

would have got about 8 lbs. per month. The question whether the weavers may not be encouraged to take to some other cottage industries, to give them full employment throughout the month, is also engaging the Government's attention.

Tungabhadra waters are expected help to grow more food by irrigation in another 3 years and 1953 will see the beginning. The progress of the dam and the auxiliary works were outlined by the Minister of Public Works at a press conference. He said that as far as possible mechanical requirements will be manufactured at the dam site where the nucleus of a big industry is in the making. Thirty thousand workers are employed and the Government's policy was to keep mechanisation at a low level so as to provide for more manual labour. Spill-way gates for the dam and sluice gates were expected to be made at the workshop which, in future, will help to satisfy similar engineering requirements elsewhere. Speculation in land near about that area is already actionable under a recent enactment and the irrigation charges for an acre hereafter, the Minister said, will be about Rs. 15 or Rs. 20 an acre.

All these are no doubt long term plans. But *pari passu* efforts are necessary to promote accelerated afforestation. Forests regulate climate and rainfall and most countries have fixed 20 to 25 per cent of the total area as the target for forest. For Madras State to reach this target the present area under forests, it has been estimated, should be extended by 2½ to 5 million acres.

Taken by and large the Economic Adviser to the Government estimates that the area under food crops in the State has fallen from 28,078,248 acres or 35.16 per cent of the total area in 1930-31 to 27,247,770 acres or 34.12 per cent of the total area in 1949-50. The area under non-food crops has increased from 8,524,771 acres or 10.68 per cent of the total area in 1930-31 to 8,682,665 acres or 10.87 per cent of the total area in 1949-50. In this period of 20 years the trend is that the area under food crops has declined at an annual average rate of 0.09 per cent while the area under non-food crops increased at 0.49 per cent. This decrease has happened in spite of the Grow More food Campaign, he says and reckoned in terms of acre-

age the shift towards the cultivation of non-food crops in the period has been of the order of 9,000 acres on the average. "It shall have been considerably more than this but for the succession of bad seasons in the past few years which has affected the acreage under both food and non-food crops."

Lesson; Food crop cultivation ought to be made more attractive

Book Review

LOCAL FINANCE*

K. M. Bhouraskar

THERE is, outwardly, some similarity between the Report of The Royal Commission on Local Taxation in Britain published in 1901, and that of the Local Finance Enquiry Committee published recently by the Government of India. The former ran to 184 pages of which 63 pages were covered by the report, the remaining pages being taken up by minutes of dissent, as many as 8 out of 15 members reporting disagreement with the majority report on major issues. "The Local Finance Enquiry Committee Report consists of 502 pages, of which 150 pages are taken up by 6 dissenting members who virtually form a majority. But the comparison between the two reports stops here.

While the Royal Commission on Local Taxation produced a classic report which influenced subsequent developments of the next half century, the Local Taxation Enquiry Committee Report contains very little to command attention. Even the minor features like Contents have been 'shabbily done. One really wonders why was the Committee so much in haste to produce the report in such a bulky, unimpressive and unintelligent form. It is more or less a compromise, as all reports are, but it is a compromise without conviction, and as one of the eminent members states, it is full of illogicality and inconsistency. The report, in fact, is a conglomeration of facts and statistical data. It has failed to analyse the latter properly and gives no indication of having derived any benefit from the recent literature on the subject. It bristles with quotations which are no more than decorations.

The Committee breaks no new ground and some of its recommendations are retrograde. It agrees very reluctantly to the retention of

and playing

Workers of *Swadesha Mitran* (Tamil Daily), Express Group of Papers (*Indian Express, Dinamani*, etc.) and Spencer and Company are on strike for some days on the question of allowances and wages. The concerns carry on with attenuated staff and with outside dilution. Editorial staff are not involved.

octrois, and regard them as inferior to terminal taxes, a view that has long been exploded. The Committee does not concern itself with the important questions involved in the successful operation of octroi taxes, namely exemption of goods in transit, and provision of warehouses and refunds. The members do not even seem to be aware that some of the State municipalities like Bangalore, Mysore and Indore, acting upon the recommendations of the Indian Taxation Enquiry Committee, 1924, have really succeeded in eliminating many of the abuses and hardships concomitant with this tax.

Property tax is the backbone of local finance, but it should not and must not mean, that all money that is required for running a local authority should flow out of this source alone. The doctrine of a "single-tax" which this proposition indirectly supports has been condemned on all hand. Although the majority of the members upholds progressive property taxes, dissenting members have advanced equally weighty arguments against them. Property tax is a tax in a necessity and it should, in fact, be the policy of the Government not to create conditions likely to hinder the construction of habitable houses.

In view of the stringent financial position of the local authorities, I quite sympathise with the Committee in its desire for propping up the falling edifice of local self-government by recommending new sources of income viz., taxes on bullock carts, rikshaws, hotel visitors, and railway and road transport passengers. In principle, there is everything to condemn the last three

* Report of the Local Finance Enquiry Committee, Manager of Publications, New Delhi. 1951, pp. CXV, 502. Rs. 4/2.

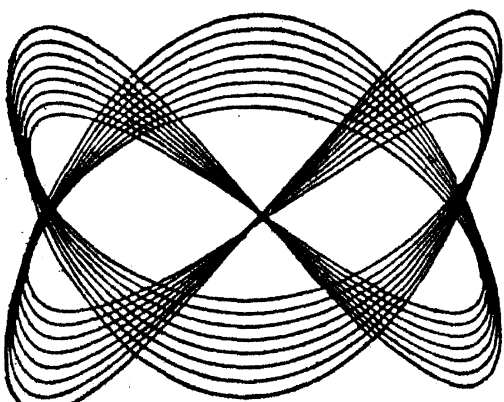
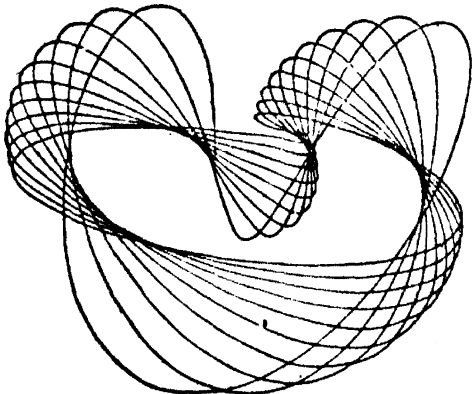
taxes, but using discretion these can be made innocuous. If, for instance, these taxes are made discriminatory, i.e., made leviable only on a particular class of people, e.g. first and second class passengers or residents in first and second class hotels, there is much to commend in them. But these taxes have a limited utility, being productive only in cities and commercial centres. At other places, it is feared, they may not earn enough even to pay the cost of collection.

Strangely enough, the Committee is in favour of assignment of taxes in preference to grants. By assignment of taxes it means sharing in fixed proportion with the State in certain State taxes. The sharing in specific taxes, and grants-in-aid are the two major devices of bridging the gap between the local income and the local expenditure. The former amounts to a compromise between the claims of two government tiers to tax the same object. Shared taxes, viewed in this light, no doubt, eliminate dual administration and guarantee a uniform tax basis and rates throughout the State, thus preventing likely inter-

city migrations. Since a single unit of government collects taxes for all the units in the State, some saving in collection costs is also effected and a much more efficient machinery is secured. As contrasted with independent taxes, the local authorities have little option and opportunity of adjusting the basis and rates of these taxes to their own requirements. Compared with grants-in-aid, they have the advantage of bringing in an independent revenue not varying with the capacity and willingness of the state. But there are some attendant evils also, which make the benefit of shared taxes doubtful. The income from a shared-tax system naturally varies with the vicissitudes of prosperity and depression. This would not matter much, if the local governments have the means of making necessary adjustments to these changes in their fortunes, like the central or State Governments. As the local authorities have only limited powers in the spheres of imposing new taxes, raising tax rates, or increased borrowing during depression, they tend to suffer heavily. Grants-in-aid on the other hand,

can be so adjusted as to be anti-cyclical.

Inter alia, the basis of distribution of shared taxes among various local units has to be simple and intelligible. Generally the states attempt to allot revenue of shared taxes on the basis of origin which frequently bestows upon some fortunate local authorities far more than they would be entitled to on the basis of their needs and capacity. The consequence is, whereas some local units are provided with larger tax revenue, the others starve for not having enough to maintain local services at a reasonable standard. It may be possible to abandon the criterion of origin and to substitute for it some other basis, either arbitrary or based on need. The arbitrary basis is liable to arouse vehement criticism as shared taxes are usually regarded as an alternative to independent taxes. In any case, grants-in-aid will be a better and more frank method of transfer. It is true, indeed, that local authorities have less freedom of expenditure in respect of grants as the latter are subject to control, but such control follows almost necessarily



THE SWING OF A PENDULUM

Shown here are but two images of the many elegant and fascinating curves traced by a swinging pendulum. Contrary to common belief, the pendulum's movement is neither steady nor regular.

The course of life too is neither smooth nor definite. Insure against the vagaries of life by taking out a Policy with the New India Assurance Company.

Call or write to

**THE NEW INDIA ASSURANCE COMPANY
LIMITED**

Mahatma Gandhi Road, Bombay.
New India Assurance Building,

from the criterion of need.

The recommendations of the Committee on borrowing policy are very stringent. The Committee appears to be unaware of the recommendations of the Kale Committee, Bombay, 1939 who found that local authorities in India fought very much shy of borrowing and as such very few local authorities undertook durable projects. The problem in India, the Committee suggested; was not of discouraging but of encouraging them to resort to loans for developmental purposes. The Local Finance Enquiry's recommendation that the State Governments should not guarantee the principal and interest on loans raised by the local authorities at any stage, are not only disappointing but depart from Kale Committee's recommendations without giving any sound reasons for it.

It must be said, however, to the credit of the members that they have done strenuous pioneering work in collecting valuable data for all the States which is a praiseworthy task in itself. It is, however, unfortunate that while realising the importance of such data, the Committee has not recommended the establishment of a Central Bureau of Research and Statistics to conduct research on various problems connected with local self-government and to keep up-to-date statistics of local bodies.

For many of the shortcomings of the report a major share of blame lies at the door of the Central Government. The Central Government clipped the wings of the Committee by limiting its scope by asking it to base its recommendations on the existing pattern of the local-self-government, thus preventing it from entering the held of local expenditure. This is a serious limitation on the terms of reference for such a body as had been pointed out long ago by Dr. R. P. Paranjape in his minutes of dissent to the report of the Indian Taxation Enquiry Committee, 1924. These two limitations have proved crippling and have made the report, to say the least, a stereo-typed one.

To my knowledge, as I understand the subject, the Central Government has erred even more seriously. Members of any central committee on local finance are bound to have sharp differences, because they being selected from different states, their recommendations will naturally be influenced by the experience of local authorities in their own respective states.

The task of the present Committee was made, even more difficult and complicated because the members were drawn from local authorities at various stages of development. It is very difficult indeed to prepare a frame-work to fit in all the local authorities in it.

The Central Government would have rendered yeoman service to the cause of local-self-government had it asked the Committee to lay down the general principles of local finance (including expenditure) in the light of its experience of the

working of local authorities in different parts of the country, This would have enabled the members to produce a more compact report with very few differences among themselves. The Central Government could, then, have, left to States to institute separate enquiries in the light of these, findings. Because this logical procedure has been overlooked, the report has become, in effect, only a book of information rather than a valuable guide to the future growth of local-self-government in the country.

Agricultural Economy of the Punjab (I)

Sat Parkash

AT a time when the country is faced with acute shortage of food and raw materials, it is worthwhile to take stock of the agricultural situation in this partitioned province. It is attempted in the course of this article to examine the impact of partition on the agricultural economy of the Punjab (I) and the possibilities that exist of increasing agricultural production that would help not only to ease the food security but also to build a sound diversified economy in the province.

Political division of the region that had developed for generations as a single economic and political unit, without consideration to its economic structure: was bound to result in great damage to its economy. The adverse effects were even more grave in the case of East Punjab as in the development of the joint Punjab, the western and central districts had, for various reasons, received greater attention while the part that came over to India had remained relatively backward and undeveloped. To have a comparative picture of the agricultural resources of the two areas, we examine below the agricultural statistics of East and West Punjab for 1945-46 for which year the comparative data are available.

According to 1941 census, the East Punjab had a population of about 126 lakhs or 44 per cent of that of the joint Punjab and its area was estimated at 230 lakh acres or 38 per cent of the total. Apparently the East Punjab did not fare so badly through partition in respect of area. But the capacity of the state to maintain its population de-

pends not so much on the total area as on the cropped and irrigated area and on the yield of the soil, especially of important food and commercial crops. Of the net area sown, the East Punjab had in 1945-46 about 129 lakhs of acres out of a total of about 299 lakhs of acres in the undivided Punjab or nearly 43 per cent. The average of irrigated land in the East Punjab was about 52 lakhs which represented only 29 per cent of the total irrigated area of the joint Punjab. This meant that the ratio of irrigated area to the total cultivated area was about 40 per cent in the Punjab (I) while the same was about 75 per cent on the Pakistan side. This disparity is again rejected in the per capita area which works out to 0.4 acres in the East Punjab, that is half as much as in the West. Apart from the low acreage of total irrigated area, East Punjab was further handicapped as her share of the canal irrigated area was only about 20 per cent of the total of 140 lakhs of acres.

Of the area under foodgrains, the East Punjab had about 119 lakh acres or 49 per cent of the total in the joint Punjab. The area under wheat was a little less than and that under rice nearly equal to one-third of the total in the undivided province. It was about 33 and 4 lakhs of acres respectively. Though East Punjab is at a considerable disadvantage in respect of the acreage under wheat and rice, it is more favourably placed in respect of inferior foodcrops. Thus, for instance, in 1945-46 the area under maize, here was 8.67 lakh acres or 65 per cent of the area in the joint Punjab,