CHAPTER-VI
ECONOMIC CRITIQUE OF COLONIALISM

Brij Narain situated colonialism in the historical context rather than a political instrument of British imperialism. He provided economic critique of colonialism. He thoroughly studied agriculture industry, trade and finance and social implications of colonial policies.

ECONOMICS, INDIAN ECONOMICS AND INDIAN POLITICAL ECONOMY

Brij Narain defined Economics as ‘the study of wealth or of individual and social action pertaining to wealth’. It is concerned with ‘the disposal of scarce means’. Economic history describes particular, concrete facts; economic theory seeks to establish general laws. However, the two assist in a number of ways. Economic history could not be fully understood without the aid of economic theory.\footnote{Brij Narain, \textit{Principles of Economics}, S. Chand & Co., Lahore, 1945, pp. 413-16.} Brij Narain dwelt on the principles of Economics and application of those principles to Indian condition. He responded to those who doubted hypothetical assumptions on which the discipline of Economics rested. In case of lingering doubts, he found ‘little use in teaching such as Economics to students’ and it would be necessary to evolve a distinctively Indian Political Economy or Economics.\footnote{Brij Narain, \textit{Essays on Indian Economic Problems}, The Panjabee Press, Lahore, 1919, p. 1.} He considered Indian Economics as economic history of India. It described Indian economic organization and attempts to understand Indian Economic life.\footnote{Brij Narain, \textit{Principles of Economics}, p. 416.} He responded to Justice M.G. Ranade who in Lecture delivered in the Dacca College, Poona, in 1892 questioned the basic assumptions of political economy as it assumed man to be wholly absorbed in the pursuit of wealth and to be guided by self-interest in all that he did. In India family and caste were more important than the individual. Neither capital nor labour
was mobile. Self-interest was not the principal motor⁴. Brij Narain noticed perceptible change in looking at Economics as a discipline since 1892. Economists in 1919 ‘deal with man as he is’ not with an abstract or ‘economic man’.⁵ He differed with the term Indian Economics in the same way that its advocates thought that Indian condition did apply. Indian Economics did not mean a new science of Economics. Economic laws were applicable to Indian conditions in understanding economic problems.⁶ Brij Narain, put forth that Economic History rendered valuable aid to economic theory : (i) it is useful for illustrating and testing theoretical conclusions; (ii) it teaches the relativity of economic doctrines; and (iii) it provides material for establishing theories.⁷ Prof. Brij Narain did his economic analyses with this intent taking Economics as a discipline.

**COLONIALISM AND AGRARIAN ECONOMY**

The agrarian economy of the Punjab was integrated with the world market. The Chief function of the roads and the railways was to facilitate the export of surplus production and import of British manufactured products.⁸ The colonial economy furthered the processes of commercialization of land and produce in the Punjab.⁹ Moreover, the general crisis of the colonial economy set in after the World War I. The Punjab’s economy and agriculture entered into a period of stagnation thus assimilating with the all India pattern.¹⁰ Brij Narain observed these development closely in the areas of agricultural production, transportation and development of

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irrigation. The average estimated value of the crops under state sponsored irrigation during 1921 and 1926 was Rs. 57 crore in the Punjab out of Rs. 150 crore in whole of India. However, the agrarian structure impacted the social configuration of the peasantry. Absentee landlordism dominated in Bengal, United Provinces and the Punjab as well. The land revenue and the water rates were shared equally by the landlord and the water rates were shared equally by the landlord and the tenant to the extent of Rs. 5-8 per acre each. Other expresses of cultivation the cost of seed, upkeep of bullocks and the cost of implements were entirely borne by the tenants, while the tenants profited on an average to the extent of Rs. 19 per acre, the landlord reaped Rs. 30. The landlords dominated provincial councils particularly in the Punjab. The tenants who cultivated 60 per cent of the land lived in the poverty and want. They had no voice in the administration of the country. He compared the batai tenant (in the Lyallpur case) with the cultivation of the times of Akbar and concluded that Emperor Akbar’s peasant got substantially more to eat than the Lyallpur tenant. The Punjab which was called the land of peasant proprietors, 60 per cent of the land was cultivated by tenants paying rents in cash or kind. The predominant form of rent in Punjab was batai, a share of the gross produce paid to the landlord as rent. With the rise in the price of agricultural produce and the decline of hand industries which deprived large masses of the population, the demand for land increased. This led to rise in cash rents and competition among the land hungry peasants. After 1918, the Punjab felt the pressure of population on land and its agriculture was victim of all its consequent evils.


15 Brij Narain, *India in the Crisis*, p. 32.


17 Brij Narain, *India in the Crisis*, p. 38.
The colonial officials created a villain out of Shahukar or Mahajan, the moneylender. Brij Narain while acknowledging the rapacity of the moneylender, tried to situate the argument in the Economic conditions of the cultivator. With low net per capital income of Rs. 66.4 turning around 9 annas per day with two dependents, the presence of the moneylenders became necessary. He further anticipated that the level of per capita agricultural income would tend to fall. The net income per day of adult men steadily fell from about 9 annas in 1928-29 to about 9 pies in 1930. However, Brij Narain had high hopes on cooperative movement. Yet, he realized the limitations as there were 89 per cent of the rural families in the Punjab unaffected by the cooperative movement in the mid 1920s. During the Economic Depression (1920-30), the peasants turned towards the cooperative societies. In 1931-32, repayment of debt formed 22.33 per cent; cattle 17.27 per cent and land revenue formed 16.46 per cent of the loans taken from the cooperation societies.

Brij Narain considered the chief cause of the poverty of the cultivator in the Punjab, as in the rest of the India, the excessive numbers of dependent on agriculture. Contemporary colonial official and author of The Punjab Peasant in Prosperity and Debt, M.L. Darling advanced Malthusian arguments about the increase of population in the Punjab i.e. early marriage. It caused an ‘awe-inspiring result in the addition of 34 millions in ten years’ and becoming root cause of India’s poverty. Brij Narain differed on this issue with colonial officials and compared it with increase in Europe. If birth rate was high in India, so was the death rate due to

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21 Brij Narain, India in the Crisis, pp. 57-58.
epidemics. Moreover, the rate of growth in India was slower than that of the leading countries of Europe.\textsuperscript{24}

The Economic Depression of 1929-30, originating in the USA spilled over to the capitalist economics of Europe and their colonies. From England, due to colonial integration the economic crisis engulfed the Indian economy in no time.\textsuperscript{25} It was the deepest ever in the history of capitalism in general and colonial economies in particular. Moreover, the crisis had a protracted nature.\textsuperscript{26} The crisis consisted of a catastrophic drop in the prices of all commodities. It was caused and perpetuated by a worldwide contraction of credit. This contraction was even more severe in India there in the industrial countries of the West.\textsuperscript{27} M.L. Darling admitted its magnitude. The value of agricultural produce fell from Rs. 102 crore in 1929 to Rs. 55 crore in 1931 in the Punjab.\textsuperscript{28} Brij Narain responded to the crisis and contributed his work \textit{India in the Crisis} (1934). He argued that India suffered more than other country as the numbers dependent on agriculture were excessive and agricultural organization was not easily adjustable to a fall of prices. \textit{The Farm Accounts in the Punjab} testify the heavy losses suffered by cultivators in the Punjab. The fall in the prices of wheat and cotton suddenly ‘ impoverished the whole of rural Punjab’. Actual area sown in the Punjab in 1931 was an average of 7.2 acres per cultivator which was close to Bombay with 7.3 acres per cultivator. Yet the Punjab cultivators was ‘incredibly poor’.\textsuperscript{29} The Central Banking Enquiry Committee noticed that between 1921 and 1929, the rural debt of the Punjab increased by Rs. 50 crore. Debt per cultivated acre

\begin{itemize}
  \item \textsuperscript{24} Brij Narain, \textit{Indian Economic Life : Past and Present}, p. 49. For details, see Chapter III.
  \item \textsuperscript{25} Sukhdev Singh Sohal, \textit{Credit, Rural Debt and the Punjab Peasantry}, p. 34. See also, Dietmar Rothermund, \textit{India to the Great Depression (1929-1939)}, Manohar, New Delhi, 1992, pp. 1-14.
  \item \textsuperscript{26} R. Ulyanovsky, \textit{Agrarian India Between the World Wars : A Study of Colonial Feudal Capitalism}, Progress Publishers, Moscow, 1985, pp. 204-05.
  \item \textsuperscript{27} Clive Dewey, \textit{Arrested Development in India : The Historical Dimension}, Manohar, New Delhi, 1988, p. 7.
  \item \textsuperscript{28} M.L. Darling, \textit{The Punjab Peasant in Prosperity in Debt}, p. 16.
  \item \textsuperscript{29} Brij Narain, \textit{India in the Crisis}, pp. 1-7.
\end{itemize}
in 1929 amounted to Rs. 45 and per head of those supported by agriculture to Rs. 104. The fall of prices led to a contraction of the borrower’s credit and at the same time reduced his capacity to repay debts.\textsuperscript{30} Brij Narain favoured relief to the farmers, however, with a distinction between large and small proprietors. For him the strongest case existed for the reduction of debts owed by peasant proprietors, owning and cultivating 10 or 12 acres or less. The case for the reduction of debts owed by cultivating tenants was equally strong and hence no ground existed for non-cultivating landlords.\textsuperscript{31} Relative increase in the population among cultivators caused sub-division or fragmentation of holdings rendering them uneconomic. The Government tried consolidation of holding. However, Brij Narain felt that unless alternative means of livelihood were discovered, the position of cultivators was bound to deteriorate.\textsuperscript{32} Brij Narain considered land less proletariat a source of political danger’ and suggested the idea of ‘impossible’ holdings where further sub-division could not be permitted keeping in mind economics of such a holding. It required interference with the laws of inheritance. In the absence of alternative occupations, he found such remedy difficult to implement.\textsuperscript{33}

Brij Narain extended his argument to agrarian production and yield of crops. He noticed that area under seven principal crops (rice, wheat, jawar, bajra, barley, gram and ragi) remained ‘practically stationary’ during 1935-40. On this basis he doubted expansion if the food supply matching with increasing population.\textsuperscript{34} The \textit{Famine Commission (1898)} estimated India’s surplus of foodgrains at 9.53 million tons. However, during the years 1935-36 to 1941-92, there was no net export but net import of foodgrains and food grain products varying 6,29,000 tons in 1937-38 and


\textsuperscript{31} Brij Narain, \textit{India in the Crisis}, pp. 50.


India, a food exporting country, had become a food importing country.

**EDUCATED UNEMPLOYMENT**

Unemployment in the Western sense had special reference to wage tharwar. Brij Narain associated educated unemployment to the system of education not related to practical life. Fascist Italy and Russia provided perspective and basis for planning which Brij Narain underscored: ‘Fascist education being practical not merely theoretical and Russian education wholly subservient to economics focusing on technical education through state planning. Indian system of education was considered ‘aimless’ with planning and practicality. The point was well articulated by Director of Public Instruction, Punjab as the Indian system of education prepared boys “for clerical vocations which were proclaimed to be over-stocked and offered insufficient avenues of employment to the large through of applicants”.

The problem of educated unemployment was investigated by special committees in several province. In 1927, the Punjab University authorities viewed ‘probable’ some unemployment among graduates with inferior quality degrees and ‘much’ unemployment among matriculates and failed matriculates. However, the Punjab Committee on Unemployment (1927) concluded ‘extensive’ unemployment among educated classes having a purely Anglo-Vernacular education. By 1938, the problem of educated unemployment turned acute is reflected in the Punjab unemployment Committee (1938). The total number of educated unemployed in the Punjab stood at 1,50,000. The Government service could absorb only 0.4 per cent of the population spending 42 per cent of the provincial revenues (Rs. 4.5 crore thus

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38 *Report of Punjab Committee on Unemployment (1927)*, p. xi.
giving very little scope in Government service for reducing the incidence of unemployment.\(^{41}\)

**Table VI:1 : Progress of Education in India (1911-40)**

<table>
<thead>
<tr>
<th></th>
<th>1911-12</th>
<th>1920-21</th>
<th>1935-36</th>
<th>1939-40</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of Schools</td>
<td>130,030</td>
<td>108,270</td>
<td>212,086</td>
<td>215,052</td>
</tr>
<tr>
<td>No. of scholars, 31(^{4}) March High stage (middle passed)</td>
<td>5,919,000</td>
<td>7,583,000</td>
<td>12,731,000</td>
<td>14,559,330</td>
</tr>
<tr>
<td>No. of scholars</td>
<td>142,000</td>
<td>219,000</td>
<td>414,000</td>
<td>511,732</td>
</tr>
<tr>
<td>No. of under-graduates</td>
<td>9,319</td>
<td>55,395</td>
<td>88,715</td>
<td>138,093</td>
</tr>
<tr>
<td>No. of graduates</td>
<td>4,242</td>
<td>9,814</td>
<td>19,040</td>
<td>15,736</td>
</tr>
</tbody>
</table>


With the rapid growth of students, there was no surprising that educated unemployment attained ‘serious dimensions’.\(^{42}\) The Madras Committee on unemployment noticed keen competition. For one clerical post carrying a salary of Rs. 35 per mensm brought in 666 applications including 30 from graduates. For a post of bench clerk in the High Court of Madras, 500 vakils applied. The Bengal was the first province to appoint a committee to examine the problem of unemployment in 1922. It submitted its Report in 1924. It expressed dissatisfaction with the system of education. It recommended technical education and emphasized economic development. The United Provinces Committee on Unemployment (1927) recommended the establishment of employment bureaus; registration of middle class students wanting jobs and counseling to boys and parents.\(^{43}\) In the Punjab, the Government jobs were preferred for various reasons: (a) evolvements; (b) prestige; (c) security and regular promotion.\(^{44}\) The Punjab Committee felt that the students should be ‘encouraged to appreciate the dignity of labour, make good use of their


\(^{44}\) Report of the Punjab Committee on Unemployment (1927), p. 17.
spare time and to acquire an earnest spirit of service’.\textsuperscript{45} The Madras Committee on unemployment admitted that no ‘heroic remedy’ for unemployment existed. The United Provinces Committee (1935) noticed overcrowding in Medical and Law professions as there was tendency to concentrate in the urban centers. However, it referred to diversification of professions such as Pharmacy, Dentistry, Accountancy, Architecture, Librarianship. Insurance work, Secretarial work and Journalism. Nevertheless, Brij Narain, acknowledge both the complexity and gravity of the problem of educated unemployment. He suggested ‘raising the cost of obtaining degrees for maintaining equilibrium between the supply and demand’. The development of factory industry created more unemployment than employment. The increasing competition of machine-made goods reduced the proportion of the population dependent on ‘Industry’. The growth of imports also laid off workers. Moreover, agriculture had ceased to be remunerative.\textsuperscript{46} The Punjab Committee (1938) recommended ‘an industrial survey of the province’. It suggested a number of small scale industries. He questioned the view of Lord Irwin, the Viceroy that education be given an agricultural bias as agriculture was ‘already over crowded’. He focused on non-agricultural occupations.\textsuperscript{47}

Brij Narain considered “economic planning” as one and only on solution of the problem of education unemployment. Education could not be ‘an end-in itself’ in a poor country. A planning economy for India would aim at industrializing India within a given period. Technical education must structure on economic planning.\textsuperscript{48} In January 1944, the Central Advisory Board of Education issued a report on the post war educational development in India promising Rs. 313 crore annual expenditure. It promised the development of technical, commercial and art education and proposal to establish an employment bureau. Technical education was to be organized on an all-India basis under a National Council for Technical Education. However, Brij

\textsuperscript{45} Report of the Punjab Committee on Unemployment (1927), p. 23.


Narain considered industrialization as ‘the only solution of educated unemployment’. More industries meant more jobs for educated men.\(^{49}\)

**TAXABLE CAPACITY IN INDIA**

Brij Narain defined taxable capacity as ‘the maximum amount that the people can contribute towards the expanses of the State’. It is found by ‘deducing from their total income from all sources the minimum amount required for consumption for replacing old capital and for new addition to capital’. Minimum consumption meant ‘consumption necessary for efficiency’ not bare subsistence. Hence, taxable capacity or the taxable surplus of production over costs.\(^{50}\)

Brij Narain responded to Findlay Shirras determination of India’s taxable capacity projected in *Science of Public Finance*. Findlay Shirras found that effective taxation in the case of India in 1922 was 4 per cent of the gross income as compared with 24 per cent of the United Kingdom. Taxable capacity in the case of India as 30 per cent as against 82 per cent in the United Kingdom. With precaution, Findlay Shirras implied that India was, comparatively ‘a lightly taxed’ country.\(^{51}\) Brij Narain questioned international comparisons of tax burdens as economic organizations of England and India were different in the areas of economy systems of taxation and levels of income or prosperity. Moreover, the burden of taxation depended on the factors : (a) the objects on which the income of the state was largely spend; and (b) whether the proceeds of taxation were spent in a country or outside as in the case of India.\(^{52}\)

With ‘conjectural elements’, Brij Narain re-adjusted estimates of national income. He arrived at effective taxation to the extent of 14 per cent in 1910-11, 74 per cent in 1920-22 and 33 per cent in 1921-22. Reviewing the low standards of minimum consumption advanced by Findlay Shirras, Brij Narain in the light of


\(^{50}\) Brij Narain, *Indian Economic Life : Past and Present*, p. 553.


prices of food grains put forth effective taxation as 14 per cent in 1910-10, 140 per cent in 1920-21 and 46 per cent in 1921-22. Further extending the argument Brij Narain proposed that in an agricultural country, taxable capacity must be considered for a period of 3 to five years rather than a single year. In such a situation, effective taxation for 1920-22 would by 75 per cent of taxable capacity. Findlay Shirras suggested per capita of India in 1922 as Rs. 116 as against per capital income of Rs. 750 (£ 50) for the United Kingdom. The colonial officials projected production as an index of prosperity in the Punjab. However, Brij Narain differed as he put forth per capita income better indicator. Deducting the cost from the gross income, he got Rs. 77.4 crore as the total net income of those on ordinary cultivation in 1925-25. Thus, dividing the net income by the number of those who earned it (11,756,932) he arrived at Rs. 66.4 as their net per capita income in 1925-26. He extended the argument further keeping in mind the family size. Thus, he arrived at the average income of agricultural worker with the two dependents about 9 annas per day. Thus, the aggregate wealth produced by the Punjab cultivators every year was considerable, the level of per capita agricultural income low. The two chief direct taxes levied in India were the income tax on non-agricultural incomes and the land revenue, which operated as a tax on agricultural income. Income Tax: The basis of assessment and method of assessment differed in India and Britain. Under the Act of 1918, the basis of assessment in India was for the current year. However, in the United Kingdom, it was the average income of three years. The income tax was heavy. Agricultural income remained excluded from the operation of the income tax.

LAND REVENUE

B.A. Baden Powell acknowledged that the land revenue ‘operates as a tax on agricultural incomes’.\(^5^9\) The smallest holder pays the land revenue, 25 per cent of the net assets, as the largest holder. The large holder benefited most by the progressive reduction in the state’s demand. The small holder with little or no surplus, found it increasingly difficult to bear the burden of the tax and more so as his holdings tended to become progressively smaller and uneconomic.\(^6^0\) Land revenue was the more burdensome tax. In fact, it was the tax, which even the poorest land owner could not escape or tax on the subsistence of the worker.\(^6^1\) The land revenue encroached on wages and profits. The only effect of the land revenue was to lower the standard of living of the cultivator.\(^6^2\) In the Punjab 58 per cent of the total number of owners own less than 5 areas thus living on the margin. The basis of the land revenue is net income and it could be treated as a tax on agricultural income. Brij Narain proposed abolition of tax on things and substitution in its place a graduated tax on agricultural incomes with an exemption limit.\(^6^3\) The taxable capacity of the landowner depended, not on his gross but net income. The burden of land revenue could be proportion of the land revenue to net income. In theory, the land revenue in the Punjab did not exceed 25 per cent of net assets. In actual practice, the land revenue demand could practically absorb the whole of the net income from cultivation. The land revenue had exemption limit.\(^6^4\) Writing in the context of the Economic Depression (1929-30), Brij Narain advocated abolition of land revenue and argued that agricultural incomes be subjected to the income tax. The water rates should be reduced. With this, he advocated a heavy reduction in the cost of administration.\(^6^5\) Apart from the land

\(^{59}\) B.H. Baden Powell, *Land Revenue in British India*, p. 49.


\(^{62}\) Brij Narain, *India in the Crisis*, p. 27.


\(^{65}\) Brij Narain, *India in the Crisis*, p. 51.
revenue, water rate was levied as a tax. The Punjab canals were source of considerable profit to Government. In 1927-28, the canals earned 15 per cent on capital. The irrigation surplus from the pockets of farmers exceeded Rs. 2 crore in 1930-31 and Rs. 3 crore in 1931-32 and Rs. 3.5 crore in 1939-40. The Punjab Government made an annual profit of over 14 per cent on capital invested on canals. The water rates were a rigid and inelastic charge and did not reduce when prices fell ‘rendering cultivation unremunerative’. The charge for water was frankly levied as a tax. It was determined with reference to the financial needs of the province. The Government exampled agriculturist from the income tax. Brij Narain considered land revenue and water rates as a substitute for the income tax on the case of the cultivator. The whole province benefited from irrigation in the form of food production, yet 34 per cent of the total population paid water charges. He proposed that ‘water rates must be related to the degree of profitableness of agriculture’. The issue of land revenue as a tax or rent was discussed in 1875. The Indian Taxation Inquiry Committee (1924-25) rediscussed it in detail and concluded that the land revenue is not of the nature of rent. It was a tax and a tax on things and not on persons. The Committee further said, “view as a scheme of taxation, land revenue is not only progressive, but actually tenets in the opposite direction”. Brij Narain argued that the land revenue imposed heavier burdens on the poorer land owners. He favoured the abolition of land revenue and the taxation of agricultural incomes under the graduated scale called the ‘slab system’. He also proposed exemption from the payment of land revenue to owner-cultivators of one plough holdings or less. The land revenue and the water rates (net receipts) provided more than 60 per cent of the

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total revenue of the Punjab Government. It was the chief reason which made it
difficult to grant relief to agriculturists. Though, there was decrease in land revenue
during the depression period, yet the fall of prices ruined the cultivator and his
taxable capacity remained practically unchanged.\footnote{72}

**DISTRIBUTION OF WEALTH**

Brij Narain linked economic distress in India and for that matter in other countries
to mal distribution of wealth. The fall of prices which produced ruinous
consequences for India was attributed to over production. However, production had
not exceeded the limits of human consumption. In case it exceeds, there could be
two ways to restore balance: (a) stimulating demand by increasing the power of the
masses and; (b) reducing supply.\footnote{73} In India, distribution of wealth was ‘inequitable
enough’. In the case of Punjab over 58 per cent of the owners own only 12 per cent
of the cultivated area, while less than 4 per cent of the biggest owners owned a
little more than one-fourth of the cultivated areas. More than half of the owners
possessed less than five acres.\footnote{74} Brij Narain identified landlordism affecting the
distribution of wealth of ‘considerable importance in the Punjab’. In 1931, about 2
lakh of non-cultivating proprietors lived on rent paid in money or kind as compared
with 17 lakh cultivating owners, 11 lakh tenants cultivators and 5 lakh agricultural
laboures. Those who lived on rent formed only 5.4 per cent of the total population
under cultivation. It limited the perching power of small owners and of tenant
cultivators.\footnote{75}

**PLANNING AND PRUNING**

Brij Narain underlined planning-socialist planning for solving the problem of mal
distribution of wealth. A state planned, state directed and state controlled system of
production could lead to building up a sound industrial system on modern lines. It

\footnote{72}{Brij Narain, *India in the Crisis*, pp. 25-26.}
\footnote{73}{Brij Narain, *India Before and Since the Crisis*, Vol. I, pp. 81-82.}
\footnote{74}{Brij Narain, *India Before and Since the Crisis*, Vol. I, p. 85.}
\footnote{75}{Brij Narain, *India Before and Since the Crisis*, Vol. I, p. 85.}
would withdraw labour from the villages, thus reducing the growing pressure on the land and modernize agricultural methods. Hence, a greater production of wealth and a better distribution of it could be real means of saving the people from epidemics. Brij Narain noticed the top heaviness of the administration which the colonial rule could maintain it through increased taxation. During the Economic Depression (1929-30), he suggested cut in its expenditure so as to adjust it to the reduced income of the people. Planning necessitated setting up a highly complex machinery of state direction and control. Brij Narain dwelt on the natural of the state for fulfilling industrialization drive in India. he discussed the experiences of Italy, Germany and Russia and concluded planning ended democracy. He emphasized that for planning state ownership of means of production was not essential. He further argued that whenever and wherever planning was undertaken, democracy, not the state ‘withered away’. He doubted democracy in a conflict of interests, castes or communities and legislators. Rather, it becomes means of enriching the particular class, caste or community in power. He concluded that the British theories of democracies were inapplicable in India.

WAR ECONOMY AND RECONSTRUCTION
Brij Narain categorically stated that there was no aspect of Economic activity which was not affected by war. Colonialization of the peasant economy supplier zone within the British Empire. Export of foodgrains continued despite marginal increase in the agricultural production. The World Wars (1914-18, 1939-45) necessitated

77 Brij Narain, *India in the Crisis*, p. 60.
79 Brij Narain, *Marxsim is Dead*, pp. 244-54.

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requisition of massive food supplied from Asia. The British imperial interests determined the war strategy. The Punjab played significant role in the supplies of material especially foodgrains and manpower. Agrarian economy of the Punjab witnessed unprecedented food crisis, rationing and price rise in the 1940s which caused large scale dispossession and deprivation among the producers and consumers especially the middle and lower classes. The colonial state during the war economy had turned more exacting for foodgrains which precipitated food crisis both at the level of production and distribution. Excessive exports of foodgrains mandated rationing which led to price rise, hoarding, black marketing, speculation and inflation. It caused discontentment among the masses.82

With the German invasion of Poland on 1st September 1939, the World War II began in Europe. The mobilization of British forces was declared. Lord Linlithgow, the Viceroy of India, from the Viceregal Summer residence in Shimla announced on Sunday, 3rd September, 1939 at 8.30 IST over the All India Radio, the War against Germany.83 Lord Linlithgow immediately immersed in the War problems. He was industrious, clear-headed, patient and capable having rock-like firmness.84 The World War II proved that the war between the contending parties was a war for resources, war conducted with resources and war decided to a large extent, by the comparative superiority of resources.85 The new British Premier Winston Churchill categorically declared that it will be a long War and one full of sorrow and disappointment for the British Empire. Sir Leopold S. Amery, the new

Secretary of State for India, decided ‘to utilize Indian supplies to the utmost.’

The Punjab bore the main burden of providing cannon fodder for the various theaters of the War. Indian Army numbered 1,94,373 on the eve of the World War II in September 1939. The Indian army doubled from 166,377 in 1940 to 3,26,497 in 1941 and reached up to 6,51,655 in 1942. On 1st January 1944, total strength of the Army in India and overseas was 23,62,156 which included 1,75,323 of the British army. The Indian Army stood at 26,47,017 on 1st September 1945, when the War ended. It included 2,40,615 of the British Army and 21,633 of the Burma Army. Overall, the mobilization reached 20 lakh, about 50 per cent were the Punjabis.

On the eve of the War, agrarian production in India was critical. Food production declined at annual rate of .02 per cent during 1924-44. With the post 1921 demographic change, per capita output actually declined. On 26th August 1939, the Department of Supply was created to deal directly with questions

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concerning supplies of all kinds required for the prosecution of the War. The War Supply Board was reconstituted in November 1939.\textsuperscript{94} The rural population was rallied to intensify the area under cultivation through “Grow More Food” campaign in the Punjab.\textsuperscript{95} In April 1943, the Kisan Women’s Conference was held. It passed a resolution supporting the ‘Grow More Food’ campaign.\textsuperscript{96} The total cropped area increased from about 30 million acres in 1939-40 to nearly 35 million acres in 1942-43.\textsuperscript{97} In the year 1942-43, the area under food crops in the Punjab was 25.6 million acres which exceeded by nearly half a million acres to the year 1933-34. In 1942-43, the area under four important crops, wheat, rice, maize and \textit{bajra} was the highest ever recorded.\textsuperscript{98} With the average of three year ending 1939, the area under grain crops in 1943-44 had increased by over 11 million acres providing an additional yield of 4 million ton of foodgrains.\textsuperscript{99} The exports of wheat including wheat flour amounted to about 80,000 tons in 1939-40 and 310,000 tons in 1940-41. Towards the middle of 1941, there was unmistakable signs of comparative shortage of wheat and wheat products. Rice exports increased from 251,00 tons in 1940-41 to 304,000 in 1941-42. Cotton cloth exports increased from 177 million yards in 1938-39 to 772 million yards in 1941-44 i.e. 591 per cent.\textsuperscript{100} On July 21, 1943, the Government of India once again asked Lord Leopold S. Amery, the Secretary of State of India for immediate imports, noting that ‘famine conditions

\textsuperscript{94} Bisheshwar Prasad (Gen. Ed.), \textit{Official History of Indian Army Forces in the Second World War (1939-45)}, pp. 78-79.

\textsuperscript{95} \textit{Akali}, Lahore, 14 September 1939.


\textsuperscript{97} Ian Talbot, \textit{Punjab and the Raj (1849-1947)}, p. 144.


\textsuperscript{100} Brij Narain, \textit{Indian Economic Problems : Pre War, War and Post War}, Parts II, III, pp. 18-22.
have begun to appear’ in parts of Southern India and in Bengal.\textsuperscript{101} The Government of Punjab promised wheat supplies to Bengal. However, it had a strong feeling and sought assurance that ‘the Bengal authorities would cease to make a profit out of the sale of foodstuffs’.\textsuperscript{102} The War placed a strain on resources which they were not able to bear. Lord Wavell urged caution in September 1943 that care must be exercised in putting increased burden on India ‘lest our whole base becomes unstable or collapses’.\textsuperscript{103} In 1943, the “Grow More Food” campaign was intensified. It was decided to increase the production of rice and millets. The government expected ‘to exceed the export targets.\textsuperscript{104} The ‘Grow More Food Campaign’ was to be encouraged through large scale distribution of improved seeds; better utilization of night soil and use of manure, prevention of depletion of milch and draught cattle, improved technology through importation of tractors and other agricultural implements.\textsuperscript{105} The wheat of Punjab found its way not only to Bengal but many war fronts.\textsuperscript{106} The Punjab exported about 1,62,000 ton foodgrains.\textsuperscript{107} The actual exports of foodgrains from the Punjab stood about 6,80,000 ton from March 1, 1945 to February 1946.\textsuperscript{108} Food production remained critical in India as it was less in 1947-48 than that in 1900-01.\textsuperscript{109}

\textsuperscript{101} Madhusree Mukerjee, \textit{Churchill’s Secret War}, p. 132.


\textsuperscript{103} Brij Narain, \textit{Indian Economic Problems, Pre War, War and Post War}, Part II, III, p. 17.

\textsuperscript{104} Glancy to Linlithgow, Governor’s Camp, Punjab, 12 February 1943: Lionel Carter (ed.) \textit{Punjab Politics: Strains of War (1940-43)}, pp.353-54.

\textsuperscript{105} Brij Narain, \textit{Indian Economic Problems : Pre War, War and Post War, Parts II, III}, p. 81.

\textsuperscript{106} Regarding Food Situation: Debate in the Central Legislative Assembly, November 1943: Partha Sarathi Gupta (ed.) \textit{Towards Freedom: (1943-44)} part II, p. 1918.


\textsuperscript{108} \textit{The Civil and Military Gazette}, Lahore, 17 February 1946.

\textsuperscript{109} G. Kaushal, \textit{Economic History of India}, p. 61.
Stagnant food production and massive exports led to shortages of foodgrains in the Punjab.\textsuperscript{110} In the early 1940s, the prices rose rapidly and remained at very high levels through 1947.\textsuperscript{111} In the month of April 1941, the local merchants in the Punjab sharply reacted to the price regulations. They openly protested against the sales tax. They called for the provincial merchants’ conference in Amritsar. It created a deadlock in different centers in the Punjab.\textsuperscript{112} The price index rose from 137 in 1941-42 to 236.5 in 1943-44. the price rise induced the peasants to dispose of their reserve stocks at what seemed to them heaven-sent prices. The overall shortage had been estimated at 5 per cent but this was aggravated by faults of distribution and control.\textsuperscript{113} With the increase in agricultural income, collection of arrears of land revenue constituted a record in the financial history of the Punjab.\textsuperscript{114} Mr H.K Henderson, District Magistrate, Lahore stated that owing to the very heavy military demands on wheat supply of the Punjab, there was likelihood of shortage of wheat. The export of wheat was criticized in the Punjab Legislative Assembly in March 1942.\textsuperscript{115} Through its policies of food requisition, rationing, and price control, the Raj, compromised its cardinal principle of maintaining rural stability.\textsuperscript{116} The Punjabi peasant had retaliated by withdrawing supplies from the market. The Punjab appeared on famine in itself. Despite this, in consultation with the Wheat Commission of India, the Punjab Government, though reluctantly agreed to allow export of wheat and

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\textsuperscript{111} Dharma Kumar and M. Desai (eds.) \textit{The Cambridge Economic History of India (1757-1970).} Vol, II, pp.879.

\textsuperscript{112} \textit{Akali}, Lahore, 9 April 1941.

\textsuperscript{113} G. Kaushal, \textit{Economic History of India (1757-1966)}, p.563; Percival Spear, \textit{The Oxford History of Modern India (1740-1975)}, p. 380

\textsuperscript{114} Brij Narain, \textit{Indian Economic Problems : Pre War, War and Post War}, Part II, III, p. 3.

\textsuperscript{115} \textit{The Khalsa}, Lahore, 1 March 1942; lan Talbot, \textit{Punjab and the Raj (1849-1947)}, p.146.

\textsuperscript{116} \textit{The Khalsa}, Lahore, 8 February 1942.
\end{flushright}
wheat products to the maximum permissible limit of 9 lakh ton during 1942. between May and October 1943, about 2, 65, 100 ton of foodstuffs were sent from the Punjab to Bengal. The shortage of foodgrains began to be felt in the Punjab.\textsuperscript{117} India, a food exporting country had now become a food importing country. Brij Narain called for cessation of found exports. Furthermore, he advocated food imports to the extent of 500,000 tons of foodgrains to build up a Central Foodgrains Reserve. For current consumption, India required one million ton foodgrains every year.\textsuperscript{118}

The Government of India, on 21\textsuperscript{st} July 1943, asked Lord Amery for immediate imports. The rationing was first introduced in July 1943 in 13 cities and areas in India.\textsuperscript{119} The Government of India introduced forced requisitioning and price control. It regarded total urban rationing as a fundamental part of all India food policy. However, the provincial governments suggested a partial rationing.\textsuperscript{120} The Unionists advocated the introduction of price control over the goods required by the peasants.\textsuperscript{121} In 1944, hail wrecked havoc on the wheat ripening in the fields of the Punjab.\textsuperscript{122} By November 1944, about 460 towns and municipal areas were brought under rationing covering 42 million people; by October 1946, about 771 towns and rural areas were 150 million people were brought under rationing.\textsuperscript{123} Political insecurity and good prospects in black market created a situation as a


\textsuperscript{118} Brij Narain, Indian Economic Problems: Pre War, War, Post War, Parts II, III, p. 76.


\textsuperscript{121} The Tribune, Lahore, 21 December 1943. The Punjab Assembly Debates, Vol. XXIII, 7 March 1944, p. 405.

\textsuperscript{122} Madhusree Mukerjee, Churchill’s Secret War, p. 231.

\textsuperscript{123} Henry Knight, Food Administration in India, pp. 189-90.
result of which maize, wheat and grain had virtually disappeared from the open market by December 1945. By early 1947 about 900 towns with a total population of 152 million inhabitants received rationed foodgrains in India. Mr. H.A Majid, Rationing Controller, Lahore issued an order fixing the maximum wholesale and retail prices of wheat and wheat atta within the limits of rationed area of Lahore. In February 1945, in the Fifth All India Food Conference, the Punjab representative argued that ‘the Punjab Government was not convinced that rationing is necessary at all in urban areas of a surplus province.’ Nevertheless, the Premier, Khizr Hayat Khan was unable to prevent the reintroduction of price control. Food Crisis in India was reported ‘alarming.’ It was debated in the House of Commons in London. An All India Conference in New Delhi discussed short term and long term aspects of food problem. ‘Grow More Food Campaign’ was emphasized. International Emergency Food Council authorized India to purchase a total of 9,50,000 ton of grains in the first six months of 1947. Sardar Swarn Singh, Food Minister, Punjab agreed to implement the five year plan for ‘Grow More Food’ drive. He assured that ‘the growers would not suffer as a result of the fall in prices.’

The war created conditions resulting in black marketing, hoarding and malnutrition. The prices of food and other necessities of life soared. The cost of

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125 D. Rothermund, An Economic History of India from Pre-colonial Times to 1896, Manohar, New Delhi, 1989, p. 123.
126 The Tribune, Lahore, 7 January, 10 May 1945.
127 Henry Knight, Food Administration in India, p. 191.
129 The Tribune, Lahore, 16 February 1946.
living increased which gave impetus to black market.\textsuperscript{133} Food had been hoarded by everyone-ordinary consumers, traders and merchants, cultivators and landlords. The greatest profit out of the misery and starvation of the people had been by non-working landlords.\textsuperscript{134} With statutory price control introduced in December 1941, the response of the Punjab cultivators was to resort to hoarding. Moreover, the rumours played role in creating scarcity.\textsuperscript{135} In August 1943, it was reported that about one million tons of an estimated harvest of 35 million tons had not come to the market.\textsuperscript{136} In the Punjab, Sir Chhotu Ram, the Revenue Minister, openly called the cultivators to hoard wheat until they secured higher prices for their produce. The Viceroy, Lord Linlithgow condemned such ‘ruthless political opportunism. He asked the Governor of the Punjab to admonish him very severely’.\textsuperscript{137} The price control and rationing could be achieved with ‘much difficulty’ in the Punjab. The new Viceroy, Lord Wavell admitted in 1944 that he was facing ‘a hard struggle to hold prices and to stave off shortage and actual famine’. In the north-western region, the farmers held out wheat for higher prices. They preferred to keep their saving in the form of grain because they had come to distrust the value and security of cash.\textsuperscript{138} The real fantastic increase was not in production but in profits, particularly speculative gains through profiteering in food, share market operations


\textsuperscript{134} Brij Narain, \textit{Indian Economic Problems : Pre War, War and Post War}, Part II, III, p. 79.


and black market in general. Speculation, hoarding and profiteering aggravated the rise of prices. The was a scarcity of daily necessities which were selling in the black market. Fearing a further cut in the wheat ratio allowed under rationing, the average consumer began concealing stocks of foodgrains such as rice, grain and pulses. The rumours of scarcity lead to hoarding of grains with peasants and merchants. The colonial state was alarmed by the fact that rumours were taking anti-state direction. It was alleged that in the Punjab insufficient action was taken prevent inflation, hoarding and profiteering. Contrary to the spirit of the Government orders, the price of wheat was very high in the towns compared with the villages and the people protested against it. It was also mentioned in the Punjab Legislative Assembly that the poor men had to face problems at the hands of ration depot holders. The wheat position was summed up as ‘living from ship to mouth’ as each shipload was consumed immediately on landing. In short, the food situation caused general ‘anxiety’ in India in 1947. Many classes of ‘fixed incomes were living in India in a state of semi-starvation. In the colonial historiography, it has been argued that the controls of the 1940s were necessary to cope with the serious imperfections of the market networks of the Indian domestic economy. However, the food crisis was ‘grossly aggravated by gross mismanagement and deliberate profiteering leading to the interrelated problems of famine, inflation, scarcity, hoarding and black marketing. Brij Narain argued that lack of food was the real

140 Brij Narain, Indian Economic Problems, Part II, III, p. 79.
cause of distress. The rise of prices was only an expressional lack of food. Famine could be brought about artificial means due to heavy Government buying for military stores or for exports. Hoarding and profiteering began when scarcity began to felt and rise of prices feared. The rationing was strongly resented in at least in those districts which were surplus in food. White the state was carrying on propaganda for equitable distribution and equal treatment to all, there were many who were not ready to suffer due to others. The rationing continued in the post war period.

The war economy brought in ‘galloping inflation. The inflationary pressure emanated largely from the massive expansion in the public expenditure. Between 1939 and 1945 nearly Rs. 3.5 billion were spent on defence purposes in India. The Government of India financed the war by making the mints work harder. The note circulation steadily and continuously increased since 1941. Money supply with the public increased by Rs. 1776 crore between 1936-46 which was a rise of about seven times over the pre-war level. From Rs. 1.82 lakh on 1st September 1939, the note circulation increased to Rs. 1137 lakh on 8 June 1945. There appeared non-monetary gap between production and consumption. This gap was filled by the creation of more paper money. The total money supply (notes in circulation, bank deposits, cash holdings and deposits with the RBI) rose from Rs. 3.17 billion in August 1939 to Rs. 21.9 billion in September 1945. The notes in

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Since the foundation of the Reserve Bank of India, the note-issue had increased four times and the amount of sterling securities ten times. Gold coin and bullion in the Reserve remained unchanged:

\begin{table}[h]
\centering
\begin{tabular}{|c|c|c|c|}
\hline
\textbf{Average of Friday (figures)} & \textbf{Note issue (Lakhs)} & \textbf{Gold coin and bullion} & \textbf{Sterling securities (Lakhs)} \\
\hline
1935-36 & 191,65 & 44,42 & 62,13 \\
1936-37 & 201,68 & 4442 & 69,63 \\
1937-38 & 211,78 & 44,42 & 79,90 \\
1938-39 & 210,58 & 44,42 & 66,88 \\
1939-40 & 227,75 & 44,42 & 78,32 \\
1940-41 & 258,67 & 44,42 & 129,92 \\
1941-42 & 319,89 & 44,42 & 165,00 \\
1942-43 & 525,24 & 44,42 & 319,11 \\
1943-44 & 787,67 & 44,42 & 643,52 \\
\hline
\end{tabular}
\caption{Amount of Note-issue, Gold Coin and Bullion and Sterling}
\end{table}

Brij Narain argued that need for creating more paper money may cease or loss of confidence could increase the velocity of circulation causing a more rapid rise in prices which would lead to the creation of more paper money.\footnote{Brij Narain, \textit{Indian Economic Problems : Pre, War, War and Post War}, Part II, III, p. 10.} The war time inflation robbed the landers, the small former, the factory worker, the salaried man, the old pensioners, with the brunt falling on the poorer elements in India. Capitalists and war contractors mad enormous profits and the gap between the rich and the poor widened appreciably.\footnote{Sukhdev Singh Sohal, “Food Crisis, Inflation and Political Control in Punjab (1940-47)”, \textit{Journal of Punjab Studies}, Vol. 20, Nos. 1-2, 2013, pp. 256-57.} Brij Narain suggested that paper inflation must be totally avoided and supplied of food stuffs and raw materials acquired by the sale of fold to peasants. He further proposed an extreme step: Government may requisition stocks...
without paying for them”.

Inflation may stop, yet prices would rise to equate demand and supply.”

Brij Narain linked inflation with the rise of prices. He argued that more money in circulation meant increased demand. With lack of supply increase pari passu, prices were tended to rise to equate demand and supply. The wholesale price index rose during 1939 and March 1946 from 100 to 246; the money supply increased from Rs. 340 crore to Rs. 2120 crore. Brij Narain noticed the early trend of increasing wholesale prices with mounting more circulation between September 1941 and September 1943;

Table VI.3: Note Circulation and Wholesale Prices

<table>
<thead>
<tr>
<th>Year</th>
<th>Note Circulation (crores)</th>
<th>(Wholesale prices)</th>
<th>Wholesale Prices, calculated</th>
</tr>
</thead>
<tbody>
<tr>
<td>September 1941</td>
<td>266</td>
<td>149</td>
<td>15014</td>
</tr>
<tr>
<td>December 1941</td>
<td>304</td>
<td>154</td>
<td>15299</td>
</tr>
<tr>
<td>March 1942</td>
<td>375</td>
<td>153</td>
<td>16399</td>
</tr>
<tr>
<td>June</td>
<td>439</td>
<td>182</td>
<td>18022</td>
</tr>
<tr>
<td>September 1942</td>
<td>488</td>
<td>198</td>
<td>19668</td>
</tr>
<tr>
<td>December</td>
<td>561</td>
<td>238</td>
<td>22774</td>
</tr>
<tr>
<td>March 1943</td>
<td>636</td>
<td>272</td>
<td>26777</td>
</tr>
<tr>
<td>June</td>
<td>720</td>
<td>319</td>
<td>32237</td>
</tr>
<tr>
<td>September 1943</td>
<td>760</td>
<td>349</td>
<td>3500</td>
</tr>
</tbody>
</table>

Source: Brij Narain, *Indian Economic Problems: Pre War, War and Post War*, Parts II, III, p. 12. Table 1.7

The corresponding increase in money supply was from Rs. 327 crore to Rs. 2120 crore and the price index rose by 2.5 time during the war. It is evident that the War gave hardly any growth impulses to the Indian economy but subjected it to ever greater amount of inflation. Prices of essential commodities, especially clothing and wheat, went up about 300 per cent by the end of 1941. There were complaints of high prices in urban areas where the poor people on more or less fixed incomes were

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finding it increasingly difficult to subsist. Brij Narain compared the rise of prices with other countries. He concluded that compared to 200 to 300 per cent rise in food prices in India in 1943, retail food prices in the United Kingdom on December 1, 1943 had risen by only 22 per cent as compared with September 1, 1939. This was because the welfare of the civil population had not been ignored and there was effective price control and rationing more effective. Interestingly, the food prices in war time Britain rose about 18 per cent whereas in India, this increase was about 300 per cent for rationed foods alone. Heavy taxation and increasing borrowing were bound to reduce consumption of luxuries, such as ligours, motor cars, Persian carpets, radio sets. The consumption of food was not be affected as the rich were left with the relative higher pursuing power. Brij Narain put forth that the problem of rise of prices in the first stage of inflation was ‘essentially a problem of scarcity, artificially created by the diversion of supplies to war purposes’. However the producers gained. Business profits had risen and organized industry, in spite of increased taxation, was prosperous. The rise in the prices of food grains and raw materials lightened the burden of rural debts and government dues. The middle classes living in the towns had been hit hardest by the rise of prices. The greatest gainer by the rise of prices was the non-working landlord. The Punjab Government claimed that the non-working landlord was a ‘grower’. Brij Narain called this class ‘exploiters’ pure and simple.

India’s public debt had an increasing tendency: 1914 with Rs. 179.77 crore; 1919 with Rs. 358.78 crore; 1939 with 709.96 crore and 1943 with 1208 crore.

162 Brij Narain, Indian Economic Problems : Pre-War, War and Post War, Parts II, III, p. 17.
164 Brij Narain, Indian Economic Problems : Pre War, War and Post War, Parts II, III, p. 46.
The sterling debt increased on account of her sterling balances, India became the largest creditor of Britain. However, Britain’s indebtedness replaced India’s dwindly economic power.\textsuperscript{165} On the 31\textsuperscript{st} March 1944, Sterling Securities with the Reserve Bank amounted to Rs. 780 crore.\textsuperscript{166} After 1945, India ceased to be vital to Britain’s pressing needs, being neither a source of essential supplies nor a net contributor to the Dollar pool.\textsuperscript{167} Given the Indian monetary system sterling balances were treated as assets against which the Reserve Bank of India was entitled to print notes worth about two and a half times their total value so that the recoverable war expenditures tended to have a stronger inflationary impact than expenditure on India’s own account.\textsuperscript{168} In fact, between 1939-49, the Government of India spend Rs. 17.4 billion on behalf of, and recoverable balances due to India, lying with the Bank of England came to Rs. 21 billion until the end of June 1946. The entire sum was kept out of the reach of the India people during the war.\textsuperscript{169} The war incurred huge expenditure on the defence reaching upto Rs. 1096 crore by March 1945:

Table VI:4 : Defence Expenditure of India (1939-45) (Rs. in crores)

\begin{table}[h]
\centering
\begin{tabular}{|c|c|c|c|c|}
\hline
 & Total Revenue & Defence Expenditure & Total Expenditure & Proportion of A to B \\
\hline
1939-40 & 94.6 & 49.5 & 94.6 & 100 \\
1940-41 & 107.7 & 73.6 & 114.2 & 94.3 \\
1941-42 & 134.6 & 103.9 & 147.3 & 91.4 \\
1942-43 & 176.9 & 267.1 & 341.6 & 51.8 \\
1943-44 & 254.5 & 300.9 & 385.2 & 66.1 \\
1944-45 & 308.5 & 301.2 & 387.2 & 79.6 \\
Budget & 1076.8 & 1096.2 & 1470.1 & -- \\
\hline
\end{tabular}
\end{table}

Source: P.S. Lokanathan, \textit{India's Post War Reconstruction and its International Aspects}, p. 36.

\textsuperscript{165} Johannes H. Voigt, \textit{India in the Second World War}, p. 170.

\textsuperscript{166} Brij Narain, \textit{Indian Economic Problems : Pre-war, War and Post War}, Parts II, III, p. 46.


The defence expenditure reached roughly about Rs. 2500 crore by adding expenditure incurred on behalf of the British Government. The annual average represented nearly three times India’s annual revenue.\footnote{P.S. Lokanathan, \textit{India’s Post War Reconstruction and its International Aspects}, OUP, New Delhi, 1946, p. 36.}

With the end of the war approaching, post War planning or reconstruction plans were began to be checked out. On March 4, 1944, Mr. G.D. Birla explained the Bombay Plan at the annual meeting of the Federation of India chambers of commerce and industry. He was one of the authors of the Bombay Plan.\footnote{Brij Narain, \textit{Indian Economic Problems : Pre-war, War, Post-war}, Parts II, III, p. 118.} In January 1944, eight prominent industrialists published the Plan.\footnote{P.S. Lokanathan, \textit{India’s Post-war Reconstruction and Its International Aspects}, p. 52.} The Bombay Plan was extremely modest in its aims. It was India’s first attempt to think on constructive lines in the economic sphere.\footnote{Brij Narain, \textit{Indian Economic Problems : Pre-war, War, Post-war}, Parts II, III, p. 126.} Its objective was doubling of the per capita income to be achieved through the raising of the output from agriculture by 130 per cent from industry by 500 per cent from industry by 500 per cent and from services by 200 per cent.\footnote{P.S. Lokanathan, \textit{India’s Post-war Reconstruction and Its International Aspects}, p. 126.} The Bombay Plan was represented by ‘big business’, ‘showing little or no trace of any desire to raise the standard of life of the teening masses’.\footnote{\textit{The Civil and Military Gazetteer}, Lahore, May 18, 1944.} Brij Narain pointed out that the war created opportunities for Indian capitalists. They made huge profits by the manufactures and sale of poor immolations of consumers.\footnote{Brij Narain, \textit{Indian Economic Problems : Pre-war, War, Post-war}, Parts II, III, p. 126.} The Bombay Plan proposed to increase India’s national income through industrialization. The Plan relied for finance mainly on ‘created money’ and without it the plan falls. Brij Narain criticized the Bombay Plan on this account. He opposed proposal to raise Rs. 800 crores by loans abroad as foreign capital was
bound create political difficulties. He favoured orthodox methods of finance such as savings of the people not savings due to ‘created money’.

The question of ‘created money’ attracted much public criterion. The planners under halved planned savings. However, G.D. Birla, rectified it by saying that savings to the extent of 16 per cent of the national income were requisite in implementation of the Plan. M.N. Roy, speaking at Delhi on August 12, 1944 criticised the Bombay Plan. He argued that the economic development of India was only possible on the socialist basis.

However, Brij Narain, differed on this account. Socialists and communists meant nationalization of land and capital as the first step towards planning. They attached more importance to distribution than to production. Brij Narain felt that a National Government could reduce inequalities in the distribution of income through the instrument of taxation. Moreover, the Indian peasant would never agree to land nationalization or collectivization.

Brij Narain noticed the ravages of the World War II on Indian economy and society. He argued that the British fought the War through ‘created money’ or by minting more notes rather than organizing production and distribution. He emphasized the role the state in planning the economy but hesitated in pushing it on lines of State Socialism. He advocated planning and had high hopes in the post-war reconstruction phase. However, he was not destined to see it through!

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178 P.S. Lokanathan, *India’s Post-war Reconstruction and Its International Aspects*, p. 55.

179 *The Civil and Military Gazetteer*, Lahore, August 13, 1944.