

PLANNED ECONOMY FOR INDIA

BY

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PLANNED ECONOMY FOR INDIA

PREFACE TO SECOND EDITION.

As copies of the first edition of this book which was published in December 1934 have been sold out, a reprint of the same has become necessary to meet an existing demand. It is too soon even for statistics to need revision. Advantage has, however, been taken of the occasion to enlarge the Index and reprint the book in the form of a popular edition to reach a wider circle of readers.

M. V.

1st March 1936.

PREFACE.

IN this volume an attempt is made to present a brief but comprehensive view of the Indian situation in its economic aspects and to urge, in respect of the problems before the country, the adoption of certain courageous solutions based on recent world experience.

A larger aim is to suggest the creation of opportunities and a course of action calculated to so strengthen the Indian in the business sphere that he may, within the shortest period possible, become, man for man, as capable a citizen, as strong a national and as broad-minded an international, as his compeer in America, Europe or Japan.

The first step in this process is self-examination, that is, a survey and analysis of local conditions in India and a comparative study of the same with those of her prosperous contemporaries. I have preferred an objective treatment of the Indian problem in this manner because it seemed to me the best way to impress the need for immediate action. The Statistical Tables, given at the end of the book, have been specially prepared for this purpose. A periodical self-examination like this is always beneficial to the moral health of any nation, and it will be particularly so, in the case of India in her present low economic position.

The prolonged delay in constitution-framing and the absence of any move to grapple with the unemployment problem and other accumulated ills have intensified public anxiety in regard to the country's future. A cursory glance at the Tables is enough to convince the reader that the existing economic organization has failed us badly and that a modern and appropriate organization, modelled after the Economic Councils operating in European countries, is urgently needed.

There have been no reasoned policies, no plan, no programme in the past to improve the income and wealth of the people. A Ten-Year Plan is, therefore, suggested to cope with the situation and to carry out speedily many long-delayed reforms and developments.

Both the organization and plan recommended are based on recent experience and they can be put in hand at once with a feeling of certainty that, under any reformed constitution, that may come into existence later, they will be pushed forward with accelerated speed.

The country is in a position to-day—as it never was before—to advance to the front at a bound. The people have most of the facilities required for a big step forward. Enormous numbers of trained men and huge masses of uneducated population are waiting

by the roadside to be picked up, drilled and put to work to increase production and service.

An immediate beginning on the lines of the plan and organization will be most helpful to deal with the unemployment and other urgent problems and to relieve distress. Since the Government of India appear to be thinking actively in the same direction for some time now, though they have not been able to reach any practical decisions yet, it is hoped prompt action will be taken to set the Government machinery in motion and put in hand the first year's work of the Ten-Year Plan.

There should be no hesitation to proceed with the plan on the score of lack of funds. Where a nation's prosperity is so closely concerned, money should be found somehow—by borrowing, if necessary. The credit of the Government of India, which is also the credit of the people, is sufficiently high and the country is entitled to use all its potential resources for carrying out such a Plan. No leading modern nation has reached its present prosperous position without being in debt during all the time it was building up its assets or wealth.

It is hoped Government will co-operate with the people and, between them both, provide all the cash and credit and man-power and machine-power needed for *reconstruction* and *recovery*. If, however, they show no inclination to make a start, it is up to the leaders and representatives of the people to concentrate attention on such of the measures recommended as may be immediately practicable, and take vigorous action to influence government policies on the one side and stimulate private effort on the other.

A public statement by recognized leaders either of approval of the proposals urged in this book, or of any alternative recommendations, will go a long way to stop the conflict of views and waste of effort now going on in so many fields of economic endeavour. In the former case, the way to practical action will be clear. But in the latter, the action to follow may be determined at a conference of acknowledged leaders convened for the purpose.

The book is based on information and ideas gathered during repeated visits to Europe, America and Japan, undertaken mainly with the object of studying how best the interests of a backward country like India could be furthered under the complex conditions of present-day civilization.

In preparing portions of the book, I have kept in view the requirements of the general reader, the political thinker and the business man, who may care to use it for purposes of reference. The figures in the Tables and the text have been checked and rechecked so as to run no risk of overstating the case.

I have had the advantage of exchanging views on the problems dealt with in the book with a large number of representative men in the front rank of business and politics. The views expressed in my own speeches and publications within the past two or three years have been freely drawn upon and I also wish to place on record my deep appreciation of the kindness of friends who read the manuscript as it was being sent to the press.

M. V.

TABLE OF CONTENTS.

GENERAL PLAN.

CHAPTER.		PAGE.
	PART I. ECONOMIC SURVEY.	
I.	INDIA IN A PROGRESSIVE WORLD	3
II.	INDIA COMPARED WITH ADVANCED NATIONS ..	9
III.	AGRICULTURE	21
IV.	INDUSTRIES	37
V.	DEVELOPMENT OF INDUSTRIES	60
VI.	TRANSPORT AND POWER SUPPLY	73
VII.	TRADE AND COMMERCE	89
VIII.	TRADE DEPRESSION AND TARIFFS	99
IX.	FINANCE	108
X.	CURRENCY, BANKING, ETC.	122
	PART II. RECONSTRUCTION.	
XI.	DEFICIENCIES AND REMEDIES	137
XII.	ADMINISTRATIVE AND BUSINESS POLICIES ..	148
XIII.	TRAINING FOR BUSINESS LIFE AND CITIZENSHIP	165
XIV.	A TEN-YEAR PLAN FOR INDIA : ORGAN- IZATION	178
XV.	A TEN-YEAR PLAN FOR INDIA : PLAN AND PROGRAMME	186
XVI.	FIVE-YEAR PLANS FOR PROVINCES AND STATES	200
XVII.	CURE FOR UNEMPLOYMENT	212
XVIII.	REBUILDING THE ECONOMIC LIFE	223
XIX.	A NEW OUTLOOK	234
XX.	A SELF-DEVELOPING INDIA	244
	APPENDIX	259
	INDEX	289

PART I. ECONOMIC SURVEY.

CHAPTER.	PAGE.
I. INDIA IN A PROGRESSIVE WORLD	3
World Changes—India under a Double Disability— Two Fundamental Measures—Survey, Analysis, Com- parison, Self-Examination—An All-India Economic Organization—Lessons from Progressive Countries—A Ten-Year Plan—Scheme of the Work.	
II. INDIA COMPARED WITH ADVANCED NATIONS	9
Inadequacy of Indian Statistics—Vital Statistics— Population Gainfully Employed—Education—Produc- tion—Trade—Transport and Communications—Fin- ances—Defence—Output of Work—Income, Assets, etc.	
III. AGRICULTURE	21
Agricultural Data—Defects in Rural Areas—Agri- cultural Improvements Ordinarily Attempted—Occu- pations Associated with Agriculture—Agricultural Organization—New Developments in Agriculture— Training the Rural Population—The Problem in a Nutshell.	
IV. INDUSTRIES	37
Importance of Industries—Industrial Survey—Three Classes of Industries—Leading Industries and Manu- factures—Industrial Structure : Main Requirements ; Subsidiary Requirements.	
V. DEVELOPMENT OF INDUSTRIES	60
Management of Industries—Recent Industrial Trends—Facilities given in Progressive Countries— Need for a Bold Policy.	
VI. TRANSPORT AND POWER SUPPLY	73
Population and Transport—Roads—Railways and Tramways—Shipping—Air Transport—Posts and Tele- graphs, Telephones and Radio—Power Supply—Future Programme.	
VII. TRADE AND COMMERCE	89
Review of World and Indian Trade—Exports— Imports—Inland Trade—Sea-borne Trade.	
VIII. TRADE DEPRESSION AND TARIFFS	99
India and the Trade Depression—Trade Organization and Requirements—Need for a Network of Commercial Intelligence Offices Abroad—Chambers of Commerce and Trade Associations—Joint-Stock Companies—Exhi- bitions of Commercial Products, etc.—Reshaping Uni- versity Ideals—Importance of Statistics—Trade Agree- ments with Empire Countries.	
IX. FINANCE	108
Dependency Status of India and its Effect on its Finances—Budgets and Financial Position—Revenue and Taxation—Public Debt—Foreign Investments in India—National Income, Wealth and Indebtedness— Future Federal Budget.	

TABLE OF CONTENTS

xi

CHAPTER.	PAGE.
X. CURRENCY, BANKING, ETC.	122
Exchange and Currency Policies—The 18d. Ratio— Pegging the Rupee to Sterling and Its Results—Cur- rency Reserves—Gold Imports, Exports, Stocks and Production—World Monetary Conference—Banking— The Imperial Bank of India—The Exchange Banks in India—The Reserve Bank Scheme—Indigenous Banks— Co-operative Banking—Insurance—Competition of For- eign Companies—Importance of Insurance—Joint- Stock Companies—British Companies Operating in the Country.	

PART II. RECONSTRUCTION.

XI. DEFICIENCIES AND REMEDIES	137
Effects of Dependency Rule—The Country's Econo- mic Plight—Some Urgent Needs—Lines of Future Advance—Planned Economy.	
XII. ADMINISTRATIVE AND BUSINESS POLICIES	148
Administrative Policies—Industrialism and National- ism—The State and Industries—Conflict between British and Indian Interests—Constitutional Reforms— Need for Political Compromise—Business Policies— Forms of Business Functioning—Capitalism and Social- ism—Capital and Labour—Mechanization and Mass Production.	
XIII. TRAINING FOR BUSINESS LIFE AND CITIZENSHIP	165
The Building up of a Nation—Training for National Efficiency—Training for Individual Efficiency—Rules for Citizen Efficiency.	
XIV. A TEN-YEAR PLAN FOR INDIA : ORGANIZATION	178
The Nature and Object of Plan—Economic Organ- ization—Central Economic Council—Central Develop- ment Department—General Economic Staff—Provincial Economic Councils—Local Economic Councils—Res- ponsibility for Execution of Work.	
XV. A TEN-YEAR PLAN FOR INDIA : PLAN AND PROGRAMME	186
Criteria of Progress—Main Developments under the Plan—Seven Departmental Schemes—Schedule of Pro- jected Developments—Finance—Statistics, Reviews and Record.	
XVI. FIVE-YEAR PLANS FOR PROVINCES AND STATES	200
Main Policy of an All-India Plan—A Provincial Plan for the Bombay Presidency—Special Characteristics of Bombay Presidency—Scope for Future Advance— Mechanism of Development—Schedule of Projected Developments—Economic Planning for Indian States— Political Conditions in States—Characteristics of States—Organization—Mechanism of Development— Conditions of Success.	

CHAPTER.	PAGE.
XVII. CURE FOR UNEMPLOYMENT	212
Magnitude of the Problem—Government Attitude— True Causes of Unemployment—The Remedy—Organ- ization—Funds—Need for Business Training—Two Examples—Concluding Remarks.	
XVIII. REBUILDING THE ECONOMIC LIFE	223
The Fundamental Issue—Results of Dependency Rule—Solution of the Problem—True Responsible Government—Concessions to Great Britain—Organizing a Ten-Year Plan—Ten Urgent Requirements—Separate Appraisalment of Indian Interests—Nation-Building.	
XIX. A NEW OUTLOOK	234
India's Problem Essentially Industrial—Govern- ment Still Hesitating—The Example of Other Coun- tries—Fundamental Prerequisites of Plan—Financing the Ten-Year Plan—The Making of an Immediate Beginning.	
XX. A SELF-DEVELOPING INDIA	244
The Principal Suggestions Restated—In a Misleading Atmosphere—Nation-Building—India Self-Sufficient and Self-Improving—If Britain Helped—The People and the Work before Them—Picture of a Recon- structed India.	
APPENDIX	259
INDEX	289

PART I
ECONOMIC SURVEY

CHAPTER I.

INDIA IN A PROGRESSIVE WORLD.

World Changes—India under a Double Disability—Two Fundamental Measures—Survey, Analysis, Comparison, Self-Examination—An All-India Economic Organization—Lessons from Progressive Countries—A Ten-Year Plan—Scheme of the Work.

WORLD CHANGES.

WE are living in a rapidly changing world. There have been greater and more rapid changes within the past 40 years than were witnessed in the previous 300 years. This is due partly to the many remarkable scientific discoveries and mechanical inventions to which this new era has given birth and partly to the World War from the effects of which we are not still free.

In the political sphere the principal change has been the constitution of a League of Nations which originated with the Treaty of Versailles in 1920. The League is intended to bring the States and the peoples of the world closer together into one Commonwealth of Nations and to regulate their political and economic relations in conformity with the common advantage and safety of mankind.

For well-known reasons the League is at the present time merely an advisory body and has little power to enforce its decisions. It is said Geneva discusses much and concludes nothing. But as the League was created to promote the permanent interests of humanity, it may be confidently hoped that it will grow in popularity as its aims become more widely known and appreciated, and that a World-State with real authority to enforce international co-operation will come into being in the fulness of time.

In the business world, mechanization and mass production methods are making rapid advance and the capacity of manufacturing and farm establishments to produce commodities has increased on a scale which could not have been thought possible a generation ago. At the present time the producing power among industrial nations is said to be about 50 per cent. in excess of the purchasing power of the consuming populations of the world. If some method of securing an equitable balance between production and purchasing power can be devised, the living conditions for the average citizen are likely to undergo a radical change, his working hours may be reduced, his drudgery minimised and sufficient leisure found for him for culture and recreation. But although the attention of the thinking public has been drawn

to this question, no formula has yet been devised to secure this much-needed balance.

The world has undergone and is still undergoing great changes in economic structure and outlook. Amidst these world conditions, a disquieting change that is taking place in India is the rapid growth of population without a corresponding rise in production or income.

The changes referred to are having a far-reaching effect on the welfare of the world population as well as that of India. They have to be closely watched and the affairs of every country suitably adjusted to them from time to time in the interests of the local population. Such adjustments are taking place in every progressive country but so far as India is concerned there is no move in that direction. The Government always put on a complacent mood whenever they speak of the economic condition of the people, while even a casual enquiry is enough to reveal a tragic state of things—ignorance, inefficiency, dependence and a poverty which has no parallel in Western countries.

INDIA UNDER A DOUBLE DISABILITY.

Trade depression and economic losses have, for the past four or five years, afflicted India in common with the rest of the civilized world. The population, insufficiently employed even in normal times, is experiencing acute distress at the present moment, owing to the phenomenal fall in prices and loss of purchasing power.

India is thus suffering at present from a double disability from which she has got to be rescued. The countries of Europe and America are experiencing a temporary loss of efficiency through trade depression and monetary disorders, but India, under her non-modern economic order, is in a state of decay or partial paralysis, and if any redress is to come to her, her entire economic and political structure requires to be remodelled. While, comparatively speaking, the States of Europe and America are concerned only with *recovery* from a temporary depression, India has need of *reconstruction* of her entire political and economic life.

TWO FUNDAMENTAL MEASURES.

Since the close of the War, two measures or developments are becoming popular among nations keen on rapid economic advance. One is the establishment of a special Economic Organization, and the other, a national Economic Plan, the object of both being to accelerate reforms and speed up developments which are in arrears. These two measures form the basis of the constructive scheme projected in this book.

SURVEY, ANALYSIS, COMPARISON, SELF-EXAMINATION.

Indian economic problems are under constant discussion in the press, in the central and provincial legislatures and elsewhere, but they are usually dealt with as isolated themes from a variety of standpoints often lacking sense of proportion, and often also militating against the permanent interests of the Indian nation as a whole. Their treatment is without the background of a connected complete picture. An attempt is made in this book to provide this background and explain matters in their right relation to enable the Indian reader to realize the true position occupied by his country in the business world and his own place in the scheme of things.

It is the duty of every people and their government at regular intervals to take stock in this way of such economic factors as assets, income, occupations, business activities, equipment and education, in order to obtain an idea of how their country is faring as compared with other progressive countries, what resources are within reach for further betterment and how they may best be mobilised for the purpose.

The Statistical Tables are intended to show how India stands as compared with some of the more advanced countries in economic activity and achievement. The comparisons made are admittedly not under identical conditions in all cases; and in dealing with so wide a range of figures, it is impossible to claim that their appositeness and accuracy are in all cases above cavil. Notwithstanding this, it will be seen that they turn the light of truth on many aspects of the economic situation not hitherto correctly appraised and point to some very striking conclusions.

The survey in the first part of the book, taken along with the Statistical Tables, brings into relief nearly all the important problems in the economic field which are a source of anxiety and concern to the Indian public at the present time. Defects have been located, causes traced, resources brought to notice, so that the reader may realize precisely what has gone wrong with this old country of ours, what remedies are called for and what readjustments are possible and necessary for strengthening and safeguarding the country's economic future.

AN ALL-INDIA ECONOMIC ORGANIZATION.

India has long been at a disadvantage on account of her position as a Dependency of Great Britain. The rule from that distant island, being akin to that of an absentee landlord, has taken away from the people some of their natural functions, some of the duties and services which they owe to themselves and their fellowmen, almost all the privileges connected with the initiation and control of high policies and the planning and regulation of their own economic order. By keeping the people ignorant and

by reducing their opportunities for work and initiative, the present administrative system has increased their dependence on foreign countries for many of the commodities which require technical knowledge and manual skill for their manufacture.

India has a population which is about seven and a half times that of the United Kingdom and three times that of the United States of America. Given the opportunity, the Indian population should be able to produce goods and services commensurate in some measure with the country's large size and vast resources. If the people are properly equipped with machinery and technical skill and taught to work regular hours and transact business under a modern organization—there is no reason why they should not and there is evidence available that they can—the productive power generated would be colossal. But the average Indian, as the survey will reveal, is ill-fed, untrained, undisciplined, while nine-tenths or more of the total population of India is illiterate. There is no organization to remedy this state of things, none to see that the enormous human energy in the country is mobilised and put to work. The public policies, not being directed by the people themselves, are not adapted to the eradication of these permanent disabilities and the result is an appalling waste of man power.

There should be some one interested in the economic progress of the people, some agency to study their deficiencies and wants, some thinking centre to mould their thoughts and shape their future destinies. It is suggested that one such should be brought into existence, by creating an all-India organization made up of a Central Economic Council, predominantly unofficial, working in close association with a Development Department of the Government of India, Provincial Economic Councils in similar relation with the Provincial Governments, and Local Economic Councils distributed at the rate of one at least for every city and district.

If it is decided to bring order into our economic system, there is no lack of outside experience to guide us. Within the past fifty years, countries like the United States of America, Canada, Japan and Sweden have worked tirelessly to develop their material resources, to stimulate industry and trade and to wrest wealth and power, in some cases, from very unpromising surroundings. The author has had opportunities of discussing with the leading statesmen, economists and business men of those countries, the more pressing economic world problems in relation to their own country as well as India. The experience of the countries named will, if utilized, be of immeasurable value in any attempt to rebuild life and polity in this country.

LESSONS FROM PROGRESSIVE COUNTRIES.

The creation of an economic organization or agency to work out many much-needed developments and make up for lost opportunities will itself be a notable departure from administrative

traditions. The first duty of this organization should be to survey, analyse and carry on a comparative study of the economic conditions in India with those of the leading progressive countries of the world. Such an investigation would reveal the deficiencies and wants under which the country is labouring, suggest remedies and developments that are within reach and draw attention to resources wherewith to meet them. The comparative study would also suggest many new policies, measures and practices which have helped those countries in the past and which may be relied on to help India in her long wished-for rapid advance.

A TEN-YEAR PLAN.

The next step which the economic agency referred to should help government to take is the preparation of an Economic Plan—say, a Five-Year or a Ten-Year Plan—for dealing with the accumulated deficiencies and wants. Such a plan is usually prepared by a small Commission consisting of economists, tried administrators and leading business men specially qualified for the work. The essential characteristics of the plan needed are outlined in Part II of this book.

It is proposed under the Plan to bring all economic problems of India into one conspectus; to prepare an analysis of Indian conditions and examine how they stand in relation to foreign countries; to concentrate attention on increasing production and the use of modern tools and machinery; to obtain for this work all the guidance that can be had from foreign experience; to mobilize the country's resources in men and money to give effect to the plan; to review progress periodically and maintain a record from year to year. Such, in brief, are the objects of the plan. The Indian plan should avoid *communistic* tendencies; its basic policy should be to encourage collective effort without interfering with individual initiative. The developments should be more on the lines followed in the United States of America and in Turkey.

The plan is capable of being put into immediate operation, if the Government and the people agree to work it and are prepared to make the necessary sacrifices demanded in their respective spheres.

If the other measure, the economic organization brought into being for working out such a plan, is able to give results at a reasonable pace in these directions, it will automatically provide the mechanism for self-help and initiative needed for many other purposes in future and set free the imprisoned creative power of the people. In this way, the nation will be enabled to develop into a self-sufficient and self-improving organism.

SCHEME OF THE WORK.

Though the masses still continue to believe in *Kismet* and *Karma*, there is a general awakening in the country. A new spirit