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Review by: J. M. Douie

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The Foundations of Indian Economics. By RADHAKAMAL MUKERJEE, M.A. (Longmans, Green and Co. 1916. Pp. 515 + xxiii. Price 9s. net.)

MR. RADHAKAMAL MUKERJEE, who is a Professor of Economics in a Bengal College, has written an interesting book. Patriotism has led him to paint the moral and material results of the existing Indian social and economic organisation in too bright colours, but, generally speaking, he has himself furnished the means for correcting the picture. To quote a single instance, the statement on p. 327 that "the middleman, the trader, or the moneylender, in their dealings with the craftsman, are always straightforward. They do not exploit the labourer, but maintain him," may be compared with the author's own remarks elsewhere (*e.g.*, on pp. 168 and 378).

If the virtues of India are overpraised, the West is not fairly treated. One may have a lively perception of the evils of unbridled individualism and unlimited competition, and yet fail to recognise the portraits of the economic conditions prevailing in European countries drawn on p. 453 and elsewhere. Our industrial methods have infected our public and private morality, and "created the modern contrasts between ethics and business morality, between ethics and statecraft and diplomacy." For the former we may recall Lecky's contention that, while the development of commerce is accompanied by painful examples of low morality, it has on the whole promoted the habit of truth, because a reputation for truthful dealing is a valuable business asset. As regards the latter we may well ask whether the statecraft of the rulers of the industrial Italy of to-day is morally below or above that of Cesare Borgia and Lodovico Sforza.

The desire to replace imports of manufactured goods by home-made products is natural and praiseworthy, and, as Mr. Mukerjee has noted, Indian public opinion is strongly protectionist. It is doubtful whether he himself has much faith in this expedient. But he seems quite prepared to put restrictions on food exports in the supposed interests of the Indian consumer. For he holds that "unfortunately in our country our internal trade guided by foreign merchants is gradually tending to exploit our agriculture in the interests of foreign countries. The exports of rice and wheat have been steadily increasing, while their production has not extended in the same proportion. . . . In the eleven years ending 1911 the increase of exports of rice and wheat has been steady and continuous with but slight fluctuations even in famine

years. . . . But the areas under rice and wheat have not increased in the same proportion." The figures quoted on p. 309 in support of this contention might rather be used to prove the contrary. The exports of wheat in the cycle 1901-1911 have ranged from 2.1 millions of hundredweights to 43 millions, or in the proportion of 1 : 20. In a country where the areas sown and harvested vary so widely with the character of the seasons it is useless to compare agricultural data for single years. But omitting 1908, a year of abnormally low exports, in order to give the author's argument fair play, we get the following average of figures for two cycles of years :—

Exports.			Areas.		
Period.	Rice.	Wheat	Period.	Rice.	Wheat.
1901-1905	43.76	21.04	1901-1905	71.6	21.7
1906-1911 ¹	43.3	21.41	1906-1910	75.9	22.4

¹ Omitting 1908.

It seems paradoxical to assert that in ordinary years any artificial restrictions on exports would be for the benefit of the agriculturists of India, while three-fourths of its people are dependent on the cultivation of the soil in a greater or less degree. Undoubtedly higher prices of agricultural products are unpopular in towns, and many of the villages, owing to their ignorance and indebtedness, lose much of the benefits of having a European market. The remedy is to be found in the measures now in operation, the extension of which the author advocates, for the delivery of the peasant from his enslavement to the moneylender. It is true that abnormal conditions may prevail, as at the present moment, when authoritative restrictions on export are required in the interests of the Indian population, and it is quite conceivable that such conditions might arise even in times of peace. But Mr. Mukerjee's argument goes far beyond that. Holding the views he does, it is not surprising to find him opposed to further extension of railway communications, and asserting that "more lines do not mean greater immunity from famines; they mean greater facilities for exploitation, which is the cause of famines."

Whatever may be thought of these economic eccentricities, the volume contains much valuable matter, and its appearance, when a Commission is engaged in investigating the question of the industrial development of India, is timely. Book II. consists of a careful survey of village occupations, arts, and crafts. The materials are naturally drawn from Bengal, but here and in other parts of his work the author seems occasionally to forget that Bengal and India are not convertible terms. His conclusion that

there is still room for handloom weaving in the production of the coarsest and finest fabrics, but that it cannot compete with machinery in medium qualities, is interesting. He sees that the future of the leather industry is mainly in the factory, and that the village blacksmith must make way for the iron manufacturer. But the bell metal industry and the goldsmiths' craft should survive.

Book III. and the first two chapters of Book IV. deal with existing Indian credit and trade systems, the latter of which, as regards ethical results and effect on the welfare of the masses, the author holds to be very superior to the industrial organisation of the West. However this may be, everyone can sympathise with his desire that cottage and workshop industries should not be superseded by the factory except to the extent that modern conditions render inevitable. The transition is bound to be accompanied with a considerable amount of suffering, and in India it is undesirable, even if it were possible, to hurry the process. The real obstacle to the development of large industries is not the absence of fiscal protection. Labour is cheap but inefficient, and the native supply of foremen and managers has still to be created. As the author perceives, the first step required is a thorough overhauling of the educational system, which produces a superabundant supply of clerks, but very few lads with any ambition to turn themselves into skilled workmen. Joint-stock enterprise is hampered by lack of mutual confidence and by the inexperience, and sometimes also the dishonesty, of managing bodies. A heavy burden of responsibility lies on Government to ensure decent housing conditions, otherwise any rapid increase of factories will be accompanied by the physical and moral evils which Mr. Mukerjee foresees.

He points out that the extent to which even in England production is carried on in small workshops is often under-estimated, and he quotes interesting figures to show how strong the position of home industries is on the Continent. His conclusion is that in India there are many branches of production well suited to the workshop; that here "there is a rich field for the investment of capital for our middle classes"; and that educated young men will find the management of such workshops "good training for larger ventures in the way of big factories." This is sound advice. He sees that in the case of cottage industries improvement depends on the degree in which co-operation is adopted as a means of providing the artisan with (a) cheaper credit, (b) better tools and better and cheaper raw materials, and (c) better terms of sale. Government has done much in the last twelve years to encourage

co-operative credit, and increased attention is now being paid to co-operation for the purposes of purchase and sale.

The book is adorned with excellent illustrations, and disfigured by an unusual number of misprints.

J. M. DOUIE

Economic Protectionism. By JOSEF GRUNZEL, edited by Eugen von Philippovich. (Oxford: the Clarendon Press. 1916. Pp. xiii. + 357.)

THIS treatise is, we understand, published in fulfilment of the purpose of the Carnegie Endowment for International Peace. The Division of Economics and History, the Director tells us in a general Introductory Note, has been "organised to promote a thorough and scientific investigation of the causes and results of war"; and we should imagine that the fiscal policy here elaborately discussed would be placed by many pacifists, without hesitation, "among" those economic influences which, Professor J. B. Clark declares, "in time of peace bring about clashing interests and mutual suspicion and hostility." The anticipated curse is, nevertheless, in this instance changed into a blessing. The author considers that the case commonly put forward for free trade has been vitiated by incurable defect; and he holds the view that protection may be properly regarded as an expedient of which neither the advantage nor the need is small. It should be added that his editor, as the Austrian member of the Committee of Research, while responsible for the choice of the writer and the perusal of the manuscript, and for deciding whether it has merited publication, is not committed to "any opinions" which have been expressed. But complimentary reference is made to his attitude upon the question treated.

The book is a "thorough" study, argued from a "scientific" standpoint, of important matters clouded or distorted by the storm-laden gusts of partisan controversy. It is a new experience not to meet on the threshold of the debate with the question-begging epithets "natural" and "artificial," worn threadbare in this connection. Towards the close alone of this fresh scrutiny the traditional antithesis appears. It is then ingeniously maintained that, "as the natural conditions" of production are, in fact, becoming "less and less important," and "artificial conditions are more and more decisive"—cotton, for example, being manufactured not where it has grown, or iron ore where it was mined, but in the places where markets exist—a fiscal policy may be