

# RECONSTRUCTING INDIA

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BY

SIR M. VISVESVARAYA

K.C.I.E., M.INST.C.E.

Lately Dewan of Mysore,  
Formerly Superintending Engineer and Sanitary Engineer to,  
Government, Bombay. Sometime Special Consulting  
Engineer, Hyderabad State

LONDON

P. S. KING & SON, LTD  
ORCHARD HOUSE, WESTMINSTER

1920

FIRST PUBLISHED 1920  
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## PREFACE

IN view of the extensive changes which are now being made under the new Government of India Act, it is necessary to study Indian political, economic and social problems in a new light.

It is the spirit and intention of the Act to prepare the country for full responsible government, and it should certainly be the endeavour of the people to remove at once every stumbling block from their path and to take the most complete advantage of this new opportunity.

The Indian mind needs to be familiarized with the principles of modern progress, a universal impulse for inquiry and enterprise awakened, and earnest thinking and effort promoted. By these and other means a new type of Indian citizenship—pur-



poseful, progressive, and self-respecting—should be created, and a self-reliant nationhood developed.

'This' book seeks to indicate, however imperfectly, the avenues towards reconstruction now open. It attempts, in a constructive spirit, to outline a scheme of true national life, and for the high task of achievement invites co-operation from all parties.

The author may claim some measure of administrative experience, as he has spent many years in the service of the British Government in India and in leading Indian States. He has, on several occasions, travelled outside India for the purpose of obtaining first-hand knowledge of world conditions and problems.

The book has had to be written whilst away from home and under other difficulties. The author is indebted to several friends and assistants for material help in its preparation.

M. VISVESVARAYA.

LONDON,

10th October, 1920.

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## CHAPTER I

### THE INDIAN PROBLEM

THE Great War subjected all countries to a severe test, revealed weaknesses in the political, social and industrial structure, previously unsuspected, and forced statesmen to undertake reconstruction on a comprehensive scale.

The first place in all programmes of reconstruction has necessarily been assigned to the repair of ravages wrought by war and the conversion of war machinery to productive use. Next has come the strengthening of national defence. Then have followed measures for increasing production, especially of manufactures and shipping, and the extension of foreign commerce, particularly the export of manufactured goods. Great emphasis has also been placed on the importance of extending

education, and on the necessity of improving social conditions and raising the standard of living among the labouring classes.

India, happily, has had no devastated cities to reconstruct, no ruined homesteads to restore, and no sunken ships to replace. Her problem of demobilization has been comparatively small. She has, however, incurred for the first time a heavy unproductive debt, and has had to face the problem of high prices and food scarcity.

Reconstruction on an extensive scale is more urgently needed in India than in other countries, because political, social and economic developments have been insufficiently considered for many years past, and because, in consequence of such neglect, the standard of living has reached a level far below the minimum recognized in civilized communities as necessary for decent existence.

The Japanese Government fifty years ago undertook a comprehensive programme of reconstruction. The lead then given is still being vigorously followed. As a result, life in Japan to-day is one sustained effort toward self-improvement, and already the

average standard of earning there is three to four times what it is in India.

As a dependency, India has had no reconstruction programme. She is, therefore, called upon now to begin much of the work which Japan has already successfully accomplished. She has to rebuild a structure dilapidated by the neglect of ordinary repairs.

One of the greatest deficiencies which India has to make up is her lack of facilities for securing education. To-day, three villages out of every four are without a school-house, and about 30,000,000 children of school-going age are growing up without any instruction. The officials have been so opposed to compulsory education that, until quite recently, they were disinclined even to permit municipalities willing to bear the cost to introduce such a system. No wonder that barely seven per cent. of the Indian population can read and write, whereas in progressive countries eighty to ninety per cent. of the population is literate.

The universities are utterly inadequate in number for so large and populous a

country, and fall far short of modern requirements in equipment. The provision for technical and commercial education is meagre in the extreme.

Lack of liberality in this respect, and absence of official encouragement of indigenous enterprises, have kept Indians from developing new and expanding old industries and extending commerce. At the same time, the world competition has made it impossible for the indigenous industries to thrive. Indians have, therefore, been driven more and more to the land.

Nearly three-fourths of the population is solely dependent upon agriculture, which, owing to poverty and lack of education, is still conducted with crude, old-fashioned methods and implements, and without any scientific attempt to renew the fertility of the exhausted soil. The yield per acre is small, and the farmer is able barely to eke out a miserable existence. In spite of these chronic conditions, no provision has been made to enable the rural population to find profitable work by developing agricultural or cottage industries. This

is especially to be deplored, because farming operations in India occupy only six or seven months out of the year.

The development of the natural resources of the country has been restricted because Indian directing energy has not been given free scope, and British direction available in India has been limited. Had Indians received support and encouragement from Government, they, with their old skill at handicrafts, might have produced manufactured goods at a rate that would have made them formidable competitors in the modern industrial world.

Substantial success in trade and commerce is impossible to-day without large capital and combines. In the United Kingdom, such combinations are encouraged, and assisted by Government. In India, on the contrary, they are regarded as a menace to British trade and, therefore, to British supremacy, and discouraged.

Industry is even penalized. Excise duty is, for instance, imposed upon cotton manufactures. Canada taxes all imported goods; 15 per cent. on cotton goods from the



United Kingdom and 22 to 23 per cent. on those from the United States. The duty is put on with the express intention of protecting the Canadian manufacturer from foreign competition.

In India, on the other hand, not only are cotton goods imported practically free, but the government actually imposes an excise duty on the products of the local mills to enable the British manufactures to compete successfully with them. Nowhere else in the world would such an obvious attempt to handicap industry be tolerated.

Indians engaged in trade and commerce in foreign countries have no financial or political backing, and foreign intercourse is discouraged. Shipping, as an industry, has practically died out.

The cumulative effect of these policies upon the economic condition of the people has been most deplorable. An unskilled labourer in the United States or Canada earns more in a week than the Indian worker earns in a whole year. The estimated average wealth of the Indian population is less than one-twentieth of the

corresponding average for the United Kingdom, and about one-thirtieth of that for the United States. And yet the 325,000,000 of Indians have not only to feed and clothe themselves, but also to support one of the costliest administrations in the world.

The low output of production in India is mainly due to the fact that men and women are engaged in a lower order of occupations there than in other lands. The higher occupations are under non-Indian control. While careers are open to Britons at home and abroad, wherever they may choose to carry on their life work, Indians find the doors of opportunity closed to them in their motherland, and are not welcomed even as labourers in civilized countries.

The present system of governance aims at preserving order rather than ensuring progress. Peace and security are maintained, moreover, by autocratic methods, and the activities of the people are restricted and their national growth stunted in the process. Again and again, during recent years, antiquated regulations have

been employed to deprive Indians of liberty without charge or trial, and, not satisfied with these drastic powers, the administration, during the last decade, has armed itself with legislation enabling it to interfere with freedom of press, speech and movement in a manner unknown in any civilized country.

The people themselves are, as a rule, passive and unaggressive. They are guided rather by the opinion of the caste or community than by a common national standard of life, thought and work, by centuries-old traditions and superstitions rather than by the collective experience of the modern world. Foreign travel is interdicted. Through leaning on others, large numbers of people have become reduced to social parasites.

The existence in India of millions of persons of the depressed classes, whose very touch is considered pollution by the caste people, is to be condemned on humanitarian as well as economic grounds.

The backwardness of women's education, and the restriction of their employment to

domestic duties and, among the agricultural classes, to casual field work, without their being given any recognized status or reward, is also holding back the country. It is inevitable that where such a large proportion of the population is kept unemployed or partially employed, or engaged in inferior poorly paid occupations, the *per capita* production should be very small, and the efficiency and prosperity of the nation, as a whole, very low.

The social customs of India promote a fairly rapid growth of population. Early marriage is the rule, and children are born into a world in which no provision has been made for their maintenance. In a country like Norway, where people marry at about 25, the rate of increase of population is slow, and it is, therefore, possible to maintain a high standard of living. India has still to learn that it is better to have a small, well-trained, prosperous population, than to have millions of half-starved, inefficient people retarding the progress of the country by their dead weight.

Hope is to be derived, however, from the fact that India possesses potential energy of unparalleled magnitude. Her greatest asset is the inherent intelligence of the people. Though relatively to the total population the percentage of illiteracy is appallingly large, yet the aggregate volume of literacy compares very favourably with that to be found in European countries, not excepting the United Kingdom itself. As many, or more, children are attending educational institutions in India as in the United Kingdom. There are more undergraduates in the eight Indian universities than there are in all the universities of the United Kingdom.

Under favourable conditions, with steadfast perseverance in a settled national policy, and by the introduction of science, modern machinery, and up-to-date business methods, the production of the country from agriculture and manufactures could easily be doubled within the next ten and trebled in fifteen years. Foreign trade could likewise be doubled in a similar period. In less than fifteen years the high

percentage of illiteracy could be reduced to a fraction of what it is at present.

The constitutional reforms, sanctioned under the Government of India Act, of December, 1919, will, if worked in the spirit in which they were conceived by the British statesmen responsible for them, greatly increase India's opportunities. That such reforms were given so important a place in the British programme of reconstruction, demonstrates Britain's goodwill towards India. That a reasoned comprehensive scheme of this magnitude was matured, in spite of persistent opposition, and placed upon the Statute Book in times of great political unrest, is a tribute to the genius and earnestness of its sponsors. But for Mr. Montagu's perseverance and breadth of view, the reforms might have meant merely increased popular representation in the legislative councils, the people being left to fight the bureaucracy in order to obtain, one by one, the internal reforms they desired. The scheme has defects. Its scope might have been wider; but it is well-intentioned, and so far as it goes, complete.

It must be remembered that the people's standards are higher to-day than they have ever been in the history of Indo-British relations. In order to create conditions favourable to progress, there must be a radical change in the system of Imperial control over Indian affairs, and in the official attitude towards the people's aspirations and Indian problems generally.

The reforms scheme will doubtless give the people a substantial voice in local affairs, but that, in itself, will not be sufficient.

The public activities of the country have hitherto yielded scanty results, because they have not had a reasoned scheme of national life behind them. State policies, to be successful, must have for their sole aim the good of the people, and must be precise and adapted to their understanding, tastes and means.

There should, moreover, be an effective organization, independent of Government, to survey and catalogue the problems and needs of the nation, and to refer such problems to all classes of society for study,

with a view to benefiting the country as a whole. This would create in the people the power of joint thought and joint action, and stimulate the growth of mass consciousness, the truest tests of a nation's efficiency.

It will be necessary to study world conditions as well as local conditions in order to discover the weak points in the Indian system. The deficiencies must, then, be catalogued and plans formulated.\* This book is an attempt, though a very imperfect one, in this direction.

Next, a favourable atmosphere must be created. It is hoped that the constitutional reforms will help to do this.

Thirdly, the leaders must carry on press and platform propaganda to stimulate the people. The masses must be made to understand India's position relative to modern conditions. They must be shown how the work that lies before the country is to be performed. Differences between the various communities or races, and between castes and creeds permanently residing in the country, must be sympa-



thetically, adjusted, and where possible, eliminated. The people must be taught to associate in their daily work for a common object and with common aspirations. They must realize that anything they may do to help each other will be a service to the motherland. Above all, the country as a whole must join in constructive effort with the rest of mankind.

If, as suggested in this book, the utilization of India's man power and material resources is placed in the forefront of national aims, if the people's general and technical knowledge is developed, if private initiative is stimulated, if all the latest inventions and discoveries are applied to increase production, if foreign experience is adapted to Indian conditions and fully utilized and useful foreign institutions readily adopted, if in short, all the improvements necessary and possible are introduced, the development of India, politically, economically and socially, will proceed at a pace which may be one of the outstanding features of the coming generation.

The immediate future will put all persons and institutions to a severe test. The forethought and vigour with which Indians apply themselves to their new task, their capacity for joint action, their ability to maintain harmonious relations between all races and communities, and the co-operation which they will be able to secure between themselves and Government agencies, will determine the pace of their progress.

If the British cordially help the Indians to build up their industry and trade, the resulting effect on India's prosperity will be immense, while the volume of benefit, even to Great Britain, will be far greater than it is at present. Such help will bind the two countries together by the strongest of links, namely, common interests.

British business interests and trade will assuredly not suffer in the long run. With increase of production, there will be gain all round—to the producer, to the manufacturer, to the middleman and merchant, to every one who takes part in building up

the country's prosperity. With such growth, although British interests may, as time goes on, seem smaller relatively to Indian interests, 'there is no' reason why they should not increase in actual volume, as has been the case in Canada. There is room for both Britain and India in the great reconstruction work that lies before the country. Both will benefit, if the exclusive or partisan spirit is replaced by sympathy and active co-operation.

## CHAPTER II

### INDIA IN RELATION TO PROGRESSIVE COUNTRIES

BEFORE attempting to prepare a programme of reconstruction for India, it is necessary to consider her economic and social conditions, in relation to those of progressive nations, to discover where and why she lags behind. It will not be sufficient merely to compare her present achievement with her own past record. The results of such a survey may be hurtful to Indian pride, but if India aspires to occupy a dignified position in the comity of nations, she must face facts.

One has but to glance at vital statistics to realize the gravity of the situation. According to the census of 1911, the population of British India was 244,267,542; and of the Indian States 70,888,854; or

a total of 315,156,396 for the whole Indian Empire. Accurate revised figures will not be available until after the census has been taken in 1921; but it is probably safe to estimate that the actual present population of India is 325,000,000.

In 1911 the population was spread over an area of 1,093,074 square miles of British territory and 709,583 square miles of Indian States, representing a total area of 1,802,657 square miles. Thus there was an average of 175 persons to the square mile for the whole of India. The density of population in British India proper was 223 and in the Indian States 100 persons to the square mile. The corresponding figures for the United Kingdom were 374, for Japan 356, and for the United States of America 31.

Although the average density of population is only 175 persons to the square mile for the whole country, there are districts in the Madras Presidency where the density goes up to 1,488. There are districts in Bengal with a maximum density of 1,163 persons and in Bihar and the

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United Provinces of 882 persons to the square mile.

The United States, with a population of 91,972,266 persons, stands, among progressive countries, next to British India, with her population of 244,267,542. But while America has large resources of surplus arable land, in India all soil fit for profitable cultivation has long ago come under tillage. Usually the resources in such areas are taxed to the uttermost, and since at least three-fourths of the population are dependent on agriculture, even the partial failure of a single monsoon is often attended by widespread disaster. This is one explanation of the comparatively high death-rate and the low average duration of life in the country.

The average death-rate for all India for the past ten years has been 31·8 per thousand. The corresponding recorded death-rate in other countries is 21·9 in Japan, 15·12 in Canada, 14·6 in the United Kingdom, 14·0 in the United States of America and 10·5 in Australia.

The average life of an Indian is estimated

at 23 years, as compared with 45 to 55 in Western countries. Climatic influences are not to be disregarded, but in the main this is undoubtedly due to the low standard of living in India, and the lack of healthy and orderly growth of the population.

The average birth-rate in India for the past ten years has been 38.2 per thousand. The figure for Japan is 34.2, for the United States 31.3, for Canada 27.8, for Australia 27.7, and for the United Kingdom 21.1.

Religio-social practices make for early marriage, and as a result the average birth-rate is so high that, in spite of the appalling death-rate, the population is increasing rapidly, approximately at a rate of five per thousand per annum. This may not prove an unmixed blessing, if new industries are not introduced and new careers provided in the country, or an outlet found for the surplus population outside India.

Of the 315 million people inhabiting India, including the Indian States, only 18,500,000 persons (16,900,000 men and 1,600,000 women) ~~were~~ returned as literate

in the census of 1911. This means that only one out of every seventeen persons or 5·8 per cent. of the population are able to read and write. This was the state of affairs nine years ago. The percentage is perhaps slightly higher now, but it is deplorably low as compared with other advanced countries. The corresponding percentage of literacy is 95 in Japan, 94 in the United Kingdom, and 90 in the United States.

The number of existing schools for elementary education in British India is 142,203 and the number of pupils attending them is 5,818,730, of whom 5,188,411 are boys and 630,319 are girls. Taking all classes of educational institutions together, there is, in British India, one institution for every 1,717 persons of the population.

The school-going population in advanced countries varies from 15 to 20 per cent. or more of the entire population. Taking 15 per cent. only as a basis for calculation, the population of school age in India may be reckoned at 18,731,054 boys and



17,909,077 girls. The number actually attending the schools is 6,621,527 boys and 1,230,419 girls. That is, one boy out of every three and one girl out of every fifteen fit to be at school are actually attending educational institutions. The expenditure on education in British India from all sources, including fees, in 1916-17 was 11.2 crores of rupees,<sup>1</sup> giving a rate of Rs. 14.4 per head of school-going population or 7 annas per head of the entire population. The corresponding expenditure in other countries was Rs. 38 per head in the United Kingdom, Rs. 104 in Canada, Rs. 13 in Japan and Rs. 114 in the United States of America.

The provision for technical and commercial education in India is pitifully meagre. The students receiving technical and industrial education throughout all India numbered only 16,594 in 1917-18.

The statistics quoted show that the education of girls is neglected even more than that of boys, and that technical

<sup>1</sup> A note on the Indian currency and rates of exchange will be found on page 95.

education is practically non-existent. Most of the technical and commercial work of the indigenous population is being performed in an indifferent manner by persons who have learnt their trade by practice or who have obtained only home training of a rudimentary character. The Government and public effort in this direction has been negligible. It may be stated with truth that no serious attempt has been made to educate or to equip the nation for an industrial and commercial career, to enable it to earn a decent living and to hold its own amongst civilized nations.

The number of newspapers and periodicals published in India in 1917-18 was 3,978, which works out at about twelve per million of the population. The corresponding number per million persons in the United States was 225, in the United Kingdom 190, and in Japan 50.

There is a vast amount of Press activity in countries like the United States. It is recorded that the circulation of periodicals of all classes in that country, including dailies, reached, in 1914, the enormous

figure of 205,000,000. Many of the dailies are made up of about 24 pages, imperial, the Sunday editions running to 100 pages or more.

The Press is a great educative force in all advanced countries, notably in America and the United Kingdom. In parts of the former country, the Press has taken upon itself the task of stopping corrupt practices and keeping the officials up to the mark in the proper discharge of their duties.

The indigenous Press of India is a poorly equipped and persecuted agency. We have Press Acts and Press control in varying degrees of rigidity both in British India and the Indian States, and the Press as a whole has no enthusiastic support in politically influential circles in any part of the country.

Except for a small expenditure annually incurred for purposes of coast defence, there is no Indian Navy to speak of. For decades, India has been entirely dependent for protection upon the British Navy: and this policy has not been revised even

when other units of the Empire have been permitted to have their own navies. The depredations wrought, without any challenge, by the *Emden* in Madras, during the early period of the War, emphasized the necessity of creating an Indian navy.

In normal times, the Indian Army consists of about 70,000 British and 140,000 Indian troops, the latter officered entirely by Englishmen, making a total peace strength of about 210,000 of all arms.

Of the total British forces engaged in the recent Great War, the United Kingdom gave 75 per cent., all the overseas dominions together 12 per cent. and India 13 per cent.

During the War, the Government of India recruited, on a voluntary basis, over 600,000 combatants, and more than 400,000 non-combatants. Including the contribution made from the standing army India; therefore, in round figures sent on foreign service 1,300,000 men.

The annual military expenditure in India was £21,000,000 before the War, and has

recently" risen to the high figure of over £40,000,000.

The corresponding expenditure on defence in some of the other countries for 1913-14 is shown below :—

	Army. millions £.	Navy. millions £.
United States . . .	30	27
United Kingdom . . .	28	44
Japan . . . . .	7·69	5·4
Australia . . . . .	2·5	
Canada . . . . .	1·5	

Although only a dependency and surrounded on three sides by the sea, and on the fourth by an almost impassable mountain wall, India spends on defence in normal times more than twice the amount required to maintain the Empire of Japan.

The number of post offices in India in 1917-18 was 19,410. Ten years previously (i.e. in 1907-8) there were 17,777 offices. Considering the vastness of the country, neither the present number nor the latest recorded decennial growth can be said to be adequate. The number of letters, newspapers, parcels, etc., conveyed by post

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offices in 1917-18 aggregated 1,147,922,768, giving a rate of 3.6 articles for every individual inhabitant. The corresponding rates in other countries were 147 in Australia, 123 in the United Kingdom, 136 in the United States and 34 in Japan.

The number of telegraphic messages conveyed in India during 1917-18 was 19,897,787 or 6.3 for every 100 inhabitants. The corresponding rate in the United Kingdom was 198, in Canada 154, and in Japan 73.

The telephone has come very largely into daily use for business in all advanced countries. According to the latest statistics available, the number of telephone instruments in use for every 10,000 inhabitants was 1,850 in Chicago, 1,170 in New York, 800 in Montreal, 480 in Sydney, 390 in London, 200 in Tokyo, and only 4 in Bombay and 3 in Calcutta.

Production may be considered under two heads, namely, agriculture and industries, the latter including mining, fisheries, etc. Under agriculture, British India has a cultivated area (including double cropped

land) of 265,000,000 acres, of which nearly 47,000,000 acres are irrigated.

Taking good and bad years together, the value per acre of irrigated crops, in normal times, may be put down at Rs. 50 per acre and of dry crops at Rs. 15 per acre. The total agricultural production before the War was valued at about Rs. 562 crores or £375,000,000. The estimates of production under agriculture for other advanced countries are : The United States, £4,277,000,000 ; Japan, £300,000,000 ; Canada, £247,000,000 ; the United Kingdom, £239,000,000, and Australia, £73,000,000.

The statistical information available regarding Indian industries is very inadequate, although accurate information in this respect is especially necessary in the case of a country so industrially backward as India. Basing the estimate upon a knowledge of what is going on in the Provinces, the production from industries may be reckoned at about one-fifth of that from agriculture.

The total production of British India, excluding the value of live-stock, minerals,

fisheries, etc., may roughly be estimated at £450,000,000, and the total, including all these sources, will probably not exceed £600,000,000. This gives a rate of production valued at about Rs. 36 per head of the population.

These figures are in the nature of a guess and presumably tentative. In view of the poverty of the people, it is important that a more correct balance-sheet of their resources be maintained, so that both the Government and the people may keep the figures in mind and endeavour to improve conditions from year to year.

The *per capita* production in the United States and Canada is £40·6 and £29·5 respectively under agriculture and £46·0 and £72·1 under industries. There is no reason why corresponding figures should not be available for India, but, as a matter of fact, they are not.

In India, the production under factory industries is very small compared with that under agriculture, and insignificant in comparison with other leading manufacturing countries.



The value of imports, both merchandise and treasure, into British India amounted to £109,570,000, and of exports from the country to £163,263,000 during 1917-18. The total sea-borne trade was £272,833,000.

This gives a rate of £1.1 per head of population, without making allowance for the population of the Indian States. If that allowance be made, the rate works out to £0.9 per head. The corresponding figures for other countries are: £62.6 in Canada, £40.0 in the United Kingdom, £37.2 in Australia, £17.0 in the United States, and £6.4 in Japan.

India exports raw materials and food products, while she imports chiefly manufactured goods. She has lost the power of producing the manufactures required for her own use, and is obliged to pay for her imports by growing more raw products. If she were to manufacture for her own wants, using her abundant raw materials and the millions of people at present insufficiently employed, she could not only produce all she required, but also export manufactured goods for profit. By so

doing she could save much of the money she now pays for her imports, and could amass additional wealth by exporting manufactured goods. By reducing the pressure on the land the *per capita* production in agriculture will also be increased.

India has, for every million of her population, 115 miles of railway. The corresponding figures for other countries are : Australia, 4,955 ; Canada, 4,825 ; the United States, 2,533, and the United Kingdom, 515.

The tonnage entered into and cleared from British Indian ports in 1908, 1913 and 1918 was 12·9, 17·3 and 10·9 million respectively.

The old shipping industry has gradually died out, and the construction of new shipping is not encouraged. There are practically no large ships owned by Indians, and the coastal shipping registered at the Indian ports during 1917-18 was only, 16,872 tons. On the other hand, the Government of Canada has been encouraging national shipping and foreign trade, with the result that her people now own

roughly 1,000,000 tons of shipping, and her foreign trade has overtaken and exceeded that of India.

In the United Kingdom, the United States, Canada and Japan, special attention is at present devoted to the construction of shipping as an urgent after-war measure. No such move is visible in India, nor, under present political conditions and policy, does it seem possible.

The total gross revenue of British India, including the Provinces, in 1917-18 amounted to £109,000,000. The net revenue amounted to a little over £80,000,000. Of this, the revenue from land was £21,000,000. This net revenue gives a rate of £0·34 for British India, per head of population. The corresponding figures for other countries are: The United Kingdom, £19·3 ; the United States, £7·9 ; Australia, £7·5 ; Canada, £6·45, and Japan, £1·5. These figures for revenue do not represent the same type of taxation in all these countries, and the comparison, therefore, gives only a rough indication of the real state of affairs.

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Three presidency and eighty-eight joint-stock banks have their head offices in India. In addition to these, ten exchange banks do business in India, but have their headquarters outside that country.

There were 359 banks and branch banks in India in 1917. The corresponding figures for other countries were: The United States, 28,913; the United Kingdom (1918) 9,357; Japan (1916), 5,874, and Canada, 3,327.

The capital of indigenous Indian banks was £5,000,000. The British and foreign exchange banks had a capital of £18,000,000, making a total of £23,000,000. The corresponding figures (in million £) for the United States were 482; the United Kingdom, 88; Japan, 67; and Canada, 23.

The deposits (in million £) in Indian banks amounted to 118, those in the United States of America to 5,767, in the United Kingdom to 2,355, in Japan to 494, and in Canada to 324.

The position of India in the banking world "illustrates how trade follows the bank as much as the flag. The compara-

tively few branch banks and small deposits are striking in the case of India.”<sup>1</sup>

At a rough estimate, the entire assets of India, including the value of land, buildings, furniture, gold, silver, live-stock, factories and other property, amounted to £3,500,000,000 before the War. This, distributed among the population of British India, works out to about £14 per head. The corresponding figures for other countries were: The United States,<sup>2</sup> £391; the United Kingdom, £320; Australia, £262; Canada, £259; and Japan, £52.

The estimated annual income of British-India was, as already stated, £600,000,000, and the average income of an Indian was Rs. 36. On account of the high world-prices it may, perhaps, at the present time have risen to Rs. 45.

The Postal Savings Bank deposits in India amounted to Rs. 1,659 lakhs (£110·6 million) in 1916-17. This works out at Rs. 0·6 or annas 10·7 per head of population. The corresponding figures for other countries are: The United Kingdom, Rs.

*Indian Finance and Banking*, by G. Findlay Shirras.

77·3; Canada, Rs. 14·85; the United States, Rs. 3·78, and Japan, Rs. 8·4.

Both here and in subsequent chapters special reference is made to conditions in Canada and Japan; Canada because that Dominion will in the nature of things be India's future model, and Japan because it is an Asiatic country which has adopted European civilization.

The figures given in this chapter have been taken from the most reliable sources available, but they do not in all cases represent the same group of conditions or transactions, and in a few instances they do not even pertain to the same year. The information could not be made more specific without elaborate explanations and qualifications, but it is hoped that, even so, they do indicate a rough comparison of existing conditions in India, relative to the countries quoted.

Political and Administrative  
Reconstruction

## CHAPTER III

### THE CENTRAL GOVERNMENT

THE Government of India Act, passed in December, 1919, leaves no portion of the administrative structure unaltered, though the changes made in some parts are much greater than in others.

In the sphere of local government, for instance, the principle of governance has been radically altered. Local bodies are no longer to be kept in leading strings, but are to be self-governing.

The Provincial Government has been divided into two parts ; one part is to remain outside legislative control, while the other is to be placed upon a constitutional basis.

While the Central Government is to remain uncontrolled by the legislature, and is not to be federalized, it will have to submit to greater criticism from popular



representatives. In matters in which it may be in agreement with its legislature, it is, as a rule, to be free from intervention by the Secretary of State. The provincial authorities will also be generally free from intervention from above in matters in which the executive and legislative organs are in agreement.

The position of the Secretary of State is to be altered by the establishment of similar conventions. He is further to be relieved of responsibility for purchasing stores and in allied matters, such responsibility being transferred to a High Commissioner appointed by and responsible to the Government of India.

The writer proposes, in this chapter, to examine in detail the changes effected in the administration of national affairs, and in the next three chapters to deal with those pertaining to provincial and local government and finance.

The decision of the Joint Select Committee that "India is not yet ripe for a true federal system," is to be deplored for two reasons, namely :—

(1) Not until the Government of India has been federalized on the Canadian or Australian basis, that is to say, not until the functions of the Central Government are limited to the administration of national affairs and its intervention in provincial affairs reduced to the lowest possible minimum, can there be anything like full provincial autonomy.

(2) As realized by the authors of the Joint Report "a federal system would have made it easier for the Indian States, while retaining the autonomy which they cherish in material matters, to enter into closer association with the Central Government."

The Act does not provide at all for the representation of Indian States in the Indian Legislature. That is an important omission, for those States will continue to lack, as hitherto, the opportunity of influencing the course of action in regard to (1) the disposal of public funds to which

they indirectly contribute and which are appreciable, and (2) the administration of affairs which concern them jointly with British India.

“The Princes’ Chamber” is designed merely to deal with large questions affecting the States. At best, such a council is an anachronism. The system of representation provided for shows that the British Government assumes that the Rulers represent the interests of their States. Many among them, no doubt, seek to promote the well-being of their subjects, but however progressive they may be individually, not all of them can be expected to surrender their autocratic powers or to discuss and deal with interests, policy and measures on terms of equality with the expert officials of the Government of India.

The Indian States will have to adopt constitutional government on the model of the reconstituted provincial administration if they are not to lag behind British India. For economic and social betterment, it is imperative that the people

should be given the power to think and act in their own interests, the rulers gradually assuming the rôle of constitutional Sovereigns. The larger among the States will eventually need two chambers—a popular legislative council and a senate, in the latter of which due weight will, no doubt, be given to birth, property, education and experience.

Internal reform cannot, however, suffice. The affairs of Indian States are inextricably mingled with those of British India. Only by the creation of a federal system in which the Indian States are given a voice adequate to protect their interests and they, as well as the provinces, possess full autonomy, can the Indian problem be satisfactorily solved.

The three great self-governing Dominions have federal constitutions. The introduction of responsible government in India will not be complete until the Indian provinces are independent of the Central Government in local affairs, as is the case in Canada. Since the Dominion or the federal system of government is the

accepted model, although it is to be reached by stages, the Government of India will be expected to place that ideal before the various departments of the administration and the public, and to make preparations to that end according to a regular programme.

The Government of India, as reconstituted, will consist of the Governor-General and an Executive Council. The number of members to constitute the Council is not statutorily limited. Three members of that Council will continue to be public servants or ex-public servants who have had not less than ten years' experience in the service of the Crown in India. The law member will have definite legal qualifications, but in future he may have gained those qualifications in India, and not, as hitherto, necessarily in the United Kingdom.

Not less than three members of the Council will be Indians. The Joint Select Committee took care to point out "that the members of the Council drawn from the ranks of the public servants will, as time goes on, be more and more likely to

be of Indian rather than of European extraction."

It is to be hoped that these recommendations will be carried out in a liberal spirit. Rapid Indianization of the personnel of the Central Government is necessary to ensure the administration of affairs in consonance with Indian ideals and wishes. That, moreover, is the only manner in which Indians will ever become fit for self-government. It hardly needs to be added that only competent men should be appointed. If sufficient trouble is taken to select for each post the right man, and one acceptable to the Legislative Assembly, it will be found that there is no lack of good material in the country.

It is further to be hoped that the removal of the statutory limit will be utilized to increase the number of members of the executive councils. Canada, though containing a population only a fraction of that of India, and enjoying a smaller revenue, has more than twice as many ministers as India is to have, without reckoning the special ministries created during the War.

The Government of India, as thus reconstituted, will deal with matters affecting the defence of India—army, navy and air force; railways, shipping, posts, telephones and telegraphs; customs (including cotton excise); income-tax, banking, insurance, public debt; civil and criminal law; science, inventions, national and foreign trade and commerce. It seems a pity that civil law and the control of industry have not been left entirely in the hands of the provincial administrations.

The Indian Legislature as reconstituted will be bicameral, consisting of:—

- (1) A Legislative Assembly comprising 144 representatives, of whom 103 are to be elected and 41 nominated, including 26 official members; and
- (2) A Council of State, something in the nature of a senate, with 60 members, of whom 33 are to be elected and 27 nominated, including not more than 20 official members.

Since communal electorates have been constituted, it is to be feared that in some

cases persons of proved political sagacity and trained in dealing with public questions may not find admission, and that important interests may be ignored. The present arrangement has to continue for some time, but, as suggested by the Joint Committee, it is to be hoped that the principle of proportional representation will eventually be adopted.

The electorate for the Legislative Assembly comprises 687,100 votes for general seats, 206,640 for Moslem seats, and 15,000 for Sikhs, a total of 908,740 votes.

The electorate for the Council of State is on a more restricted franchise, and the constituencies will only include 2,000 to 3,000 voters each. The total electorate for the Council of State may, therefore, be 70,000 to 80,000 voters.

The Presidents, at first appointed by the Crown, will, after four years, be elected by the Chambers themselves.

The Legislature is not to be a sovereign body. The members may criticize, but cannot control. The watch-dogs may bark,



but they cannot bite. The executive is to be permitted to retain its autocratic powers until Parliament considers that the Legislative Assembly can be vested with further authority, which should be, at the outside, ten years from now.

The Indian Budget will be submitted to the Legislature, which will be free to vote upon it, excepting certain reserved charges, such as interest and sinking-fund on loans, salaries and pensions and national defence.

The Governor-General-in-Council has power to sanction any expenditure that may be refused by the Legislature, if, in his opinion, it be necessary or urgent. The Act, however, provides that every such case shall be submitted to Parliament, and that, before being presented for the Royal assent, it shall lie before both Houses of Parliament for at least eight full days of session.

If the administration is to work smoothly, the Governor-General should be guided by the wishes of the people's representatives, as in the self-governing Dominions. The Governor-General of Canada, for instance,

has the power to veto legislation, but he never uses it. The Ministry is responsible for every Act, the Governor-General's power and authority being similar to that of the King in the United Kingdom. The Dominion Parliament cannot be dissolved without taking the advice of the Ministry.

All discussions in the Legislature should be open, ensuring correct and speedy decisions, and providing a species of political education for the people. In other respects, too, it is to be hoped that the new Legislature may prove as modern and progressive as those existing in the self-governing Dominions.

No provision is made for payment of salaries to members. In India, with its great distances, it is absolutely necessary that members should receive a salary, as in the United Kingdom, Canada, and other constitutionally governed countries. It is hoped that the Indian Legislature will itself take steps to bring about this reform.

The Legislature will be called upon to deal with a variety of highly complex, urgent problems. India is not only large

and populous, but her standard of economic development is low, and she is extremely poor. At every step, foreign and Indian interests clash. The refusal to constitute a federal system of Government will keep the Government of India highly centralized.

It is imperative, therefore, that at least the popular chamber should have a long annual session to permit the adequate discussion of vital questions, and also to ensure that the executive, which has not been made responsible, administers affairs in consonance with popular wishes. No statutory limit has been imposed, and rightly, because each House of the Legislature should be free to settle such matters for itself. If the Legislature is left unfettered, it will, no doubt, follow the example of the Imperial Parliament, and sit for not less than 200 days a year.

To ensure that the administration of the various departments of State will be carried on according to Indian wishes, and also to provide opportunities for administrative training to Indians, standing committees of the Legislative Assembly should be

formed at the beginning of each session. These committees may be attached to any department of government, and would serve the double purpose of keeping the official element in touch with public opinion and of securing attention to all important problems in which the public is interested.

Commissions composed of members of the Legislature, experts, officials and co-opted members should be constantly at work investigating conditions and making recommendations on the more important and delicate problems, including those affecting Imperial and international interests. The officials may join in the deliberations and advise, but need not vote. A Commission should be allowed to appoint its staff during the period of its existence, and should be free to correspond with foreign Governments for the purpose of collecting information.

In Japan, committees on which officials and non-officials co-operate exist for purposes of promoting education, agriculture, industry and the like. India may advantageously follow that example.

To investigate questions connected with the Central Government, particularly in its relation to the Home Government and the Provinces, the Central Government should send deputations to and maintain agencies in the self-governing Dominions and also in Japan. These agencies will study questions connected with preparation for autonomy, and supply any information required by the Central and Provincial Governments.

If the central administration is to be rapidly raised to the position of an autonomous Federal Government, it will be necessary to standardize plans of action. As policies, practices or Acts are completed, they should be immediately codified and put into operation as accepted facts. This process of standardization will be a guarantee of the steady progress for the necessary development work and the preparation for autonomous government.

Apart from providing such machinery, the urgent work of development will require at least three new ministries, viz.: (1) a Ministry of Reconstruction, (2) a Ministry

of Conservation, and (3) a Ministry of Labour and Civics.

The Ministry of Reconstruction would deal with the many urgent problems mentioned in this book, bound to arise in the transition from dependency to autonomy.

A Ministry of Conservation will be needed, if only to co-ordinate the efforts of departments and agencies concerned with material development.

A Ministry of Labour and Civics will be required to train the people for new occupations and for the opportunities afforded by the new powers of local government—a branch of education woefully neglected in the past.

The new Act provides that, at the end of ten years, stock shall be taken of the work done, and recommendations made as to further administrative developments. The Indian Government should lose no time in formulating its ideas as to the various changes that may be needed, and taking practical action to bring them about.

The Government of India must abandon

its policy of contenting itself with the day's work and neglecting preparations for the future. Its success in the new era will be measured by what it will be able to accomplish in the next decade, to fit Indians for Dominion autonomy.

It has already been noted that the Government of India is to maintain its own High Commissioner in London, to discharge "agency" duties which hitherto have been attended to by the India Office. That High Commissioner will have functions and powers analogous to those of the High Commissioners of the Dominions. India should be also granted the privilege, enjoyed by the Colonies, of sending her own representatives and High Commissioners to the principal countries of the world, for trade purposes. The Dominion of Canada, for instance, has recently been allowed to maintain a diplomatic representative of her own at Washington—a new departure even for a self-governing Dominion.

With the creation of an Indian High Commissionership in London, the India

Office will, in future, deal solely with political matters. This change has been signalized by an innovation, which makes the salary of the Secretary of State a charge upon the Imperial treasury instead of that of India.

Under the new scheme, the control of the Secretary of State over Indian fiscal matters is being relaxed. The Joint Select Committee prescribed that India "should have the same liberty to consider her fiscal interests as Great Britain, Australia, New Zealand, Canada and South Africa," and "the Secretary of State should, as far as possible, avoid interference with the Indian fiscal policy when the Government of India and its Legislature are in agreement." His "intervention, when it does take place, should be limited to safeguarding the international obligations of the Empire or any fiscal arrangements within the Empire to which His Majesty's Government is a party."

A standing committee on Indian affairs of both Houses of Parliament is to be appointed, at the beginning of each session,



to advise the Secretary of State during the difficult period of transition that lies ahead.

Sooner or later, it is presumed, there will be a constituent Assembly or Council for the British Empire. India should claim, on such a body, the position to which her size, importance and services to the Empire entitle her.

India was permitted to send her representatives to the Peace Conference; but no Indian representative was invited to the subsequent conference at Spa, although the representatives of the Dominions were so invited. The new Indian Legislature must see to it that she is not ignored in future conferences. All representatives of India in foreign countries should, moreover, be Indians.

Having been admitted as an original member into the League of Nations on terms of equality with the Dominions, she must see to it that the mode of representation is such as to ensure the accurate expression of Indian views.

## CHAPTER IV

### PROVINCIAL ADMINISTRATION

THE Government as reconstituted in each of the eight major provinces<sup>1</sup> is to be of a dual character. The part controlling the "reserved" subjects—namely, police, justice, land revenue, forests (except in Bombay) and water supply, including drainage and irrigation—is to consist of the Governor and the Executive Council, half Indian and half British, and is to be independent of the Legislature. The "transferred" subjects—namely, local self-government, and the departments of education, local industries, industrial research, public works, agriculture, forests (in Bombay), medicine and excise—are to be

<sup>1</sup> Madras, Bombay, Bengal, the United Provinces of Agra and Oudh, the Punjab, Bihar and Orissa, the Central Provinces, Assam.

administered by the Governor and the Ministers, generally with the consent of the Legislature.

The great majority of members of the Legislative Council will be popular representatives elected partly on a territorial and partly on a communal basis. In Bombay, for example, eighty-six of the 111 members will be elected. The number of voters in that presidency will be about 776,000. Each elected member, therefore, will represent on an average about 9,000 voters. The total electorate for all the Provincial Councils in the country will number about 5,200,000.

The Joint Select Committee clearly laid down that Ministers must enjoy the confidence of the elected majority; that they shall be given the fullest scope in their own sphere, that Governors shall accept their advice and promote their policy wherever possible; and also that members of the Executive Council shall afford all possible help and sympathy in dealing with proposals for development in the various departments. While anticipating

that much advantage would result from such co-operation, they insisted that the duties of the two parts of the Government should not be permitted to become confused nor their separate responsibility obscured.

The provincial revenues and balances are to be allocated between the two sides of the Government under rules so framed as to make friction unlikely. If, however, the Members of the Executive Council and the Ministers cannot agree as to their respective shares, the Governor may make such allocation as he may think fit, and, if necessary, can refer the question to such authority as the Governor-General may appoint. Pending the adjustment of claims, the total provisions under different heads of expenditure in the provincial budget for the preceding year are to hold good.

Difficulties are certain to arise at the outset. Unless the Ministers selected from the Legislative Council are business men or otherwise trained in the conduct of affairs, they will need a little time to master the

executive work of administration. The heads of departments, the majority of whom will be British officials, may not, it is feared, prove entirely sympathetic. On both sides tact will be required, and the patience and capacity for compromise of all concerned will be put to the severest test.

It will not merely be a question of every one attempting to do the right thing. The Government of India Act assumes that the electorates will be inexperienced in carrying on responsible government, and the Ministers in conducting executive work. Behind all, in the background, however, will be the influence of vested interests, of which the Act takes no account whatever.

The only manner in which difficulties can be overcome, conflict avoided and popular interest secured is for the entire Government to perform their functions in a constitutional spirit. A former Under-Secretary of State for India went so far as to state in the House of Lords, in the course of the debate on the Government of