, a reserve army of laborers must be maintained. Of course, that is true under present conditions. But mechanization of agriculture would reduce the necessity of keeping a reserve force of laborers for busy seasons. Moreover, diversified farming can be made more completely a whole-time occupation, especially by the introduction of gardening, truck and poultry farming, etc.

By taking industries to the villages both industry and agriculture are likely to suffer. Industry will suffer because a peasant cannot be a skilled industrial worker, and agriculture will suffer because tempted by greater rewards in industry the peasant may not give proper attention to farming.

(b) It may be argued that specialization is not conducive to complete and balanced development of human personality. This would, of course, apply largely to the industrial workers, for the people on the

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[22] Op. cit., p. 564

farms will have a sufficient variety in the exercise of their abilities with respect to diverse type of farm operations. It is true that the work of the industrial worker would be relatively of a simple and uniform type, but with the advance in technology the hours of work are bound to be reduced considerably. The industrial workers will have ample time and opportunities to divert themselves in the leisure hours according to the needs of their personalities or the urge within.

(c) The objection that by shifting too many people from rural areas to towns we would be drying up the sources of healthy and strong progeny, seems to rest more on sentiment than on realistic study. On the basis of war experience both in England and the United States, the idea that a large and flourishing rural community is essential as a field of recruitment of healthy workers for towns no longer holds good.[23]

If specialization leads to efficiency and is desirable in other spheres of life, it should have a place in rural economy. In fact, on the basis of past experience, it will have to be conceded that economic necessity respects no prejudices and traditions. Sooner or later our rural economy will have to yield before the onslaught of specialization which seems to be the order of the day. If ignoring this economic necessity and trend, we foster industries in the villages we may soon have to dismantle these at a huge loss. For such industries would not be able to stand the competition of large-scale specialized industries. If we try to maintain them through subsidies or import duties, as is likely to be felt necessary, this would entail a huge uneconomic burden on the nation.

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[23] Orwin, op. cit., p. 5

In fact it is very difficult to see how, with our eyes fixed on raising the productivity and level of living of the people, recommendations about making rural economy self-sufficient can be proposed or accepted. For it clearly represents a retreat to a more primitive and inefficient economic system.[24]

Some rural areas are so heavily crowded in the matter of living space that maintaining all these people there would not be justified on any humanitarian or economic grounds. To provide more elbow room and better levels of living, some people need to be shifted to sparsely populated areas.

Furthermore urban life need not and is not inherently pernicious. On the contrary

> "there are many advantages: cheap amusement, varied society, hurry and bustle of life and a sense of nearness to the centre of things; freedom to change jobs, independence from the employer, freedom from the peering eyes of the neighbours."[25]

In fact "it is significant that countries which have gone furthest along the road to economic justice and political equality, those in which individual human rights are most adequately safeguarded and opportunities for individual development are most widespread, are precisely those in which urbanization has gone furthest."[26]

It seems that the best policy would be to develop industries in or near the towns. But once the town grows to an optimum size, further growth might be stopped. In building new factories it will be well to locate them on sites which are not so valuable from an agricultural

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[24] Konard Meyer, "Social Implications of Economic Progress", Proceedings International Conference of Agricultural Economists (1938), p. 59

[25] G. D. H. Cole, "Industrialization", Encyclopedia of Social Sciences, vol. VIII, p. 25

[26] Condliffe, op. cit., p. 33

standpoint. India would do well to conserve her best lands for agriculture. While nearness to labor supply will have to be considered in building industries in the early stages, it must not be forgotten that in the future, owing to development of technology, less and less labor would be needed. Besides, with spread of education and improvement in the means of transportation labor could easily move to industrial centers. Furthermore, if the new factories are built in sparsely populated areas, cheap housing would more than repay the cost of mobility of labor.

A discussion of general industrial policy does not fall within the scope of this study. Consideration of certain aspects of industrialization is necessary, however, as any industrial policy is bound to have direct or indirect repercussions on the rural economy of the country. If a particular policy is followed in one important sector of the economy, it is likely to be extended to the other spheres either as a matter of consistency or as a matter of political compulsion or expediency. Moreover, the fortunes of the rural economy in a developing country would be closely tied up with the success and prosperity of industry. It is important from a national standpoint that no policies are adopted in the industrial field which may lead to instability or depression in industry and thus affect the fortunes of rural economy through no fault of the latter.

Under the present situation, there are no colonies to be settled, no extensive foreign markets to be exploited and no outlets for surplus dumping. Whatever the gains of laissez-faire in the past, the progress and development of industry now will have to be guided carefully in accordance with the needs of the country and the world market. To prevent over-production and consequent depressions, some type of inter-

national agreements would be necessary for commodities entering the foreign trade, while in the case of commodities for internal consumption some control over their production also will be necessary. At the same time the tendency towards limiting production to reap monopoly profits will have to be curbed so that wants of people may not go unsatisfied.

For the achievement of these purposes, the policy of laissez-faire cannot be depended upon. Laissez-faire has failed to achieve the best allocation of resources and ensure the maximum satisfaction of human wants. Thus a different policy will be necessary. The following alternatives have been suggested in this connection:

(a) Nationalization of all industry.

(b) Creation of an Economic Advisory Commission to coordinate and maintain a proper balance in economic activity.

(c) Voluntary agreement on the part of business.

Nationalization of the industry is supposed to achieve the following purposes:

(i) All industries can be integrated in a well-developed plan to ensure the best utilization of the national resources.

(ii) Production would be carried on in relation to wants and therefore on one hand over-production would be prevented, on the other, maximum satisfaction of wants would be assured.

(iii) Since industry would not be run on the profit motive prices can be low and wages high, both of which conditions lead to greater welfare.

(iv) A great deal of the administrative and supervisory machinery of the government, as also the time and money of the legislatures would be spared. For the state enterprise would automatically

follow the provisions regarding conditions of work, hours of work, wages, and compensation, etc. This will reduce the chances of conflict between employers and employees.

However, on the basis of the past experiments in this direction in other countries, it seems reasonable to infer that while economic gains can be secured through nationalization, there is a great danger to the liberties of the people.

Monopoly is potentially, and in actuality, an evil. While in the case of private monopoly, there is a ray of hope that its evil may be checked or prevented by governmental interference, in the case of government monopoly even that slight ray of hope disappears. Even in democratic countries, experience has shown that it often is difficult to dispossess a corrupt government that has entrenched itself through various methods at its disposal. If the government also controls the living of a large number of people, it becomes almost unshakeable except by a bloody revolution, which is a very costly process.

It has been argued that nationalization is necessary because private enterprise tends to be monopolistic and oppressive. This argument, however, overlooks the fact that big business becomes oppressive because of the failure of the government or the people to check their activities. If proper laws are enacted and rigidly enforced, big business can be kept within bounds. In any case, putting one monopoly in place of another does not seem to be any solution of the problem.

Furthermore, governmental enterprise need not be and usually is not efficient. Lack of competition and snug security make people lethargic and irresponsible. The war-time efficiency based on a must-win-at-all-costs attitude cannot be continued when the emergency has

passed. Of course some industries, on account of their importance in national defense or because of their character as key industries, will have to be operated by the state. But nationalization as a general policy does not seem to have much to commend it.

Regarding voluntary agreements on the part of private business as a possible solution, past experience does not offer much ground for optimism. Private interests cannot study the problem from a dipassionate and comprehensive point of view. Unwittingly or otherwise, their own self-interest prevents openness of mind in considering the needs of the people as a whole or the requirements of other sectors of the economy. In the past such an approach has usually ended in monopoly agreements.

Thus the only alternative seems to be the creation of a non-governmental Economic Advisory Commission. Its duty would be to bring about conditions of coordination and integration of the different sectors of the economy. On one hand waste through over-production is avoided and on the other, maximum welfare is assured through avoiding any tendency to restrict production to reap monopoly profits.

This commission, however, will work in an advisory capacity. From time to time it will publicize economic data indicating the past and the prospective future trends so that industrialists and businessmen may be warned as to the economic situation. It will also issue statements regarding each of the major industries so that the old members as well as the prospective entrants may know where they stand. But should the commission anticipate a serious situation, it would have the power to recommend that the state undertake action to ward off catastrophe. For instance, it may recommend that registration of new enterprises in a particular industry be stopped, or that credit

be contracted or expanded to discourage or encourage business activity.

This might give the impression that the proposal would involve too much interference with free enterprise or that industry might be subjected to too much governmental control. This, however, is not the intent of the proposal. The idea would be to coordinate free enterprise through a non-governmental agency which would have limited powers. It is difficult to say how the plan might actually work. But it seems that it would be less subject to abuse than pure governmental control or pure laissez-faire. However, in the light of actual experience considerable modifications may be necessary.

The powers of this commission will have to be limited strictly to recommendation of measures aimed at preventing over-production or under-production of vital commodities and forestalling depression. These purposes would be achieved in two ways.

(a) Each major industry will have a Council of Action made up of representatives of all concerns in that industry with a few advisers of the Commission. These advisers, in the light of their expert knowledge of the economic situation, will help the Council of Action to come to right decisions in the light of future expectations. The main questions to be decided will be how far it would be desirable to increase or decrease production in view of the economic trend.

(b) Should the Commission discover that private measures, for any reason, have failed to achieve their purposes and there is great risk of maladjustment leading to a major crisis, it would have the power to recommend fiscal or monetary measures to prevent the catastrophe. In some cases a restriction or expansion of credit for a particular industry or group of industries might be all that would be needed. In rare cases more drastic monetary measures may be deemed necessary.

However, if the Commission is vigilant enough and its plans fairly effective, there would be very few opportunities for the exercise of more drastic measures.

In view of the importance of the task involved, the personnel of the Commission will have to be selected with extreme care. However, it would be necessary to represent all the major interests from economic activity. It might be desirable to have 50 per cent representation each of the experts and the major interests. Thus if there are 25 members, the composition might be something like the following:

11 Experts	11 Different Interests	3 Independents
5 Economists	3 Industry	1 Universities
2 Statisticians	2 Trade	1 High courts
1 Political Scientist	2 Labor	1 Representative of President of the Republic
1 Sociologist	2 Government	
1 Psychologist	2 Agriculture	
1 Scientist		

All these members should be elected by each of these groups, except the nominees of the government and the President. The economists and the statisticians, of course, will form the nucleus of the Commission and will act as the steering committee. These economists and statisticians will be elected by the vote of a register of competent economists and statisticians which may be prepared by the Indian Economic Association. The Commission would be assisted by a Bureau manned by competent economists selected by the Commission.

It will also be the duty of the Commission to discover the possibilities of new industries, their location and their possible future. If the Commission is of the opinion that private enterprise either will not enter such industries, or will not do it soon enough, it might recommend that the industries be started either as state enterprises or as joint enterprises, according to the possibility of attracting private investors.

In whatever form the industries begin, however, the state must have the clear intention of finally converting them into private enterprises when their success would encourage private investment, unless they belong to the category of key industries and public utilities. This might be achieved through selling the shares to the public when and as the public would be willing to subscribe. In this way some of the new ventures may be started in spite of the shyness of private capital. But gradually they can be sold out to the public and universal state industry may be avoided.

Another important duty of the Commission would be to recommend measures to the State which would keep industrial enterprises within a certain size. This, of course, will vary from industry to industry and from place to place. It seems highly desirable that gigantic corporations, whatever their economic efficiency, should not be allowed to grow. They constitute a great danger to the state through "pressure-mechanism" and to the welfare of the people through the exercise of monopoly power. It would be well to avoid the mistakes of other countries where huge trusts and corporations are "running away with our economic system".[27] So it might be necessary for the State to prohibit horizontal combinations. Vertical combinations should be permitted only in so far as they are clearly compatible with maintenance of real competition.[28]

It might also be anticipated that some industries, for one reason or another, may not be sufficiently cooperative in the matter

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[27] Henry C. Simons, A Positive Program for Laissez-Faire, (Chicago: The University of Chicago Press, 1936), p. 19

[28] Ibid., p. 20

of prices, wages and other considerations. Should the Commission conclude that a particular industry is either keeping wages unusually low, or prices high, or is run on inefficient lines and efforts to reform the situation have failed, it might recommend the starting of what Eziekel calls "yardstick enterprises" to serve as competition and check on such industries. In many cases the threat of such a venture might bring about the desired change. In any case, this would be a measure of last resort.

Similar commissions may be constituted in each province to collect data and information, which they will pass on to the Central Commission, with any recommendations. These provincial commissions will be the agencies mainly of the Central Commission and will not make any direct recommendations either to the provincial or the central government, except in matters not directly coming under the purview of the Central Economic Commission. In that case they might advise their respective governments.

To maintain the independence of these commissions, the members need to have a fairly stable tenure and the budget of the Commission and the Bureau should not be open to vote, except by a special resolution of the central legislature.

There is one tendency which the Central Board might be expected to guard against. Although it is very desirable that production and consumption should be well-balanced so as to avoid waste and loss of human satisfaction, it will have to be remembered that most of the progress in the world is due to the compulsion of necessity. Quite a few processes and products might not have seen the light of day if the industries concerned had not been faced with the problem of disposal of their surpluses or other difficulties. To effect a close balance

between production and consumption might discourage invention, research and progress to some degree. So whereas under-production should not be tolerated, over-production might not be looked at with too much disfavor. Of course what exactly would be the extent to which over-production in a certain sphere might proceed is a very difficult question to answer. But the question regarding the use of over-production must be posed, as extravagance, excess, a certain foolhardiness is necessary in real life. If every man were completely motivated by rational considerations, and every Society were governed by rational schemes, the world would not have reached the state of technology that it has today, and much of the poetry and delight of life would disappear. Of course the misery of life, too, would be less. But the question is whether man should have his periods of rank growth, extravagant blossoming and then the blight of winter or should he be like a colorless evergreen shrub which does not bloom with spring and does not bare with fall? Of course, it is a debatable question, but by and large it seems that nature does not favor drab mediocrity.

CHAPTER X

LAND POLICY

In a country like India, with its backward system of farming and marketing, it is largely the land use that determines what returns will accrue to the efforts of the peasant, who is not very much aided by scientific skill or up-to-date equipment. Thus, competent economists have observed that the first prerequisite of a genuine advance is a reform of the land system.[1]

There are two basic weaknesses of land utilization in India.

(a) Inefficient and improper use of land results from small scattered holdings and traditional methods of agriculture.

(b) The systems of land tenure put a premium on inefficiency.

So any effective land reform must tackle these problems successfully.

Uneconomic Holdings

Apart from the tenure system, the most important factor affecting the character and returns from farming is the size of holdings or of cultivation.[2] In India the small and scattered holdings which result from the operation of the law of inheritance is a serious obstacle in the way of improving the efficiency of farming. There are two chief difficulties.

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[1] Sweezy, op. cit., p. 5
Nanavati and Anjaria, op. cit., p. 93

[2] Nanavati and Anjaria, op. cit., p. 126

(a) The holdings are too small to provide full-time employment for a family, which on the average consists of five to six members. And if, as is often the case, there are no side-openings for extra income, many work-hours are wasted. Of course, if they practised truck or garden type of farming, it might fully utilize their work-hours. But if most of the peasants did this, it would be difficult to find sufficient markets for their produce. Besides, in view of the lack of cold storage facilities, it is impossible to store such products, or to transport them over long distances. Individuals, however, if they got over custom and tradition in farming practices, could improve their position. But that would not solve the general problem.

(b) The small and scattered holdings, with their low incomes, do not permit the peasants to give education to their children, or to help them to move to centers of industrial employment. So the pressure on land continues to increase with every generation. Nor are the peasants in a position to purchase better seeds and fertilizers which might increase their yield and income. Thus, their initial poverty keeps them poor. And the poorer they are, the poorer they remain. This difficulty to some extent can be remedied by the provision of easy loans. But judging from the experience in the use of cooperative credit, it seems doubtful if this would do much good, especially with present size of holdings and farming practices.

It appears, therefore, that unless the peasant is provided with an economic sized holding, all other efforts would not be of much avail.

Consolidation of holdings is a step in this direction. But not much hope can be placed on this, since some holdings would remain

uneconomic even after consolidation, while the consolidated ones may become uneconomic when the children of the present owners inherit them. So, consolidation of holdings, unaccompanied by further reform, cannot be depended upon either to bring about any substantial relief to those who are in most need, or to preserve the gains beyond a few years. To achieve more substantial and lasting results a change in the law of inheritance seems very necessary.

In this connection, there are two possibilities. The law of inheritance may be based on either primogeniture or ultimogeniture. Primogeniture has been more commonly practised, with some justification, perhaps. When the sons remained at home and took up the occupation or profession of the father, the eldest child by virtue of age and experience would be the logical person to succeed the father. But now, when things have changed and the eldest child may not remain at home, or may not step into the privileged position of the father, there does not seem to be much justification left for such a custom. In fact, it has been argued that under present day conditions, the youngest child should inherit the property of the parent, since the elder would have time and opportunity to get started on his career during the life of the parent. However, during the last hundred years or so, the injustice of one child inheriting all the property has been frequently talked about. Even in a conservative country like England, efforts are being made to remove the inequities of the system. Until 1939, a landowner could "cut off a child without a penny". Now the courts are authorized to grant reasonable provision to children who have been omitted in the will.[3]

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[3] H. W. Spiegel, Land Tenure Policies, (Chapel Hill: University of North Carolina Press, 1941), p. 24

In the United States, opposition to such a system culminated in Jefferson's successful fight against primogeniture in Virginia.[4] In India itself, there has always been opposition to primogeniture. Sargodha colony in the Panjab, where the British administrator imposed the system on the people, has a bad record of murders of the eldest son on the part of the younger in order to inherit property. In his tour in this colony the writer witnessed a general feeling of opposition against the law which did not make provision for the other children.

What applies to primogeniture applies with equal force to ultimogeniture. Unless the parent has well provided other children in the form of education and training for some profitable avocation, and until sufficient openings are available for such dispossessed children, it seems very unjust that the whole patrimony should pass to one child. From the standpoint of economic efficiency, too, it is unsound because the eldest or the youngest child may have no interest or desire for farming. "It is to my mind, a weakness of the Aasaetesret that the eldest son has an unqualified claim to the farm. If he knows that he is bound to get the farm of his ancestors, he will not have the necessary interest to prepare himself properly for the task."[5] This would apply equally to the youngest child.

It seems that the change in inheritance law must be based on two considerations. One, that the farm should go to that child who is really interested in farming and will make a good job of it. Second,

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[4] Ibid., p. 25

[5] P. Borgedal, "The Farm and Farm Family as Social Institutions", Proceedings of International Conference of Agricultural Economics (1934), p. 212

that suitable provision should be made for those children who would not inherit the farm. In this connection, Tyrolean Law, adopted in Austria, should be of some interest.

> The law provides for closed inheritance and requires that a farm cannot be changed in size without permission from the proper authority of the government. The owner is required to appoint one person as the recipient of the entire farm. ...The designated heir is required by the Tyrolean Law to make payment to the co-heirs within three years of the transfer. The court, or the one making the award to the other heirs, decides what is necessary from the estate and the farm income to maintain the farm and a family of five persons. The balance becomes available for payment to the coheirs.[6]

In 1938, after the Anschluss, the German Hereditary Property Law of 1933 was applied to Austria. This law, among other provisions, laid down that "rights of other heirs were limited to other capital of the farm--descendants not receiving the farm would get an education and dowry according to the means of the farm, and would be allowed to live on the farm if they got in distress without their fault."[7]

A law on the above lines is badly needed in India. It would have the effect of compelling children to make earnest efforts to take up some other calling. This they now do not do, as they are assured of some living on the farm. Such a law, unlike many others aiming at bringing about revolutionary changes in the mores of a people, could be enforced, since the state would not recognize inheritance except to one heir. But in the immediate future, in the absence of alternative openings elsewhere, it is bound to cause much hardship to the dispossessed heirs. It might be necessary to wait till other sectors of

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[6] Buis T. Inman, "Farm Inheritance in Austria", Journal of Land and Public Utility Economics, Aug. 1947, p. 290

[7] Ibid., p. 293

economy offer avenues of employment to large numbers.

Furthermore, such a law will be useful only where holdings are of economic size, or will be economic after consolidation has been effected. In the case of larger holdings, division of the farm land among heirs might be allowed to continue until a certain minimum size is reached. This would vary with quality of the soil and geographical conditions. After the minimum size is reached, only one heir would be allowed to inherit the land. In fact, this would be necessary so as not to displace immediately too many people from land as they might find it difficult to find employment elsewhere.

But there would be large numbers of peasants whose holdings, even after consolidation, would remain uneconomic. In such cases it would be necessary to help them to shift to another type of farming. This might not be very easy, since people do not take to new types of farming easily, unless they have a spirit of adventure and more than average level of intelligence. Moreover, this shift involves a new skill which cannot be acquired in a short period of time.

Perhaps a more practical course might be to shift some of these people to new areas which would be brought under cultivation as the result of irrigation or land reclamation projects. If the proceeds from the sale of their old holdings do not meet the cost of setting them up in new areas, the state might finance them in the form of a subsidy or easy long-term loans. Some of the small holders, of course, can combine their holdings with the farms vacated by those who shift to other areas.

Systems of Tenure

The present systems of land tenure, in considerable measure the creation of early British administrators who were largely interested in easy and effective collection of land revenue, do not meet the needs of an efficient economy. They were developed from time to time according to the needs of the situation, and do not show any uniform character. This variety, however, is not peculiar to India alone. But the pattern of land tenure is more complex in India than in many other countries. This diversity is illustrated by the following table.

TABLE XVIII

DIFFERENT SYSTEMS OF LAND TENURE IN INDIA

A	B	C	D	E
1. Government is the sole proprietor.	1. Government.	1. Government.	1. Government.	1. Government.
	2. Ryot or occupant with a defined title (not a tenant) as in Madras, Bombay & Berar.	2. A landlord (Zamindander, Talukdar, or joint village body regarded as a unit).	2. Landlord.	2. An overlord or superior landlord.
		3. The actual cultivating holders, individual co-sharers, etc.	3. Subproprietor or Tenure Holder.	3. Actual proprietor or landlord (usually a village body.
			4. The Ryot or actual cultivator.	4. The actual cultivating co-sharers, etc.

Source: Baden-Powell, Land Revenue and Tenure in British India, p. 125

Since only 36 per cent of the total area is under the system of two interests (Column B), in a large part of the country there are several intermediaries between the state and the actual tiller. This has resulted in many evils which we have discussed previously. In the last few years, many laws have been enacted to improve the situation. But the authorities hold that they have been of the nature of palliatives.[8]

> The problem cannot be solved merely by preventing the grosser abuses of unprotected tenancy, but by going to the root causes of the growth of tenancy and making provision to see that lands do not pass from the hands of genuine cultivators to "mere rentiers" on the one hand and ill-equipped sub-tenants on the other who simply cannot utilize them on economic basis. Thus tenancy legislation is only a palliative and not a cure. The agrarian problem is too intricate to be solved by tenancy legislation alone. What is needed is an overhauling of the whole system....[9]

So, many provincial governments have proposed the abolition of the system of landlordism and are seriously studying the practical steps through which it can be effected. This has aroused the land-holding interests, and there is a considerable opposition to the proposed plan. Disinterested economists, too, have criticized the move, though for different reasons. It is therefore meet that careful thought be given to the problem, since such a revolutionary change in the organization of rural economy would have a profound effect on the future of Indian peasantry, if not on the whole economy of the country.

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[8] Nanavati and Anjaria, op. cit., p. 126
P. N. Driver, "Abolition of Zamindari", Indian Journal of Agricultural Economics, Aug. 1947, pp. 117-121

[9] Nanavati and Anjaria, op. cit., p. 126

Before we examine the actual plans, it would be desirable to take note of the general principles involved. For in the social sphere, fundamental changes are apt to have more widespread repercussions than are usually visualized.

First of all, any major revolutionary change must be approached with extreme caution. Such changes entail so many painful adjustments and cause so much confusion and general unhappiness that the expected gains should be carefully weighed against the travail of the new order.

Secondly, while we are apt to see the evils of the present situation, which is near, in the most lurid light, we are apt to forget, or fail to appreciate clearly, the weaknesses of the new order, which has still the halo of distance around it.

Keeping these two considerations in mind, let us examine the proposals to liquidate landlordism and establish peasant proprietorship in its place.

Past experience shows that sub-division of big estates does not solve the agrarian problem.[10] Also, it indicates, as in England, that tenant farming need not be inefficient.[11] Nevertheless, overwhelming majority opinion, both inside and outside India, seems to be that land should belong to those who work it.[12] Because it is believed

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[10] V. P. Timoshenko, Proceedings International Conference of Agricultural Economics, (1938), p. 162
T. Singh, op. cit., p. f 43

[11] Joao Goncalves de Sonza, "Land Problems in Brazil and Their Solution", Family Farm Policy, (Ed.) Ackerman and Harris, (Chicago: University of Chicago Press, 1947), p. 282

[12] Royal Institute of International Affairs, Agrarian Problems from Baltics to the Aegean, (London, 1944), p. 19
S. Soresen, "The Family Farmer in Denmark", Family Farm Policy, op. cit., p. 247; FAO, (Washington), Oct. 1, 1946, p. 22

that

> tenants generally take less care in preparing the land for crops, plough it less often, manure it less and use fewer implements. They grow less valuable crops, especially avoiding those requiring the sinking of capital in land; they make little or no effort in improving their fields, they keep poorer livestock and bestow no care on trees. They show less keeness in having their children educated, and, crushed under the superimposed weight of the landlords, they are not in a position to organize themselves for more profitable conduct of their industry.[13]

In view of these evils, it is argued that this system must go. And it can be done. For instance, in Ireland since 1870 farm tenancy has been reduced from 75 per cent to 3 per cent.[14]

But before the change is effected, it would be necessary to have a clear conception of what is to be substituted in place of the old, and whether, all things considered, the sacrifices and costs would be justified in terms of the anticipated results. The question of the change in land tenure, therefore, must be related to what farming system is desirable in order to build up an efficient economy.

In this connection there are five alternatives, viz., small individual farming, collective farming, cooperative farming, joint farming, and managerial farming.

Small Individual Farming

The individual type of farming, also known as family farming, has great appeal for those who prize individualism and freedom. It has been glorified by poets and rural sociologists as the "way of living". If it means a fair-sized farm with an abundant scope for the individual's time and initiative, there is much to recommend it. But if it means a

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[13] Trevaskis, The Panjab of Today, (Lahore: Civil & Military Gazette, 1931-2), p. 11

[14] R. R. Renne, Land Economics, (New York: Harper & Bros., 1947), p. 463

small holding where a family barely makes both ends meet, it cannot be recommended.

While in almost every sphere of production the trend is towards large-scale to achieve higher productivity per person, it does not seem very rational to want farming to stay at the primitive level of the family size.[15] From the economic point of view, family farms seem to have little justification.

> If a social engineer, or a statesman, were considering how he could obtain a given supply of food-stuffs - of about the present amount to 50 per cent higher - from the agricultural area of Great Britain, with the least necessary expenditure of human energy, and the least necessary contribution of raw materials (that is, with the least necessary general output); and at the same time afford the persons concerned with production the highest standard of living and the greatest amount of leisure consistent with maintenance of low prices to consumers...it is practically certain that he would not seek these ends by strengthening or extending of the family farm system.[16]

However, before the issue is decided it would be necessary to clarify the following points.

(a) What would be the size of the units into which Zamindaris (landlord estates) would be split?

(b) Will that size be consistent with future trends in farming?

(c) If not, what are the reasons for that size, and are these reasons sound?

(d) Will the objective be realized?

With regard to the point (a) there are two possibilities. First, the land may be given to the tenants on the basis of the area

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[15] A. W. Ashby, "The Family Farm", Proceedings International Conference of Agricultural Economists (1934), p. 196

[16] Ibid., (1938), p. 200

they are cultivating at present. In other words, while there would be change in ownership, there would be no change in the size of the holding. This would be no solution since India has already a great preponderance of small-sized, uneconomic holdings; and to create similar holdings by distribution of big estates would be no improvement. In fact, such holdings are sure to impede the progress of agriculture. The second possibility is that land might be allotted in economic-sized plots, which in India have been estimated to average between ten to twelve acres per family.

It would appear that although the economic-sized farm would be more desirable, still it would not be consistent with future trends. The future trend seems to be toward bigger and bigger farming units, for they are more productive.

So, the justification for small family-sized farms cannot be economic. The justification for perpetuating the small holdings seems to be that it conforms to the status quo, and the majority of the people hate change; it is a "way of living" which must be maintained even at the cost of some economic efficiency; the making of economic holdings would entail a loss of occupation on the part of a large number of people.

All of these seem to be cogent reasons. But if people are to be freed from the clutches of poverty, something further will have to be done. The break-up of big estates into small holdings does not appear to offer any significant improvements in the situation of the tenant. Of course, he would not have to pay rent and other exactions to the landlord. But he would have to pay rent to the state to meet the charge to compensate the dispossessed landlords, unless the government adopts a policy where the landlord may be dispossessed without

compensation. Furthermore, it is highly doubtful if the heavily indebted cultivator would be able to introduce any improvement on the farm, even when he gets the title to the land and his occupation is made secure.

Let us see if other systems have something better to offer.

Collective Farming

The Russian experiment in kolkhozy[17] (collective farm) deserves careful study insofar as it is the most outstanding example of a national effort to increase production. And if it could be proved that collective farming has achieved its major objective and has not been accompanied by other consequences which might nullify the good results obtained, it would deserve to be seriously considered as a method of improving the rural economy of India. This is particularly true because the conditions in Russia, before the revolution took place, were not very dissimilar from those in India today.

A kolkhoz* is an association consisting mostly of peasant farmers whose holdings, equipment, animals, et cetera, have been collectivized under a charter which defines the organization and operation of the association.

The governing body of the kolkhoz is the general assembly of its members. By majority votes it elects its officers, who, headed by the chairman or manager, direct the work of the kolkhoz and are accountable to the general assembly. The assembly also elects an auditing commission, affirms the budget and production program of the kolkhoz, and admits or expels new members. The farming program, however, is

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[17] Most of the following discussion is based on the excellent article of Lazar Volin, "The Kolkhoz", Foreign Agriculture, Vol. 11, Nos. 11-12, pp. 146-159

*Kolkhozy is plural, kolkhoz is singular.

subject to regulations and controls according to the plans laid down by Moscow.

In the work on the collective fields and with collective livestock, the kolkhoz deals separately with each work-member, and not with the whole families. Each peasant family, however, is entitled to an allotment of a kitchen garden with an area varying from six-tenths of an acre to two and five-tenths acres, according to the region.

For the purposes of work management, a kolkhoz is divided into brigades, each under a foreman. These brigades are usually organized for the duration of the crop-rotation, and they cultivate definite plots of land. In his daily work, a member of the kolkhoz is subject to orders and supervision of the management just as is a worker in a Soviet factory. The kolkhoz worker is rewarded for good work, reprimanded or punished for bad work in the form of fines, loss of work-hours, or even expulsion. However, according to the charter, expulsion must be sanctioned at a general assembly where no less than two-thirds of the members are present.[18]

The state not only directs details of farming, but also has a first claim on production. The kolkhoz must hand over to the government a certain proportion of specified crops and animal products at low prices. The share varies from fifteen to 53 per cent.[19] After the kolkhoz has met the obligations of the state, including taxes in kind, payments to M.T.S. (Machine Tractor Station, which renders mechanical services to the kolkhoz), and repayment in kind of any seed

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[18] Ibid., p. 154

[19] Ibid., p. 151

loaned by the government, it then sets aside seed supplies for the following year and other emergency reserves.

Whatever is left can be freely disposed of by the kolkhoz. It may sell a part of it in the nearby market and the remainder may be distributed among its members. From cash income a kolkhoz must pay income tax, insurance premiums, and various current expenditures and including those for educational and cultural purposes. An undivided surplus of from ten to 20 per cent has also to be set up to cover necessary capital expenditures.[20]

As regards payment to the members, although at first a low interest payment on property contributed to the kolkhoz was admissible in addition to the remuneration for labor, since 1931 only labor is considered as the basis of distribution of income. The payments are based on the work-days which are units of work calculated according to the nature of the work. Different categories of work are graded in order of difficulty, skill or importance. The income left after all necessary deductions above described is divided by the total work-days of all members. Then the share of each member is determined by multiplying the value of one work-day with the total he has earned. For the manager a supplementary monthly cash allowance is made in proportion to the increase in the total income of the kolkhoz.

Now, in evaluating the success of collective farming, it would be necessary to remember that some of the defects and weaknesses of the program as found in Russia are the necessary accompaniment of a

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[20] Ibid., p. 151

certain ideology and political exigency. Under different situations, collectives may have a different story to tell. On the other hand, some of the achievements in Russia, which had vast areas of virgin land and low pressure of population, might be inconceivable in a country like India, where, on account of tremendous pressures of population, complete mechanization of agriculture (the most important element in the Russian experiment) is unthinkable.

With these considerations in mind, let us examine the collectives as a possible way of improving the economy of India. But first, it is necessary to consider the criticism usually levelled against kolkhozy.

(a) It is alleged that while in terms of the Charter the general assembly manages the affairs of the kolkhoz within the general directives of the state, in actuality the government and party officials appoint, dismiss, and transfer officers and influence decisions.

(b) It is asserted that the state takes away such a large share of the produce or the income that there has been little or no improvement in the standard of living of the peasants.

(c) It is argued that detailed regulations and plans from Moscow leave little initiative and freedom to the individual kolkhoz.

These objections, while they point to the dangers of dictatorial economy, do not prove that collective farming cannot be carried out under democratic procedure. However, there are other objections inherent in the collective enterprise.

(d) Peasants have moved away from the collective system every time an opportunity has offered itself. When individual plots were granted, it was found necessary to fix a minimum number of work-hours on the collectives for every man; otherwise, people spent most of their

time working on the individual plots.

(e) The calculation of work-hours on the basis of type of work, and the conditions of work, is very difficult for achieving fairness and equity. Actually, it offers temptation for padding and corruption.

(f) It has been discovered that collective work is slow and less efficient. Studies made by Siberian Institute of Grain Farming and Voronezh Research Institute show that work output increased considerably when work was allotted on an individual basis.[21]

When incentives for better production are used to make individuals work harder, it is likely to lead to injustice, since in agriculture productivity depends on weather and other conditions, and not exclusively on the efforts of man.

(g) The work of administration and supervision becomes so cumbersome and difficult that either it might become tyrannical or too lax.

Some of these difficulties can be removed through proper provisions and democratic processes. But it seems that collective farming should meet two crucial tests before it can be accepted as a normal way of life.

(1) It must be proven that collective farming is more efficient than individual farming, because the most important justification for change lies there. Experience so far has been inconclusive. In many cases the efficiency in production has been due more to mechanization, better seeds, better fertilizers, which could achieve the same

[21] V. Chuvikov, quoted by Volin, Ibid., p. 152

results under a different system. On the other hand, it has failed to draw the best in man, and individual incentives have been felt to be necessary to spur effort. In fact, it seems questionable to impose a system of communal organization, which society has outgrown. In India, where for many centuries now, the peasant has carried on individual farming, it would not be possible to enforce communal organization without some compulsion. While compulsion may work under dictatorial regimes, it is very doubtful that it could operate under democratic government, particularly when it is a question of dealing with about 87 per cent of the total population.

(2) Then it has to be decided whether a system of cumbersome calculations, difficult and onerous supervision, and unpleasant tasks of judging and punishing the achievements of individuals is conducive to "abundant living" which we cherish as the ideal life. The question to be answered is how far individual initiative and independence should be sacrificed for the sake of economic efficiency. And when its economic efficiency is doubtful, is it desirable to subject society to a new type of organization and cause all the discomfort and pain of adjustment?

However, every system can be modified to some extent. If the gains of collective farming could be obtained without the evils of the system, the experiment might be worthwhile trying. But it seems that the democratic process is also subject to abuse, and often the tyranny of the democratic majority is as oppressive as that of dictatorship. Therefore, any tendency towards restriction of the private sphere and extension of collective action and control must be looked at with suspicion. Unless the collective enterprise offers clear and distinct

advantages, individual enterprise seems to be a more desirable ideal. In any case, the actual working of collectives under democratic methods on an experimental basis will have to be observed before collectives can be considered as a country-wide solution of the agrarian problem.

Cooperative Farming

In the history of mankind, cooperative enterprise has time and again fired the imagination of reformers and men of good will. The success of cooperatives in limited fields has frequently supplied the inspiration for similar operations on a larger and more extensive scale. Thus we have the examples of the cooperative enterprises of Robert Owen's New Harmony, the Rochdale Pioneers, the Oneida Colony (New York), Amana Community (Iowa), the Doukhobors (Canada), the Ejido (Mexico), and Kvutza (Palestine), to name the more important ones.[22]

The apparent success of some of these ventures has inspired many Indians to pin their hopes on cooperative farming as a means of improving India's rural economy. The authors of the Bombay Plan[23] make cooperative farming an integral part of their programs to wipe out poverty and raise the standard of living of the rural people.

It seems, however, that the protegonists of cooperative farming have been influenced largely by sentimental appeals. They have failed to bring the spirit of scientific and dispassionate inquiry to bear on the problem of cooperative farming. After noting the success of such enterprises in small communities, if it was a success, they

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[22] Joseph W. Eaton, Exploring Tomorrow's Agriculture, (New York: Harper Brothers, 1943)

[23] P. Thakurdas and others, op. cit.

have tried to envisage a cooperative economy for a country as big as India, with about 400 million people of diverse races, religions, cultures and time-honored institutions which cannot be changed swiftly.

In fact, most of the cooperative ventures where any degree of success was achieved were carried out by closely knit small communities which started their career usually in new regions. There was no old order and no old institutions to be scrapped. They began with more or less a clean slate. In their efforts they were supported and motivated by some type of religious or spiritual zeal [24] for an ideal type or mode of living, for which they were willing to make every sacrifice and to live poorly.[25] For example, "the pioneers one meets in Palestine have a fanatical belief in their mission as torch-bearers of a Jewish homeland built on the basis of productive work. Theirs is an ideology which glorifies labor and considers it an essential element in good life."[26] The same is more or less true of other ventures. Religious or social persecution and lofty idealism were the chief characteristics of these colonies.

Many of these ventures broke up at the death of their founders when no unifying and motivating spirit was left to coordinate and bind together the individualism of the followers. Others failed because of special circumstances such as poor land, insufficient capital, natural calamities, and social opposition. Those which have weathered the storms find themselves weak, and many are disintegrating. The

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[24] H. W. Spiegel, Land Tenure Policies, op. cit., p. 39

[25] Brij Narain, Economic Structure of Free India, op. cit., p. 5

[26] W. C. Lowdermilk, Palestine, Land of Promise, (New York: Harper & Bros., 1944), p. 130

The Amana Community and the Doukhobors have become quasi-cooperative. Hutterites alone of the historic communities do not show any signs of disorganization.[27]

On the basis of all these ventures, past and present, successful and unsuccessful, there is little hope that India could have a country-wide successful system of cooperative farming, since the most important characteristics, viz., the religious zeal and lofty idealism would be lacking. It is difficult to see how these could be instilled among large masses of farmers.

The Ejido is another experiment in cooperative or communal farming[28] which may be considered in this connection.

By the land reforms initiated in Mexico since 1915, an attempt has been made to break up the big estates and give the land to village communities or ejido, in whom vests the ownership of land and water.

According to the provisions of the law, the ejido is a self-governing community which chooses its own officials through vote of the general assembly. Its chief authority is a commissariat of three members elected every two years. They perform the administrative and executive functions. To keep a check on this committee, and to prevent any abuses or irregularities, a vigilance committee of three persons is similarly elected for two years.[29]

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[27] John W. Fitzgerald, "Cooperative Farming", (unpublished paper), p. 11

[28] The description of Ejido is mainly based on "The Mexican Agricultural Credit System", by Julia L. Wooster, Foreign Agriculture, Vol. 7, No. 2, Feb., 1943, p. 28f

[29] Ibid.

The actual working of the ejido, particularly in the matter of social and economic affairs, however, is largely directed by the ministry of agriculture and the national Bank of Ejidal credit through agents who, in fact, act as coordinators, and frequently as directors of the Ejidal economy.

These agents study each ejido and recommend plans which will enable the community to adopt and develop better farming methods and practices. When the plan is approved by the general assembly, it becomes the determining pattern for all activities of the ejido. Through the Bank it has been possible to provide credit at low rates while the ministry of agriculture supplies seeds, plants, and technical information. The ministry also provides guidance and aid in the matter of education, hygiene, et cetera.

The great majority of the ejido are worked by the method of allotting an individual a parcel of land for family use and leaving him to operate it for whatever profit he can make. But often the allot ment system has proved insufficient to maintain a rural family, in which case the ejido is farmed collectively, the most outstanding example of this being the Laguna region.

As is clear from the above, it is not an experiment in wholesale cooperative farming. With regard to the success of ejidos, one observer remarks:

> The new agrarian communities thus set up as ejidos have made a diverse record of success and failure....Apparently the factors which determine success or failure are three: first, able and honest leadership in the community; second, a money crop such as magney, cotton, sugar cane, or henequen which can pay the cost of community development; and third, land which is not only productive for the kind of crops grown, but is also so arranged that it is all reasonably accessible from the village centre.[30]

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[30] Preston E. James, Latin America, (New York: Lothrop, Lee and Shepard, 1942), p. 664

Another observer, while warning that it is yet too early to pass judgment on the success of the ejido, tentatively concludes that according to available statistics the average production per acre and the average income of the communal farmer appear to be much lower than those of private farmers.[31]

On the basis of the above testimony, it is difficult to recommend this system as a way of increasing the efficiency and productivity of the Indian farmer, particularly when we cannot be too optimistic about the right leadership. "There does not seem to be the right atmosphere for it in our village....Unless we remove all the causes of the failure of cooperation in other fields which have been operating during the last 40 years it would be rash to predict success for cooperative farming."[32]

Joint-Farming

Mr. Tarlok Singh's plan of joint-farming[33] as a practical solution of India's poverty merits a careful study. With impeccable logic he makes a very strong case for joint-farming, which alone, in his judgment, offers a feasible solution to the problems of the agrarian economy of India.

Briefly his plan is that cultivatable land in the village would be pooled together and then divided into economic-sized units, the

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[31] Charles H. Barber, "Mexican Land Problem", Foreign Agriculture, Vol. III, No. 3, March, 1939, p.119

[32] P. N. Driver, op. cit., p. 119

[33] T. Singh, Poverty and Social Change, A Study in Economic Organization of Indian Rural Society, (Calcutta: Longmans, Green, 1945)

one-plough unit (a unit of land that may be cultivated by a peasant, aided by his family, according to the current techniques). The exact size of the unit, of course, will vary according to the nature of the soil and other circumstances. Each family will get a unit by drawing lots so as to obviate any favoritism. If there are more families than plough units, some of them would not get the land. Work for them would have to be provided on garden and vegetable farming areas, where a smaller work-unit of land would be required. In every village some land would be kept for this purpose. For others, work would be found in the village industries, which would be decentralized for this purpose, and also to make use of the vacant hours of the peasants.

The land would be individually cultivated, but the income would be pooled. This total income would be divided into two parts: the income from work, and the income due to ownership. The division may be in kind or in cash, 50 per cent for work and 50 per cent for ownership, the latter going to a common fund. Out of this fund the whole village farm would pay its land revenue, carry out such common investments as may be necessary, and meet essential charges. This would provide a basis for putting more capital into farming. The balance will be distributed as ownership dividend according to the value of the area contributed by each family to the village farm as a whole.[34]

The method by which the above aim is to be achieved would be voluntary. But "if two-thirds of the owners of a peasant village holding three-fourths of the area agree upon joint management, the rest must fall in."[35] Under the new system, ownership would not imply permanent physical possession over, or association with, a specific piece

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[34] Ibid., p. 58

[35] Ibid., p. 12

of land; nor would it imply the right to rent that piece to a tenant.

The total village economy would be controlled by an organization which would include not only the peasants, but every resident in the village, whether he belongs to the group of peasants or artisans or agricultural laborers. The decisions would be taken by the entire body. An executive committee appointed to carry out day-to-day tasks would be elected by the village community as a whole.[36]

Several advantages are claimed for this plan.

(a) It retains the principle of equal inheritance and ownership which is so dear to the heart of the peasant. At the same time it ensures efficient farming through economic holding and retaining motive power of private enterprise. By way of the common fund it ensures schemes for improvements of farm and farming practices through ready supply of capital.

(b) Through ruralization of industry, the dangers and evils of urbanization and large-scale industrialization would be avoided.

(c) There would be no revolutionary changes which usually involve so much oppression and misery.

(d) By removing class and caste barriers, the plan would ensure equality and efficiency.

The plan, however, is open to certain serious objections.

(a) Although Tarlock Singh apparently bases his plan on voluntary acceptance and democratic method, yet he appears to slip into an over-all, more or less dictatorial, type of planning when he says that

> before the village passes into joint-management, its social economy will be carefully surveyed by fully trained officials with the assistance of the village community...thus we shall have to know in detail, for <u>each family</u> (1) its composition,

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[36] <u>Ibid.</u>

> (2) the fields owned and cultivated by it, (3) its supplementary sources of income, (4) its agricultural equipment in the shape of implements and cattle, (5) its indebtedness, both secured and unsecured and (6) particulars concerning the health and education of each of its members....As joint management implies planned development of every aspect of life, we should set about preparing an all-embracing budget which, on adoption by the village and acceptance by the state, will become its immediate programme of action. (italics added).[37]

Now, if nothing else were the matter with this planned development of every aspect of life, and if every family could be subject to an all-embracing budget prepared for it by the community and the state, where would the necessary army of trained people come from? How much time would it take to train such an army in India? And how many years would it take to complete the survey? It seems that these practical issues have not received careful consideration.

(b) It appears that Tarlok Singh has overlooked the fact that his solution assumes a stationary state and no growth of population. It may be possible to provide an economic holding to a family just now; but what will happen when the sons of the peasant marry and have their own families? To whom will the holding go? What provision will exist for those who are left out? These considerations seem to have escaped notice. Yet they are very serious in view of the tremendous growth of population in India.

(c) The attempt to make a village a self-sufficient unit is not only contrary to the historical trend, but also seeks to do away with the gains of specialization. As we have seen in the last chapter, this return to a primitive economy can only be an inefficient and costly process.

(d) The problem of the poverty of the peasant is not only the problem of low production, but also of the failure of crops due to

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[37] Ibid., p. 82

natural calamities as also of low income due to unremunerative prices. For these no remedy has been suggested or proposed.

(e) The greatest difficulty of the plan would be in the matter of village organization, where all classes and castes would sit together to draw plans for the economy of the village. While such a plan may be highly desirable, it seems that it is expecting too much from a custom-ridden village, at least for a considerable period of time. One who has watched the working of newly organized Panchayats (Village Councils) and cooperative credit societies can not be very optimistic about village assemblies of the type proposed.

Managerial Farming

Under this system, all the land of a village may be rented at the prevailing rate of rent, to a manager who would be an expert in farm management. Every landholder, on the basis of his acreage, would receive an income in the form of rent. The manager would operate the whole land according to the best-known principles of farming, employing as much labor as he needs. To safeguard the interests of the wage-earner, certain regulations regarding minimum wages, and other work conditions, can be laid down. After all the necessary payments have been made, the surplus will be the reward of the manager, except that a certain percentage will go to a reserve fund to act as insurance in a bad year.

This plan would ensure maximum efficiency on the part of the manager, since the more efficient he is, the greater would be his profit. It would also guarantee efficiency on the part of the worker whose wages, within certain limits, would depend on individual industry.

It would also insure a certain income to every landholder whose title to land would remain unimpaired.

Insofar as the making of decisions would be entrusted to a manager, well-versed in farm management and social leadership, and would not lie in the hands of a general assembly of peasants not so well-informed, the managerial farming offers greater scope for efficiency than any other system. Since the size of the enterprise can be so limited as not to become unmanageable and inefficient, this system offers distinct advantages. Furthermore, it offers greater and more immediate chances for the improvement of the system of farming than can be envisaged under any other system except collectives.

This type of farming has not found much favor with rural sociologists, social reformers, or even agricultural economists. To a large extent, this seems to be due to a kind of moral revulsion at anything that smacks of industry. Of course, from moral and psychological considerations, it would not be desirable to turn an independent peasant into a wage earner. But it seems that, unless a more revolutionary change in village organization is accepted, the majority of holdings, even after consolidation, would be so small that the peasant as an entrepreneur would be in a worse position than a wage earner.

As to the introduction of this plan, it might not be very difficult in the Zamindari areas. The landlord, with the alternative of losing his estate, could be properly educated or trained to become an efficient manager. Since the tenants are already used to being directed by the landlord, the change would not present serious difficulties.

In the Ryotwari areas there is bound to be considerable resistance. For such areas some compromise plan may have to be formulated.

Owners having farms greater than a certain minimum size might be given the option to rent the land to the manager. In case of smaller holdings, they might be compelled to do so. To conquer opposition, the change might be declared to be temporary, say for seven years, after which if the peasants were dissatisfied, they might be permitted to withdraw.

If this plan were accepted it would mean that the organization of agriculture would acquire the characteristics of the industrial economy with all its advantages and disadvantages. The chief advantage would be greater efficiency in production. The chief disadvantage would be that the peasant proprietor would become a wage-earner and may not have assured employment. Some may not find any employment at all. What the actual extent of displacement might be would depend upon the total numbers in the village and the type of agriculture that would be followed. But there is little reason to suppose that it would be very large unless large-scale mechanization occured too rapidly. To prevent this the government could control the speed of mechanization by controls on the sales and purchases of agricultural machinery. Some of the displaced persons could be assisted to migrate to industrial areas.

The more serious problem would be the change in the status of the peasant proprietor. While this seems to pose a difficult question in the abstract, in practical life it does not appear to be so serious, provided the individual has some choice in the type of work. If workers in industry and state services work under direction without great loss to human freedom or happiness, there does not seem to be a strong reason why peasants might not do the same. In the more advanced countries like the United States and the United Kingdom, the majority of

people work for wages and apparently get along well without impairment to the growth of their personalities or enjoyment of real freedom. In any case, the question needs to be studied scientifically to bring out the advantages and disadvantages of the system.

Choice for India

It seems, then, that while there can be no doubt that the present land system needs reform, it is not at all clear as to what should take its place. The various proposed land programs have their strong as well as weak points. None of these plans seem to offer a clear-cut solution of the problem in India. Under such a situation it would be unwise to adopt any plan for the country as a whole without giving it a careful trial. It is no use substituting one system for another unless there is some assurance that the new order would realize our hopes.

So it would seem desirable to select representative areas where these different plans might be tested with regard to their practical working. While it would be necessary to supervise these experiments very carefully, it must be remembered that a plan should not be tried under ideal conditions. For then the very purpose of the experiment would be lost. The social experiment, if it is to have any value, must prove its success in practical situations with all their limitations and imperfections. The tendency in the past has been to select the best conditions for demonstration purposes. Since the same results naturally could not be obtained under ordinary conditions, the demonstration failed to convince the people, and no headway could be made. Thus it is necessary to prove that a plan will work under all the imperfections that one meets in the village.

Furthermore, in order to get reliable results, the experiments must be extended over a number of years. What might be possible in a couple of years, with the enthusiasm and interest in a new system, might not be possible when some of the glamour of the new order will have disappeared with the passage of a few years. If future disappointment and loss is to be avoided, we must build our order on comparatively sure footing.

CHAPTER XI

FINANCE POLICIES

In the agricultural enterprise the greatest efficiency of the operator may not ensure adequate income, and the peasant may find himself in difficulties despite his honest and strenuous labor. A natural calamity may ruin his crop or low prices for his produce may completely wipe off his income.

While it is true that a majority of the peasants in India practice more or less subsistence farming and do not have any substantial surpluses for sale, yet it is also true that even the poorest farmer has to pay taxes and meet some of the social and family obligations in cash. They have to sell some of their crop, even if they have to stint in the matter of necessities. In a bad year, they even have to purchase food.

The income of the peasant, therefore, is a most important factor in his well-being.[1] And over this income he has little control. While it may be argued that a peasant, like any other entrepreneur must bear the risks attendant on his enterprise, yet the situation is different in his case. In other enterprises the entrepreneur has the power to expand and contract production in accordance with changed demand as reflected through the prices offered. But the peasant, on account of the following reasons, is not in a position to do so.

(a) A very high percentage of a farmer's costs are fixed so

[1] FAO, Proposals for World Food, Board, etc., (Washington, Oct. 1, 1946), p. 22

that the total costs are not much reduced by limiting production. Moreover, the reduction by any one farmer would not have any noticeable effect on prices. In fact, in the face of falling prices he may attempt to meet his fixed costs by producing more, not less.[2]

(b) Agricultural adjustment involves a considerable time lag so that production cannot be adjusted to price changes immediately. Farm production processes are continuous and controlled mainly by seasonal growth of crops and natural life cycle of animals.[3] In fact, as the result of time lag, whatever efforts are made to adjust production to prices often aggravate the situation.

(c) Agricultural production runs close to capacity all the time.[4]

(d) Agriculture is carried on by such a large number of enterprises spread all over the country that they cannot take concerted action to adjust production to market conditions.[5]

But if the peasant were actually in a position to contract production and thus artificially raise his prices, it would be the cause of great social concern and anxiety.[6] For, irrespective of what the people may be able to offer for the products of the peasant, society

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[2]Geoffrey S. Shepherd, Marketing Farm Products, (Ames: The Collegiate Press, 1946), p. 32

[3]United States Senate Committee on Agriculture and Forestry, Long-Range Agricultural Policy and Program, (Washington, United States Government Printing Office, 1948), p. 15

[4]Geoffrey S. Shepherd, Agricultural Price Analysis, (Ames: Iowa State College Press, 1947), p. 23

[5]Ibid., pp. 24-25

[6]Post-War Agricultural Policy, (Committee on Post-War Agricultural Policy of Association of Land-Grant Colleges and Universities, 1944), p. 6; Theodore W. Schultz, Agriculture in an Unstable Economy, (New York: McGraw-Hill, 1945), p. 137

cannot do without what the peasant produces. Any contraction of production on his part will jeopardize social well-being. In the case of other enterprisers, restricting production usually affects a small number. Even where it affects many people, the hardship may not be so great because society can do without their products without serious loss of well-being. But the shortage of food and clothing would be a serious calamity.

Thus society has a stake in farming. For its own well-being it should ensure those conditions where farming is most efficient so that people can be well provided with physical necessities. But if farming is not adequately remunerative, it cannot be efficient. Unless the peasant knows the returns he is likely to obtain, he cannot afford to spend money in trying to increase his output lest the value of the increased production should be less than the expenditure that has to be incurred for obtaining it.[7] So a national policy to make agriculture a paying enterprise is a social necessity.

Income Policy

The income of the peasant depends upon the following factors:

(a) Prices: The higher the price for agricultural products, the greater tends to be the income of the farmer. And prices depend upon the demand, which in its turn depends upon the prosperity of the consumers generally. So the greater the prosperity of non-agricultural sector of the economy, the higher the income of the peasants is likely to be.

(b) Productivity: The relation of low yield and income however, is more complex. In the case of commodities with a unit elasti-

[7] Memorandum on Agricological Development in India, (Delhi: Imperial Council of Agricultural Research, 1944)

city of demand, a low yield is accompanied by higher prices and total receipts therefore remain more or less at the same level.[8] However, while this is true for the economy as a whole, the fortunes of individual peasants may be affected considerably by a low yield.[9] Similarly, while one region may have a short crop, other regions may have a bumper harvest and therefore low yields in a particular area do not benefit the peasants in the form of high prices which might be expected if there was a general short crop.[10] Besides, with high fixed costs, lower prices encourage greater crops with the result that prices are brought down more and the income of the peasant is further reduced.

Since the instability of farm income is caused by unstable production and unstable prices, two lines of approach have been suggested to ensure fair returns to the peasant.

(a) Stability of crop yield: This may be achieved through "drought-resistant crops, dry-land farming, disease-resistant plants, and animals, and modern insecticides...."[11] For this purpose, research and education as well as propaganda through extension service would be needed.

But that would not be enough. All the ingenuity of the peasant and the scientist may be foiled by hail, storm, heavy rain, floods, epidemics, etc. For such exigencies, particularly in the regions most susceptible to it, some type of Crop Insurance Program will need to be introduced. Since it is difficult to distinguish the variations in yield caused by natural hazards from those caused by bad farming, the development of crop insurance would not be an easy matter.[12] However,

[8] Schultz., op. cit., p.
[9] Shepherd, Marketing Farm Products, op. cit., p. 35
[10] Schultz., op. cit., p. 213
[11] Ibid., p. 216
[12] Schultz., Ibid., p. 217

it might be possible to classify areas, on the basis of the frequency and intensity of the risk, and individual peasants on the basis of their efficiency, into categories and the insurance premium could be varied accordingly. The compensation could be a certain multiple of the premium depending upon whether it was total failure, 75 per cent failure, 50 per cent failure or 25 per cent failure.

In India, owing to lack of education about insurance among the people generally, it would be necessary to have compulsory insurance, at least in the early stages. And since no private agency might undertake this new venture, there would be the need of state insurance. The premiums could be collected with the land revenue and no extra agency need be created. It may not be possible to develop a completely perfect system "but the choice should not be between a crop-insurance program that attains the perfect goal or no crop-insurance program whatever."[13]

(b) Remunerative Prices: Since an insurance program will affect only a small number who would be the victims of natural hazards, and since it would be purely a compensatory measure, the main plank of reform must be in the matter of prices. The farmer needs to be assured adequate returns to make farming a satisfactory way of living. This may be achieved in various ways.

(i) Through satisfactory employment conditions, the purchasing power of the non-agricultural sector of the economy must be maintained at a level high enough to create adequate demand for the peasants' produce. How this actually would be achieved is beyond the scope of this study. But authorities are fairly agreed that through

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[13] Ibid., p. 218

fiscal-monetary measures such as issue and retirement of money, spending as well as raising of money through public expenditure, taxation and borrowing, it is possible to maintain purchasing power high enough to ensure effective demand for the products of agriculture.[14]

Insofar as such an objective is not immediately achieved or possible, it might be necessary to adopt other measures such as subsidies. The latter would not only support the income of the peasants, but also would assure that the peasants do not contract production of food, etc. which the non-agricultural sector economy needs irrespective of whether they have the requisite purchasing power or not. Besides, such a policy by keeping the farmers solvent is a necessary condition to provide a spur to industry through increased purchasing power.

(ii) Another method of ensuring adequate returns to the peasant is through pegging prices at a remunerative level. This might be achieved through Support Prices or by Forward Prices.

Support Prices: The parity-price plan under the Agricultural Adjustment Act in the United States is a very good example of government support prices. According to this the object was to assure the farmer of fair prices for certain agricultural commodities. The period 1909-1914 was taken as a base period as this was a normal period of profits for farmers. The Secretary of Agriculture was authorized to make payments to farmers which together with the receipts from the sale of their crops would bring them a return approximately equal to the parity price on their normal production.[15]

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[14] Schultz, op. cit., pp. 219-220; Hansen, Economic Policy and Full Employment; Beveridge, Full Employment in a Free Society; Meade and Hitch, Economic Analysis and Policies.

[15] Farmers in a Changing World, (Washington, USDA, 1940), p. 319

These support prices have been subjected to much adverse criticism. While some of the criticism relates to the choice of the base year and other technical matters with which we need not be concerned, much of it rests on general principles.

It is argued that since calculations of parity prices or support prices are based on a past period, of necessity, they would be out of step with current supply and demand conditions. Therefore, such prices are likely to clog both internal and external trade whenever the prices that would clear the market are less than the support prices.[16]

Secondly, support prices require a program of storage and government purchases of the commodity in sufficient amount to keep the market price at the support level. But since such stocks will have to be disposed of at a later stage, this would greatly disrupt trade. Moreover, storage would involve huge monetary commitments.[17]

Thirdly, as Johnson argues, such a program interferes with proper allocation of natural resources and thus leads to inefficiencies.[18]

Fourthly, the policy involves a loss of total consumer satisfaction since at the higher prices many consumers are prevented from making purchases which they would have made at lower prices.

Forward Prices: In view of the difficulties of support prices, an alternative suggested is a system of forward prices. In the words of Professor Schultz, it would have distinct advantages:

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[16] Schultz, op. cit., p. 269

[17] Ibid., p. 270

[18] D. Gale Johnson, Forward Prices for Agriculture, (Chicago: University of Chicago Press, 1947), p. 115; 130

> Such forward prices should present each farmer, as he proceeds with his production operations, with a schedule of relative prices for at least one production period ahead, considerably more dependable than heretofore. As this is accomplished, it would increase the ability of farmers to allocate and use the resources at their disposal much more efficiently. It would also reduce considerably the price uncertainty burdening American farmers.[19]

In achieving the above purpose, forward prices do not supplant the price system, but rather represent a technique for making the price system work more effectively.[21]

The fundamental principle to guide the formulation of forward prices is that price changes which keep production in line with demand should be maximized and price changes that do not contribute to production adjustments but contribute to price uncertainty in farming should be minimized.[22] The most distinctive feature of a forward-price system would be that instead of ignorant individuals making estimates of future prices, this would be done by a group of experts who would be in a position to make more correct estimates and thus steer the economy into a better allocation of resources.[23]

This program of forward prices, however, seems to be fraught with the following difficulties which need careful consideration.

First, there is considerable possibility that the production of a crop may be so much stimulated by a high forward price, that it leads to over-production. Of course the aim of putting a high price

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[19] Farmers in a Changing World, op. cit. p. 320

[20] Op. cit., p. 271

[21] Johnson, op. cit., p. 132

[22] Schultz, op. cit., p. 265

[23] Johnson, op. cit., p. 132

on a commodity would be to encourage its cultivation, but it seems that its production will be likely to overshoot the desired mark.

While such a situation is anticipated by Johnson, who argues that storage provision will be a necessary part of the forward prices program, the difficulties and cost of such a provision seem to have been underestimated. The presence of the idle stocks and repercussions on demand as the result of a high price introduce an element of uncertainty so that the expectations of price-makers may not be realized.

Secondly, agricultural production is not exclusively dependent upon the efforts of man. The working of natural causes is beyond the control of man or the economic ministry. The best effort to guarantee forward prices may fail because nature may refuse to cooperate with the experts.

Thirdly, since different regions produce different crops, the fortunes of a particular region will depend upon how high the price of a certain commodity is fixed. This would lead to the danger of pressure groups influencing the price-making agency in their favor and thus opening the way to much abuse and corruption.

Fourthly, such a program ignores the repercussions of the international situation on the price structure of the economy of a country. No country can have a completely isolated economy which will not be upset by happenings elsewhere.

So whatever the theoretical advantages of forward prices, as a practical measure for stabilizing agricultural income, it does not seem to offer much hope.

For if a forward price is nothing but an anticipated future price, it does not serve any purpose except to lower a high price through

increased production. On the other hand, if forward prices are arbitrarily bolstered to stabilize farm incomes, they may fail in this purpose because high cost of agricultural products may bring about higher prices of manufactured articles through increased cost of production. What the peasant gains in the form of higher income may be neutralized by the higher prices of things he buys. Stabilization of income would not serve much purpose unless costs also are stabilized. As to the desirability of increasing the income of the farmer by price plans, even Johnson admits that this is questionable if the price system is adequate or is a proper means of achieving that objective.[24]

Compensatory Payments: The real problem of agriculture is that it is a chronically depressed industry and therefore does not offer returns to the peasants corresponding to what entrepreneurs get in other sectors of the national economy.[25] While this seems unjust, to attempt to equalize returns in agriculture and industry through tinkering with the price mechanism is not likely to succeed. Even if it did accomplish this end, it would not be desirable. For "basically the income disparities evidenced by differences in the marginal returns to resources in one sector of the economy as compared to another are symptoms of fundamental maladjustments."[26]

The fundamental maladjustment in India is that there are too many people in agriculture. Artificial raising of agricultural income would mean that more people will stay in agriculture and keep it on an inefficient level. While the peasant should be adequately protected against natural and market hazards, agriculture should not be made unduly attractive, so that people who might otherwise seek avenues of

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[24] Johnson, op. cit., p. 113

[25] Schultz, op. cit.

[26] Johnson, op. cit., p. 115

larger income elsewhere are kept in an over-manned occupation.

Any system of regulated prices in one part of the economy is bound to cause unjustified hardships.[27] In the case of agricultural commodities which serve as raw material for industry and supply the basic needs of consumers generally, this is particularly true. In the economic system of today the parts are so organically related that tinkering with one part of the economy cannot but have serious repercussions on the rest of the economy.

For all these reasons, it seems desirable to leave the operation of the market to the automatic forces of supply and demand. Any protection that the peasant is given should be provided by direct subsidies or compensatory payments.

If crop insurance is provided, the only time the farmer would need additional protection would be during periods of general depression. For if prices fall as the result of bumper crops, there may be no need for general alarm. The greater quantity sold at the lower price would give about the same income as a higher price and a small crop. This, of course, would be true of commodities with unit elasticity. For other commodities the peasant may be expected to bear some of the risk of his undertaking.

But during general depression it would be necessary to provide compensatory payments to the peasants in order that the production of necessities be ensured for the whole population. Besides, the increased income of the peasants would provide a necessary fillip to economic

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[27] Mises, Planned Chaos. (New York: The Foundation for Economic Education, 1947). p. 25

revival.

As to what the rate of this compensation should be, it has been suggested that "equity requires that people in each sector of the economy should bear their just share of the burden and that none should be wholly exempt."[28]

Thus Professor Schultz recommends 85 per cent of the pre-depression price as the standard by which to calculate the compensatory payments. He thinks these payments should be discontinued as soon as the market price of the farm products reaches the established percentage of the pre-depression price on which payments will be based.[29]

But since some of the costs of the peasants would also go down as the result of depression prices, this 85 per cent standard may, in fact, bring to the farmer a parity income and not lead to each sector bearing its just share of the burden. To achieve that end the percentage used might have to be reduced further.

How far such a reduction will impede the other objective of giving a spur to industrial activity is another point to consider. Where the peasantry forms a very large proportion of the total population as in India, this might be very important. Therefore, the issue should be judged by the pragmatistic test of recovery, rather than that of poetic justice. The compensatory payments therefore, should be fixed at a point where it might be effective in providing the needed spur to industrial activity.

The program of compensatory payments has the following advantages:[30]

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[28] Ibid., p. 228

[29] Ibid., p. 229

[30] Schultz, op. cit., p.f. 229

(a) It is counter-cyclical and therefore the gains are not confined to the peasants alone, but are diffused throughout the whole economy.

(b) It would not impede the normal working of the price mechanism and would leave market prices free to clear whatever supplies are marketed.

(c) It would prevent distortion of agricultural production merely because of the depression in another sector of the economy.

However, the actual administration of this program might present serious difficulties in a country like India where a large majority of the people are small cultivators. Nevertheless, it seems that a trial will have to be given to this plan, if only to discover whether it will work or not. This is especially true when there does not seem to be a more suitable alternative.

Improved Marketing: Another measure which will contribute considerably towards improvement of the income of the peasant is a change in the marketing system. The present system suffers from three defects.

(a) The peasant is compelled to sell his produce immediately after the harvest to pay what he owes to the exchequer or the banker. At such times there is an over-supply of produce in the markets, forcing the prices down very low.

(b) The absence of impartial grading and standardizing of produce means that the seller is at the mercy of the buyer.

(c) The peasant is usually ignorant of the true market situation and has to depend upon the seller for market quotations.

Now if the flow of produce to the markets could be regulated and made more steady by provision of better credit and storage facilities so that the peasant need not sell during the rush season, his

position would be improved considerably.

Moreover, provision of an impartial grading agency, along with education in the advantages of grading standards should prove effective in improving the quality of produce and also the income of the peasant.

A state agency to broadcast and publish conditions prevailing in the different markets, as is done in the United States, would help the peasant considerably to improve his bargaining position.

All these programs, however, aim at safeguarding the interests of the peasants from the vagaries of the market economy. They will not raise the level of the income of the peasants generally. Therefore, they will not be of any assistance to the great majority of those who have very little surplus to dispose of in the market. Their well-being can be improved only by opening avenues for them in industry and/or providing social security measures in the form of free education, free medical aid, reduction of taxes, etc.

Credit Policy

In any industry where the source of income is seasonal, rewards subject to natural hazards, unit of organization unproductive and reserves almost lacking, the need for credit would always be felt to tide over the seasonal difficulty or unexpected misfortune. If easy and cheap sources of credit are not available, the people must perforce resort to whatever resources may be had, no matter how high the price they might have to pay. And a very heavy price they have to pay as we have seen already.

However, the provision of easy and cheap credit in itself does not solve the problem as the experience of cooperative credit in India

demonstrates so well. In fact cheap credit may encourage unnecessary borrowing and unless other measures are also undertaken to improve ability to repay the loan, such credit might land people into greater difficulties. Thus credit policy must be closely related to income policies if any satisfactory results are to be achieved. But that is not all. Because although high income would to some extent ensure the repayment of the loan, yet we cannot be interested merely in repayment of principal.

If the loans are not put to proper use, the credit policy and income policy both may fail to raise the level of living of the people. Of course, education may be expected to help, but experience has shown that something more is needed to ensure that credit facilities are profitably employed.

On the basis of experience gained in India and other countries, particularly the United States, it seems that the agricultural credit policy must be directed towards the following objectives:

(a) Simple procedure: If the people are to profit from credit facilities, complicated procedures should be avoided as they discourage people from using the facilities. The mistakes of Taccavi Loans and Land Improvement Loans should not be repeated.

(b) Low rate of interest: The importance of this is too obvious to require any elaborate proof. The fact that productivity of capital is usually lower in agriculture than in industries, should be considered in fixing the rate.

(c) Sufficient supply: It is very important that the peasant should be able to obtain the credit that he needs. One purpose of credit is to enable the peasant to meet his emergency needs. More

important, it should enable him to become a more efficient producer and thus help maintain himself and his family at a fairly satisfactory level of living. Although there have been examples of excessive credit, leading to extravagance and waste, yet generally the tendency has been in the opposite direction. For lack of enough credit, the peasant has been unable to introduce the necessary changes to turn his farm into a really productive enterprise. Under these conditions what little credit is available cannot be utilized effectively and therefore does not help the situation very much. That is why the peasant went back to the moneylender when the cooperatives did not supply him enough credit.

(d) Flexibility of repayment: Past experience shows that often the gains achieved by easy and cheap credit are nullified by rigid enforcement of the conditions of repayment. This is true in India as well as other countries. Owing to natural calamities and other unforseen circumstances which could not be anticipated and provided against, the peasant may find himself unable to pay the interest and installments of the principal. Rigid enforcement of collection results in foreclosures and other consequences which may cause the peasant to be in a worse plight than he was when he took the loan. Although crop insurance would help insure repayment, under certain circumstances moratoria might be the only way of meeting the situation.

(e) Guidance in the use of loan: Probably the most important need is the expert guidance in the proper use of credit. Quite a large percentage of the peasants who need the loans are the ones who have not been very successful. So unless they are provided with expert counsel as to how much to borrow, and where and how to use the credit, there is little likelihood of their profiting from the loan.

Any satisfactory credit system, therefore, should meet the above requirements. Examining the cooperative credit system of India in the light of these objectives, we find that while it was easy and cheap, it was not sufficient in amount and the conditions of repayment were too rigid. Nor was there any provision for advice and counsel. There is no reason why, with state assistance, loans could not be ample or the conditions of repayment sufficiently flexible. However, it is doubtful if cooperative societies can make adequate provision for expert advice.

Moreover, however desirable it might be to foster cooperation among the peasantry as a means of education in self-help and democratic methods, in the immediate future, if we are to judge from the past record of cooperative societies, we should not pin too much faith on them. For a few years at least, it seems expedient to encourage private banks and other lending agencies. Perhaps it might be more desirable to establish State-cum-private banks, the state element to control abuse of monopoly position and private enterprise to infuse business efficiency. Every bank should have on its staff a well trained expert in local farming to give real advice to borrowers, after the manner of some banks and insurance companies in the United States. But since the main purpose of the expert will be to help the peasants, a part of his salary may be paid by the government.

However, the American practice of having many diverse agencies to meet needs of different types of credit should be guarded against. The keynote of all organizations in a country like India should be simplicity. When there are too many agencies offering credit for different purposes, it leads to unnecessary duplication, extra cost and wastage of time and energy. The Indian peasant, without any system

of cost-accounting, is not likely to reap anything but confusion from the distinction between long-term, intermediate and short-term credit.

Village banks might be created in each region, according to the local needs and requirements. A central bank in the region might be created to finance them, coordinate their policies and exercise proper supervision over them.

The central bank may also be either a state bank or state-cum-private. Whatever its organization, it would be desirable to have on its board of directors, representatives of the government, farm organizations and business men.

Land Tax Policy

We have seen that although the introduction of the sliding scale system has removed some of the worst features of the land tax (Land Revenue), yet the tax remains open to two serious objections.

(a) No distinction is made between the tenant and the peasant proprietor in the matter of taxation. Both have to pay the same rate of tax. This results in relatively greater hardship on the tenant who also has to pay the rent.

(b) The tax rests on the assumption that even the poorest cultivator makes a profit out of farming, which as we have seen is not really the case. While a non-farmer, if his income is below a certain minimum level, is exempted from paying the income tax, the farmer has to pay the land tax regardless of his income or loss. A large number of the cultivators derive only "negative income" from farming.

Both of these reasons make the land tax inequitable and contrary to the ability principle of taxation. While the peasant is able to pay the tax in years of good crops and high prices by stinting on his neces-

sities, in bad years he has no option but to borrow to pay the land tax. Therefore, it has been suggested that the land tax should be levied on the same principles as the income tax. It should provide for exemption from the land tax of those peasants whose incomes are below a certain minimum. This suggestion has been criticized, however, for various reasons:

(a) In a country like India where the majority of the people are small cultivators practicing more or less subsistence farming, such an exemption would mean a substantial decrease in the public revenue. In fact, it is argued that such a step would mean a complete unbalancing of the budgets of many provinces.

(b) It is contended that the peasant stands in quite a different position from that of persons who derive their income from other sources than land. It is claimed that land is the property of the nation and therefore the peasants must pay for the privilege of using national property for their private ends.

(c) Furthermore, it is asserted that every one should be taxed to make him realize the duties of citizenship so that he should take more active interest in public affairs.

Now it is true that Land Revenue forms a major source of income in many provinces. But the exemption of the poor peasants need not unbalance the budgets if the more prosperous people, who so far have somehow escaped the taxing authorities, can be made to pay their due share. In fact, it is time that some progression should be introduced in our land tax system. Moreover, taxing the subsistence of the poorer peasant does not really benefit the exchequer. For such a situation leads to the evils of indebtedness, malnutrition and gradual starvation,

which cause the government later to spend huge amounts. There does not seem to be any sense in first taxing the subsistence of the peasants and later spending millions to see that they do not die of famine and disease.

With regard to the second contention, that the poorest peasant must pay for the privilege of using the land, this would be proper if he makes a profit out of it. But under prevailing conditions, the use of land is actually a liability for a considerable number of peasants. Even if the argument be accepted unconditionally, there would be no justification for taxing the tenant. He already is paying rent for the privilege of using the land. Making him pay twice for that questionable privilege cannot be justified on any grounds of logic or ethics.

The third argument, that every one should be taxed to stimulate civic responsibility, sounds plausible. Actually it does not achieve its ostensible object. Anyway, it does not serve much purpose if the money thus obtained has to be expended again to improve the lot of those very people who have been taxed. Acceptance of the civic responsibility argument, furthermore, logically would require that all incomes should be taxed and there should be no exemptions from the income tax. It is very doubtful that those who advocate taxing the poorest peasant, would accept taxing every citizen no matter what the source of his income.

Thus it seems that there is considerable confusion about the working and purposes of land taxation. Examination of the above arguments shows that those who demand the continuation of the land tax in the present form do not desire to face facts. In no progressive country in the world is there any example of such a tax. Karl Brauer calls it the most primitive type of tax.[31] When leaders of India are urging

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[31] Karl Brauer, "Land Taxation", Encyclopedia of Social Sciences, Vol. IX, pp. 70-72

progress and reform in every sphere of life, it seems rather inconsistent to preserve a tax based on primitive ideas of public finance.

In other countries land taxation takes two forms. Either it is a tax on the revenue derived from land or it is a tax on the capital value of the land. The former has the disadvantage of leaving untaxed that land which yields no current returns, or taxing it insufficiently in times of rapid appreciation of land values.

The land value tax may be based on the capitalized value of the average annual yield, or the current market value of land. In the long run, it seems that the capitalized value of the average annual yield is a better index of taxable capacity. The current value of the land may fluctuate violently owing to extraneous considerations and may have no relation to the productivity of land. There are, however, two difficulties in this procedure. Firstly, it is often difficult to ascertain the net yield because of the natural hazards which accompany farming. Secondly, the selection of the proper rate of interest for capitalization is usually not an easy matter. However, in India where the rate of interest does not fluctuate so much it may not be a very serious difficulty. An income basis of land taxation can be administered fairly and without serious difficulty.

Whatever system may be finally adopted, it seems necessary to provide for exemptions below a certain income level. Should this mean a considerable strain on the budget, some other way must be found to balance the budget.

CHAPTER XII

SUMMARY AND CONCLUSIONS

Despite her rich vegetable and mineral resources, India suffers from grinding poverty. Her per capita income is one of the lowest, and her death rate one of the highest in the world. With about 87 per cent of her people living in the villages, and directly or indirectly dependent on agriculture, she has primarily a rural economy. The causes of her poverty, as well as the possibilities of her salvation, lie there. If India is able to put her rural economy in order, most of her trouble will disappear.

The causes of the ills of rural economy in India are of two types. One, those which are found in every predominantly agricultural economy. For example, drouth, hail, floods, blight and pests may bring failure of crops resulting in starvation and famine. Over these factors man has little control although recently, as the result of improvements in transportation, the severity of famines has been considerably reduced. Where large areas are very susceptible to natural hazards, this difficulty may be mitigated by crop insurance.

The second type of causes responsible for the poverty of the people includes those related to historical factors and conditions peculiar to the country. The following are the more important of these.

(a) Pressure of Population. The average density of population is 247 per square mile, considerably lower than that in England and other European countries. But in view of the low level of economic development and the lack of effective utilization of resources, this density results in an over-population situation that is pretty grim. The average span of life is one of the lowest, while infant mortality is one of the highest in the world. The standard of nutrition is anything but satisfactory.

(b) Small and Scattered Holdings. The unit of farming is not only small, but also split into small parcels scattered all over the village area. Eighty per cent of the holdings are ten acres or less, and about 60 per cent are under five acres. These holdings become smaller and smaller with every generation as the result of the law of inheritance which demands equal distribution of land among all the heirs. This situation, coupled with the lack of capital owing to the poverty of the peasant, makes farming inefficient and uneconomical.

(c) Inefficient Farming. The methods of cultivation are mostly primitive, with the result that crop yields compare very unfavorably with other countries. Farmyard manure commonly is used as fuel for want of other fuel, while bone meal is precluded because of religious sentiment. Artificial fertilizers are almost unknown. Where the peasant knows about them, they are beyond his means.

(d) Improper Utilization of Land. In addition to the small and scattered holdings which make farming inefficient, there is the system of land tenure which puts a premium on inefficiency. More than two-thirds of the cultivators are tenants of the rentier type of landlords, who do not take much interest in farming. The tenants have neither the funds nor the desire to make permanent improvements, the

benefits of which they may not enjoy. The landlord who hasthe capital for such improvements usually is not interested. This results in poor land use. Moreover, large areas are lost to cultivation as the result of soil erosion and water-logging. These have assumed alarming proportions in some areas.

(e) Inefficient Marketing. The peasant usually has to sell his produce to the village Bania. As a result of his monopolistic position and the ignorance of the peasant, the Bania is able to dictate prices. Even in the town market the odds are against the peasant. Owing to the lack of impartial grading and storage facilities, the peasant has to accept whatever price is offered to him. Furthermore, in addition to levying various unjust charges, the traders practice various frauds such as over-weighing, settling of prices under cover, and the same man acting as the agent for both the seller and buyer. With conditions as they are, the peasant usually does not get the full value of his produce.

(f) Heavy and Inequitable Taxation. The burden of the land tax not only is generally heavy, but it also is inequitable. In the case of the landlords the tax generally takes only a small fraction of net income, while the tax on the tenants may absorb the whole of the net income or even exceed it.

(g) Lack of Credit Facilities. By and large, the village moneylender is the only source of credit. Such credit has proved very costly. Once in debt, the peasant is likely to remain in debt. The moneylender not only charges a high rate of interest, but has a tendency to exploit the uneducated peasant through arithmetical jugglery.

(h) Too Many Animals. India has to support one-fourth of the world's livestock as well as one-fifth of the total human population.

To aggravate the situation, a large number of these animals are old and useless, while a majority of the remaining are weak and inefficient. Furthermore, the number of animals is the largest where the holdings are the smallest.

(i) Lack of Education. In the absence of education the peasant remains ignorant of the ways and the means through which he could improve his farming efficiency. The lack of education keeps him conservative, superstitious and a believer in Kismet or Fate. He accepts the natural course of events as sacred and makes very little effort to improve his lot. A slave of custom, tradition and pseudo-religion, he over-spends on various social and religious celebrations and gets into difficulties.

Various efforts have been made to deal with some of these problems. For example, the Consolidation of Holdings Act has been enacted to help the landowners combine their separate parcels into one compact plot. Better methods of farming have been publicized through the Departments of Agriculture, Cooperation and Rural Reconstruction. Tenancy laws have been enacted to deal with some of the glaring evils of tenant farming, as well as to insure better utilization of the land. Through the Land Reclamation Department efforts have been made to prevent soil erosion and water-logging. Marketing laws have been passed to provide better control over markets and prevent current abuses. Through the introduction of a sliding scale system in land taxation, attempts have been made to make the land tax elastic as well as more equitable. Cooperative credit societies have been formed to supply cheap and easy credit to the peasant. In certain areas compulsory

primary education either has been introduced or is being proposed. Research has also been going on to improve the breeds of animals, both milch and draught.

Yet, despite the fact that most of these measures have been in operation for a considerable period of time, not much headway has been made. There are many explanations. Foreign government, lack of proper leadership and education, unfriendly nature and the social milieu have been blamed for lack of progress. But the more important reason seems to be that most of these measures have been in the nature of palliatives or temporary expedients, and therefore have failed to remove the basic weaknesses of the economy. Furthermore, the fact that no substantial results can be obtained without concerted and co-ordinated attack on all the different aspects of life, seems to have been overlooked.

Thus it would seem that an effective program must not be haphazard or sporadic, but must aim at removing the basic weaknesses which are responsible for the degrading poverty in rural India. In this connection there seem to be two alternative courses of action, viz. (a) a completely planned economy and (b) regulated laissez-faire. The former implies comprehensive.centralized, bureaucratic control over the whole economic system. This usually results in many abuses and cannot be accepted by a democratic society which prizes the freedom and independence of its members. Therefore, the only choice seems to be regulated laissez-faire. Complete laissez-faire cannot be accepted, for as it actually works in life, it has the tendency to breed monopoly power and bring about violent business fluctuations.

In the matter of the regulation of the economy, however, it must be remembered that power has the tendency to accrete on itself and

bring about abuses. So it would be desirable not to add economic power to the political power which the state already wields. Thus it would be well to entrust the regulation of economic life to an independent non-governmental commission. The function of this commission would be to coordinate and integrate the working of the different sectors of the economy, generally through advisory measures. In the event of an impending crisis, however, the commission will have the power to recommend compulsory measures which the parliament might adopt.

The major line of attack on the part of the commission would be through long-term policies which will serve as pointers to the private as well as state enterprises. These long-term policies, of necessity, must deal with the basic problems of the economy.

The basic problems of rural economy that require solution are, (a) lack of education, (b) pressure of population, (c) lack of industrialization, (d) improper and inadequate use of land, and (e) low and fluctuating returns.

Without education the people not only do not understand the causes of their troubles, but also cannot adopt any effective measures to deal with them. Education seems to be a basic requirement for all progress. In view of the present situation where only 12 per cent of the people can read or write, nothing short of a crusade will serve to bring about tangible results. Money and effort on education will be well spent. Less money would need to be spent on other things which, in the absence of general education, assume tremendous proportions. Since war on illiteracy is of as vital importance as war against an aggressor, the crusade against ignorance may be financed in the same way as war. For a couple of years it might be necessary

to draft college graduates and under-graduatesin the same way as some governments draft young men for compulsory military training. To develop an adult education program it may be possible to requisition the services of teachers during the long vacations which may be arranged to synchronize with the slack seasons of farming. Building of an adequate agricultural extension service would be very necessary. For a few years the quality of education may have to be sacrificed in order to educate the masses. Therefore, some temporary relaxations of requirements in the matter of buildings, equipment, and teaching personnel will be necessary. More emphasis on the education of women is needed. For upon them depends largely the bringing up of the future generations.

After education, the next important thing is to check the growth of population. For no efforts at improving the situation can assure significant and lasting results, if increased productivity is more than neutralized by the rapid growth of population. It seems that along with education, a crusade is necessary for a birth control movement. Educational machinery can be used for this purpose. But knowledge alone would not be sufficient. Equipment and facilities will have to be provided on an adequate scale. Contrary to the general belief, Indian tradition is not opposed to birth restrictions. Brahmacharya, voluntary abortions, prolonged lactation, infanticide and periodic tabcos on sexual intercourse have been quite common. But there is a need of more positive measures. It is necessary to prohibit polygyny and encourage urbanization. Compulsory education and social security measures will also discourage people from having too many children. The former would prevent the child from working and he would no longer be a source of income. Social security measures will make the aged

parents less dependent on their children and therefore reduce the desire or the necessity of having many children. Raising the age of marriage seems to be psychologically and physiologically undesirable.

Industrialization is essential from the point of view of national defence and a balanced economy. But the move to ruralize industry seems to be unwise. Such village industries are likely to be less efficient and therefore are not likely to stand the competition of large scale industry. Moreover, it will not solve the problem of over-crowded rural areas. The assumption that rural life is inherently beautiful is open to question. However, while building up large scale industries it will be necessary to prevent the evils associated with industrialization in the past. Fortunately, with improvement and advance in technology this will be possible. Still, it will be necessary to guard against the abuses of monopoly as well as the dangers of business depressions. For this purpose it will be imperative to provide for some intelligent control and checks on the growth of industry. This may be achieved through a central commission, representative of different interests, which will try to coordinate and integrate different sectors of the economy. To avoid the unhealthy state control over the whole economic life of the country, such a commission will have to be free from governmental control.

To ensure better land utilization it seems necessary to bring about more far reaching changes in the systems of farming as well as systems of land tenure. However, every one of the various proposals, such as collective farming, cooperative cultivation, joint farming and managerial farming, have their merits and demerits. Before any of

these is adopted on a large scale it should be tested on an experimental basis. A revolutionary change should not be introduced before we know exactly what the new system has to offer. The new system must be tested under all the limitations and imperfections of village life to prove its worth. It is no use making the experiment under ideal conditions for finally it is the average or even below average conditions that have to be tackled. Perhaps, as the result of the actual experiments, it may be found desirable to have different systems in different parts of the country. It will not be desirable to liquidate the landlord system until we are clear as to what would be the more desirable substitute. A change in the law of inheritance might wait similarly until there is a consensus about the new system of farming that might be adopted. In the meanwhile all efforts will have to be concentrated on increased productivity through better farming. The peasant can be educated in this respect through a well-organized extension service.

To stabilize returns to the peasant, some form of crop insurance program should be provided to counteract natural hazards, at least in those areas which are particularly susceptible. Furthermore, it is essential to improve marketing conditions through provisions for better price information, impartial grading and standardization of the produce, and adequate warehouse and storage facilities. Stabilization of the income of the peasant through support or forward prices does not seem either feasible or desirable. However, in times of general depression, subsidies to peasants may be necessary to assure the production of the necessities of life and also to provide a fillip to economic revival. The needs of credit will have to be met through a satisfactory state-cum-private banking system. However, what the peasant needs more than credit is proper advice and counsel as to how to make the best use of

credit. The land tax needs to be made more flexible and equitable. For this purpose exemption may be granted to those peasants whose incomes are below a certain minimum. Loss to the treasury may be reimbursed by making the tax structure more progressive. It is time that the more prosperous section, which so far has successfully evaded the exchequer, be asked to contribute its due share to the cost of government.

It will be seen that this study does not offer any magical or revolutionary cure for the poverty of rural India. It is because sudden and revolutionary changes seldom achieve their purpose. Those who hope, or propose, to achieve miracles seem to overlook the lessons of history. India would do well to profit by the experience of others and build her economy on more sure or stable footing. Of course that will take time. But it seems that on the whole evolutionary progress has more in its favor than the revolutionary methods.

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