



Wartime Inflation in India and its Social Repercussions

Wartime developments have led to a sharp rise in prices and in the cost of living in India which has had widespread social and economic repercussions. In the following article the available statistics have been used to bring out the extent of the rise in the prices of various commodities, the factors tending to promote inflation, and the effects of the rise on the cost of living of industrial workers and for the rural population. A brief reference is also made to the measures taken by the Central Government towards the control of the inflationary trend and the adjustment of the workers' earnings to the wartime situation.

Since 1940 war expenditure in India has been heavy and, consequently, the volume of monetary incomes has largely increased. In the peculiar conditions of the country, its organisation for total war has presented many difficulties, although most of them are common to all belligerent countries, and there has been a sharp rise in prices. While, because of the lack of sufficiently detailed data, the effects of the wartime rise in prices on the income of persons employed in agricultural and industrial production are difficult to assess with accuracy, there can be little doubt that the social repercussions have been serious. A brief description of the extent and characteristics of the wartime rise in prices and the measures taken to combat it, together with a review of some of the most important of these social repercussions is given below.

THE RISE IN PRICES

The following table shows the changes in the index numbers of wholesale prices for the whole country by groups of commodities from August 1939 to March 1943.

There was a considerable rise in the prices of all commodities during the first few months of the war, stimulated probably by a speculative accumulation of stocks in the expectation of a continued rise in prices. A recession, however, followed as a result of the lull in active military operations, and in August 1940 the indices for "food and tobacco" and "other agricultural commodities" fell as low as 103.2 and 98.2 respectively. Since then, the prices of all commodities have continued to rise. From August 1939 to March 1943 the general index of wholesale prices more than doubled. Because of increasing war demand and continued decline in imports, the prices of manufactured goods rose sharply. The prices of cotton manufactures rose over 300 per cent. The prices of industrial raw

Methods of recruitment, selection, training and education and with the proper employment of personnel;

Terms of employment, methods and standards of remuneration, working conditions, amenities, and employee services;

The maintenance and effective use of facilities for joint consultation between employers and employees and between their representatives, and of recognised procedures for the settlement of disputes.¹

It may be concluded that in this war the necessity for effective personnel management has been more widely understood; the principles have been reaffirmed and the nature of present-day practice more authoritatively stated. Industry will, therefore, face the transition period when the war has been won with the knowledge that industrial efficiency will depend on the degree of success with which it solves its human problems no less than on the techniques of its production. Therein lies the responsibility of the personnel function of management and the measure of its opportunity.

¹ INSTITUTE OF LABOUR MANAGEMENT: *Labour Management* (London), June/July 1944.

TABLE I. INDEX NUMBERS OF WHOLESALE PRICES BY GROUPS OF COMMODITIES, AUGUST 1939 - MARCH 1943

Base: 19 August 1939 = 100

Commodity group	August 1939	March 1940	August 1940	March 1941	March 1942	March 1943
General index	100.3	127.5	108.4	118.8	145.6	220.1
Food and tobacco ¹	100.3	117.9	103.2	108.1	132.9	271.0
Other agricultural commodities ²	100.7	151.5	98.2	112.4	117.4	212.3
Raw materials ³	100.2	125.4	118.9	125.9	161.9	172.0
Manufactured articles ⁴	100.0	133.0	109.3	131.7	165.2	227.9
Sugar	99.0	121.0	89.0	91.0	124.0*	143.0
Kerosene	100.0	117.0	124.0	126.0	157.0	194.0
Cotton manufactures	100.0	123.0	110.0*	132.0*	195.0*	442.0*
Galvanised corrugated iron sheets	100.0	128.0	132.0	194.0	226.0*	309.0*

The sign * signifies "estimated figure"

¹ Rice, wheat, tea, groundnut, coffee, sugar, tobacco, and copra.² Cotton (raw), jute (raw), and linseed.³ Pig iron, coal, lac, wool (raw), hide and skins (raw), kerosene, and petrol.⁴ Cotton manufactures, jute manufactures, cement, galvanised corrugated sheets, and leather.Source: RESERVE BANK OF INDIA: *Report on Currency & Finance for the Year 1942-43* (Bombay, Times of India Press, 1943), Statement II, p. 72.

materials produced in India, such as jute and cotton, rose less rapidly than the prices of consumers' goods, largely because of difficulties of export and shipping.¹

Prices in different parts of the country showed large variations as a result of difficulties of transportation and local differences in respect of supplies and purchasing power. During the eleven months ending May 1943, for instance, while the index number of wholesale prices for the whole country (compiled by the Economic Adviser to the Government of India) showed an increase of 50 per cent., the corresponding increase in the case of Calcutta was 79 per cent.² Prices of food grains, in particular, rose more rapidly in industrial centres than in rural areas. Table II shows the indices of wholesale prices for all commodities in Calcutta and Bombay.

By June 1943 the general index of wholesale prices for the whole country had risen by 50 per cent. as compared with June 1942. Although the increase was more or less uniformly distributed over the price levels of primary commodities as a whole and of manufactured articles, there were considerable variations in the prices of the different primary commodities. The rise in the case of food and tobacco and of other agricultural commodities, which was especially pronounced, was 87 and 79 per cent. respectively, as against 8 per cent. only in that of raw materials.

¹ The following table shows the exports of raw cotton and raw jute from 1939-40 to 1942-43:

	1939-40	1940-41	1941-42	1942-43	Percentage decline
Raw cotton (bales of 400 lbs. each).....	2,947,900	2,167,500	1,437,500	301,000	89.6
Raw jute (tons).....	570,000	243,500	314,900	239,100	58.1

Source: GOVERNMENT OF INDIA, STATISTICAL RESEARCH BRANCH: *Monthly Survey of Business Conditions in India* (Delhi), Vol. XI, No. 1, Apr. 1943, pp. 4 and 6.

² RESERVE BANK OF INDIA: *Report of the Central Board of Directors for the Year ended 30th June, 1943* (Bombay, Times of India Press, 1943), p. 6.

TABLE II. INDEX NUMBERS OF WHOLESALE PRICES IN CALCUTTA AND BOMBAY (ALL COMMODITIES), OCTOBER 1939 - APRIL 1943

Base: July 1914 = 100

	October 1939	October 1940	October 1941	September 1942	March 1943	April 1943
Calcutta	118	121	151	198	272	293
Bombay	—	115	152	229	256	264

Source: GOVERNMENT OF INDIA, STATISTICAL RESEARCH BRANCH: *Monthly Survey of Business Conditions in India*, various issues.

The disparity in the relative prices of various commodities was even more pronounced in Calcutta, where the index number of wholesale prices for all commodities, which had risen from 137 in June 1941 to 182 in June 1942 (33 per cent.), advanced further to 325 in May 1943 (79 per cent. over June 1942). The indices for cereals and pulses, which were 154 and 151 respectively in June 1942, had, however, shot up to 473 and 374 respectively in May 1943, while, during the same period, sugar showed a comparatively small rise from 210 to 311, tea, after a rise in the winter months, declined from 259 to 192, and "other food articles" rose from 294 to 545.¹

The rise in prices was higher in India than in some of the other Allied belligerent countries. The quarterly index of average monthly wholesale prices (July 1939 = 100) rose between July-September 1939 and January-March 1943 from 102 to 165 in the United Kingdom, from 103 to 134 in Canada, from 102 to 129 in the United States, and from 105 to 280 in India.²

TABLE III. RETAIL PRICE INDEX NUMBERS FOR RURAL CENTRES BY ZONES IN 1943

Base: January 1943 = 100

Zone ¹	All articles of food			Clothing		
	April	July	October	April	July	October
Eastern	109	154	184 ²	130	143	134 ³
Northern	100	115	119	131	112	117
Southern	111	121	127	136	127	96

¹ The index number for each zone is based on the average of the figures recorded for five rural centres. Figures for "fuel and lighting" and "miscellaneous" are not given, as kerosene oil is the only important item in the first group and the second is made up of tobacco and soap. No attempt has been made to construct general price indices, as the percentages of consumption expenditure are not available for rural centres. It may be added, however, that the percentages of consumption expenditure for the textile centre of Ahmedabad are 49.3 per cent. for food, 18.0 per cent. for housing, 9.1 per cent. for clothing, and 23.6 per cent. miscellaneous (I.L.O.: *Year Book of Labour Statistics 1942*, p. 177).

² Based on four rural centres only.

³ Based on three rural centres only.

Source: *Indian Labour Gazette*, Vol. I, No. 4, Oct. 1943, p. 101; No. 5, Nov. 1943, p. 127; No. 6, Dec. 1943, p. 155.

¹ RESERVE BANK OF INDIA: *Report of the Central Board of Directors*, op. cit., p. 8.

² *Idem*, *Report on Currency & Finance for the Year 1942-43*, op. cit.; the 1943 figures for the United Kingdom, Canada, and the United States are compiled from various issues of the following: BANK OF ENGLAND: *Statistical Summary*; BANK OF CANADA: *Statistical Summary*; BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM: *Federal Reserve Bulletin*.

Although the changes in wholesale prices reflect the general trend in the price level, they are not a sufficient indication of the movement of retail prices and prices in local markets. The working class cost-of-living indices given in table IV¹ are based on the retail prices of the principal items in the cost of living in five industrial centres. Statistics of retail prices in rural areas are not available except for fifteen selected rural centres (five in each of three zones) for 1943. Table III shows the rise in the index numbers for food and clothing from January 1943 to October 1943 for all three zones.

INADEQUACY OF CIVILIAN SUPPLIES

Although the steep rise in prices in India, as in some other belligerent countries, was caused mainly by the heavy war demands, the trend was accentuated by the peculiar local conditions. The rapid transformation, in emergency conditions, of an insufficiently developed country with a predominantly rural economy into a principal base for total war entailed a heavy strain on the national economy, which was little prepared for it.

The value of orders placed by the Supply Department of the Government of India, exclusive of those placed through ordinary trade channels and of the finished output of ordnance factories, increased from 850 million rupees in the first sixteen months of the war to 1,180 million rupees in 1941, 2,230 million rupees in 1942, and 1,420 million rupees for the first five months of 1943.² The total defence expenditure in India up to April 1943 has been estimated at about 10,108 million rupees (£758 million), of which about 4,268 million rupees (£320 million) was incurred by the Government of India and about 5,840 million rupees (£438 million) by the British Government.³

The expenditure on war supplies continued to increase, but the outlet for the purchasing power so generated was considerably restricted. There has been, in the first place, no appreciable increase in food production in recent years. The net available food supply had increased by only 23 per cent. during the period 1910-15 to 1934-35.⁴ In the four war years 1939-40 to 1942-43, which showed little deviation from the trend in previous years, the total annual amount of the principal food grains available for consumption was 55.3, 51.2, 52.2, and 53.6 million tons respectively.⁵ On the other hand, the population increased by 10.6 per cent. (about 32 million) during the decade 1921-1931, and by 15 per cent. (about 51 million) during 1931-1941.⁶

As to manufactured goods, while there has been wartime ex-

¹ See below, p. 741.

² Cf. Viceroy's address to the Central Legislature (*Legislative Assembly Debates*, 2 Aug. 1943).

³ *The Economist*, 2 Oct. 1943.

⁴ Cf. Radhakamal MUKERJEE: *Food Planning for Four Hundred Millions* (London, Macmillan & Co., 1938), pp. 31-32.

⁵ INDIA OFFICE: *India (Food Situation 1943)*. Cmd. 6479 (London, H. M. Stationery Office, Oct. 1943), p. 33.

⁶ *Idem*, *East India (Census 1941)*. Abstract of Tables giving the main Statistics of the Census of the Indian Empire of 1941, with a brief introductory note. Cmd. 6435 (London, H. M. Stationery Office, 1943), p. 7.

pansion of industrial production, such production is probably made up for the most part of war supplies. Imports have diminished and the supplies available for civilian consumption have fallen off considerably. In the four years 1938-39 to 1941-42, the production of cotton piece goods, for instance, increased from 4,269.3 to 4,493.5 million yards, or over 5 per cent.¹, but the net supplies, excluding handloom production, available for civilian consumption decreased from 4,634.4 to 2,689.3 million yards.² The "ex-mill price" of cotton piece goods increased over 325 per cent. between August 1939 and March 1943.³ Exports have increased in some cases, such as textiles, but imports have declined very considerably. During the period 1938-39 to 1942-43, the total volume of exports declined by 37.5 per cent. and that of imports by 62.4 per cent.⁴

EXPANSION OF CURRENCY

Reference has been made above to the large part of the total war expenditure in India which was made on behalf of the British Government: about 5,840 million rupees out of a total of about 10,108 million rupees up to April 1943. Owing to war conditions, the sterling credits accruing in London to the Government of India in respect of this expenditure made by it on behalf of Great Britain could not be used for the purpose of making payments for imports into India, since goods for imports could neither be obtained nor transported in sufficient quantity. In consequence, there has been a large accumulation in London of sterling assets to the credit of the Government of India, against which the Reserve Bank of India issues currency. In India, in the first quarter of 1943, the notes in circulation and demand deposits increased by 260 and 173 per cent. respectively as compared with July 1939, while the corresponding figures for the United Kingdom, Canada, Australia, and the United States were respectively 80 and 89 per cent. (for two months of the quarter only), 212 and 121 per cent., 180 and 108 per cent., and 177 and 109 per cent.⁵ The considerable proportion of rupees and small coins in the currency in circulation is another feature of the situation in India. Out of a total amount of currency of 6,215.5 million rupees absorbed in India and Burma between September 1939 and March 1943, about 79 per cent. (4,930.2 million rupees) was made up of notes and about 21 per cent. (1,285.3 million rupees) of rupees and other smaller coins.⁶

¹ *Monthly Survey of Business Conditions in India*, Vol. X, No. 11, Feb. 1943, pp. 416-418.

² Memorandum submitted in Dec. 1942 by the Federation of Indian Chambers of Commerce and Industry, New Delhi, to the Member for Commerce of the Viceroy's Executive Council, cited in *War and Indian Economic Policy*, by D. R. GADGIL and N. V. SOVANI (Poona, Gokhale Institute of Politics and Economics, 1943), p. 100.

³ *Indian Textile Journal*, Vol. LIII, No. 633, June 1943, p. 268.

⁴ RESERVE BANK OF INDIA: *Report on Currency & Finance for the Year 1942-43*, *op. cit.*, p. 16.

⁵ *Ibid.*, p. 6; various issues of the following: BANK OF CANADA: *Statistical Summary*; BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM: *Federal Reserve Bulletin*.

⁶ *Ibid.*, p. 60.

THE EFFECTS OF INFLATION

Different classes of the community—the rich and the poor, the debtors and the creditors, the industrial workers, the tenant cultivators, the agricultural labourers and the professional workers—have been affected differently by the rise in prices and in the cost of living.

The Cost of Living

The graphs in figures I and II show the movement of the working class cost-of-living indices for Bombay, Cawnpore, and Madras, and of the wholesale prices of food and tobacco, manufactured articles, and cotton manufactures, as compared with the movement of the wholesale prices for all commodities for the whole of India from August 1939 to March 1943. Up to December 1942 the wholesale prices of food and tobacco did not increase as fast as the general wholesale price level, but the rate of increase was greater in the case of manufactured articles, in particular, cotton manufactures. Since December 1942 there was a sharp rise, far exceeding the rise in the general wholesale price level, in the wholesale prices of food and tobacco.

The implication for the workers of the steep rise in prices of daily necessities is not adequately indicated by the general index of wholesale prices. The social repercussions of inflation on the vast majority of people are to be seen more clearly in the working class cost-of-living indices, which are available for a number of cities. Only in Madras did the increase in the cost of living appear less than the increase in wholesale prices, and even there the cost of living nearly doubled in the four years (see table IV).

TABLE IV. WORKING CLASS COST-OF-LIVING INDICES (5 CENTRES), 1939-1944

Base: August 1939 = 100

Date	Bombay	Ahmedabad	Cawnpore	Madras	Lahore
1939					
August	100	100	100	100	100
October	103	103	105	106	104
1940					
January	109	111	114	109	109
July	108	108	109	109	102
1941					
January	111	108	110	110	113
July	120	121	126	115	114
1942					
January	130	130	145	119	143
July	160	160	190	136	166
1943					
January	193	237	225	164	264
July	225	288	341	185	275
1944					
January	227	293	304	197	293

Source: *Indian Labour Gazette*, Vol. I, No. 1, July 1943, pp. 23-24; No. 11, May 1944, p. 302.

FIGURE I. GENERAL INDEX OF WHOLESALE PRICES^o COMPARED WITH
INDICES OF WHOLESALE PRICES OF CERTAIN COMMODITIES,
AUGUST 1939 - MARCH 1943

Base: August 1939 = 100

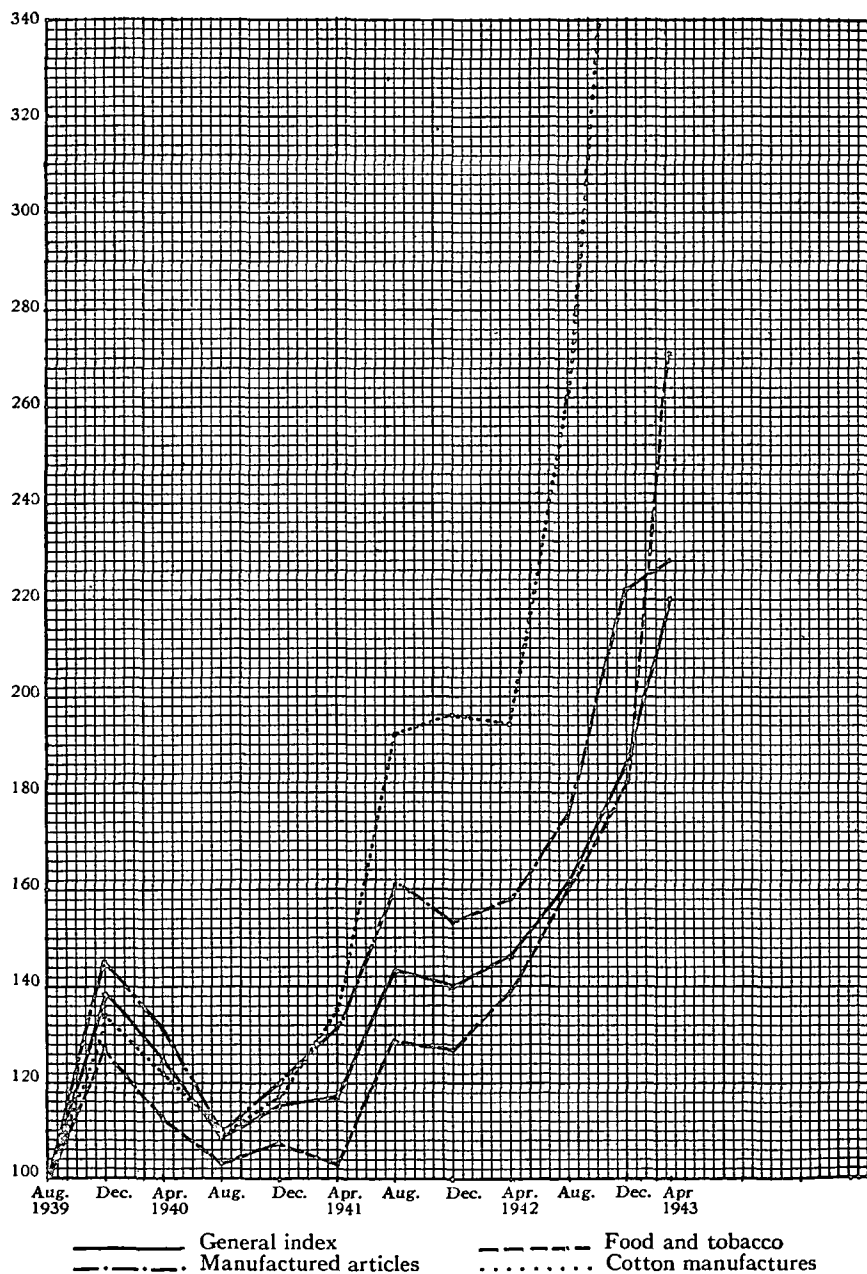
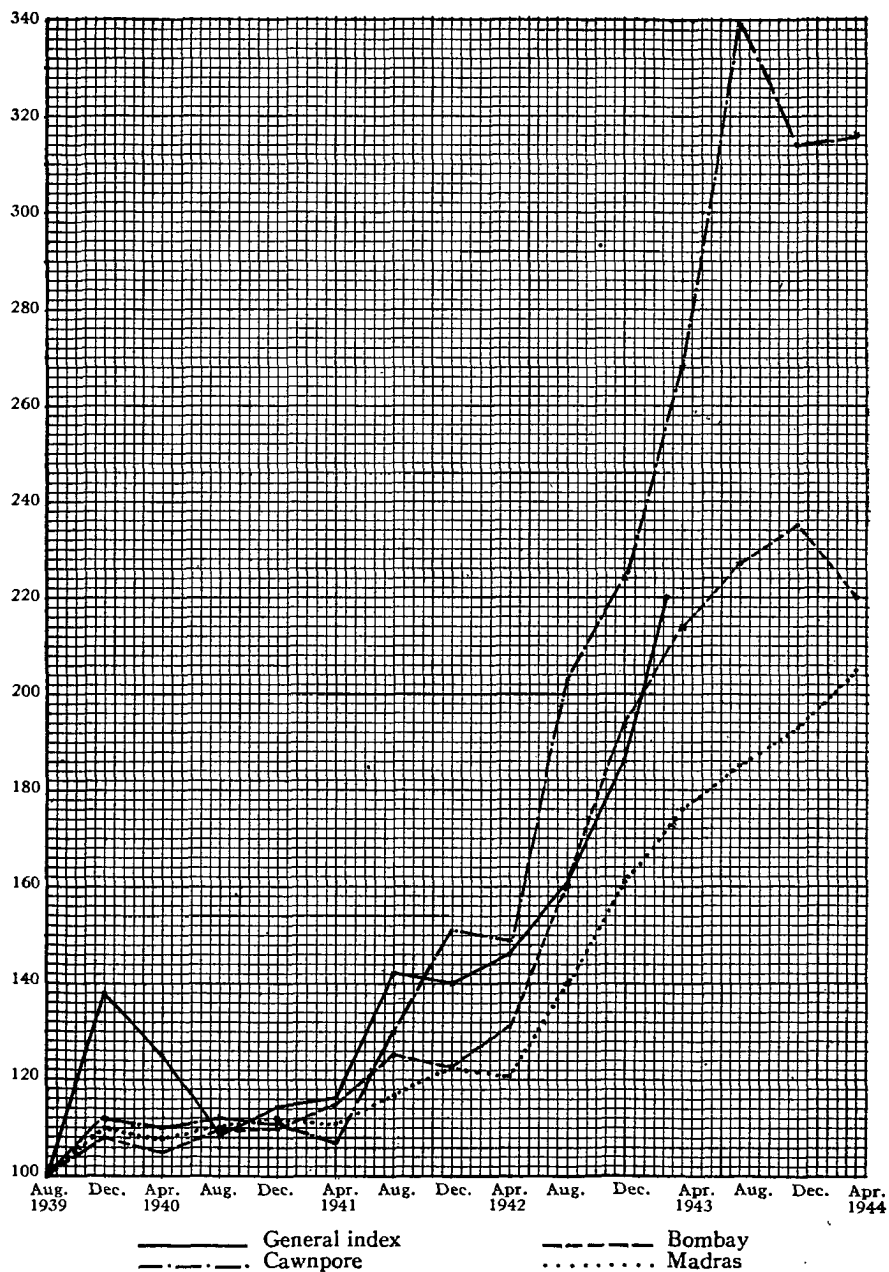


FIGURE II. GENERAL INDEX OF WHOLESALE PRICES COMPARED
WITH WORKING CLASS COST-OF-LIVING INDICES FOR CERTAIN
INDUSTRIAL CENTRES, AUGUST 1939 - APRIL 1944

Base: August 1939 = 100



For Bombay the working class cost-of-living index had risen by 127 per cent. in January 1944 as compared with August 1939, while in Cawnpore it had risen by 204 per cent. during the same period. According to an unofficial computation based on a large number of items of the daily necessities of life, other than textiles, the increase in the cost of living in Calcutta since 1941 was over 250 per cent.¹

Earnings

Owing to the lack of adequate wage statistics, it is impossible to determine precisely the extent to which the increasing cost of living has been offset by increases in earnings. The average annual earnings of workers covered by the Payment of Wages Act² in different industries during 1939-1941 are given in table V.

TABLE V. AVERAGE NUMBER OF WORKERS EMPLOYED IN DIFFERENT INDUSTRIES AND THEIR EARNINGS, 1939-1941

Industry	Average daily number of workers in hundreds			Average annual earnings in rupees ¹		
	1939	1940	1941	1939	1940	1941
Textile	7,957	8,509	9,455	293.5	302.9	314.0
Engineering ²	830	1,153	1,528	263.5	345.0	371.5
Minerals and metals	621	654	672	457.2	491.5	476.1
Chemicals and dyes	524	560	657	244.8	229.6	238.1
Paper and printing	517	532	485	332.7	360.3	324.8
Wood, stone and glass	422	509	582	194.2	175.3	199.1
Hides and skins	120	166	210	285.8	327.1	357.9
Ordinance factories	266	499	604	361.9	408.5	429.4
Mints	18	32	41	367.4	462.7	491.2
Miscellaneous	205	237	343	281.2	261.0	261.2
Total.....	11,480	12,851	14,577	305.4	314.4	324.5

¹ Including cost-of-living bonuses and other cash allowances, but not such benefits as the sale of foodstuffs at concession rates and housing. There are wide differences in the rates of wages and allowances not only between one industry and another and one region and another, but even between one factory and another in the same industry in the same region, and these figures should not, therefore, be regarded as indicative of actual individual earnings. No figures for 1942 are given in the source on the ground that abnormal emergency conditions produced wide fluctuations in that year.

² Excluding railway engineering workshops.

Source: *Indian Labour Gazette*, Vol. I, No. 6, Dec. 1943; No. 11, May 1944.

As will be seen from the table, the average annual earnings for all industries increased from 1939 to 1940 by about 3 per cent., and from 1939 to 1941 by 6.3 per cent. But the increase in the working class cost-of-living index (August 1939=100) by December 1941 was 23 per cent. in Bombay, 36 per cent. in Ahmedabad, 51 per cent. in Cawnpore, 23 per cent. in Madras, and 43 per cent. in Lahore.³

¹ *The Statesman* (Calcutta), 21 and 28 Apr. 1944.

² The Payment of Wages Act applies only to workers receiving less than 200 rupees per month as wages, whether they are employed directly in the manufacturing process or engaged in incidental work, including clerical work.

³ *Indian Labour Gazette*, Vol. I, No. 1, July 1943, pp. 23-24.

It will also be seen that the average annual earnings declined in 1939-1941 in the chemicals and dyes, paper and printing, and miscellaneous industries, but increased in all others. The increase was most pronounced in engineering (41 per cent.), mints (33.7 per cent.), hides and skins (25.2 per cent.), ordnance factories (18.5 per cent.), and textiles (7 per cent.). The average earnings were highest in mints, ordnance factories, and the mineral and metal industries, in which a high proportion of skilled labour is employed.

Workers in various industries such as textiles, mines, railways, etc., as well as the low paid employees of the Central, provincial, and States Governments have been given cost-of-living bonuses, which have been increased from time to time, to offset the rise in the cost of living.¹ The scale in most cases varies, however, not only from region to region or industry to industry, but from factory to factory. The scale of the cost-of-living bonus in the case of the cotton mill workers in Bombay and Ahmedabad, which, according to the *Indian Textile Journal*, is higher than those in other industrial centres, is shown in table VI.

TABLE VI. WORKING CLASS COST-OF-LIVING INDEX AND COST-OF-LIVING BONUS TO COTTON MILL WORKERS IN BOMBAY AND AHMEDABAD, JANUARY 1940 - MARCH 1943

Date	Bombay		Ahmedabad	
	Cost-of-living index Aug. 1939 = 100	Cost-of-living bonus		Cost-of-living index Aug. 1939 = 100
		rupees	annas ¹	
1940				
January	109	3	2	111
July	108	3	6	108
1941				
January	111	3	2	108
July	120	5	3	121
1942				
January	130	7	14	130
July	160	15	8	160
1943				
January	193	23	4	237
March	198	23	8	237

¹ 1 rupee = 16 annas.

² February figure.

Sources: *Indian Labour Gazette*, Vol. I, No. 1, July 1943, pp. 23-24, and No. 9, Mar. 1944, p. 45; *Indian Textile Journal*, Vol. LIII, No. 632, May 1943, p. 235.

From January 1940 to March 1943, the working class cost-of-living index (August 1939 = 100) for Bombay rose from 109 to 198, and for Ahmedabad from 111 to 237, while the cost-of-living bonus to the cotton mill workers increased from 3.1 rupees to 23.5 rupees a month in Bombay and from 3.5 rupees to 46.1 rupees a month in Ahmedabad. The average monthly rate of the cost-of-living bonus for the whole period in Bombay was 7.8 rupees or 24 per cent. of

¹ Cf. *International Labour Review*, Vol. XLIV, No. 6, Dec. 1941, p. 671; Vol. XLVI, No. 6, Dec. 1942, p. 727.

the average earnings, while in Ahmedabad it was 9.1 rupees or 26 per cent. of the average earnings.¹

Besides cash allowances in the form of a cost-of-living bonus and a supplementary war bonus, industrial workers have received other benefits as a result of the establishment of concession-price grain shops operated by certain employers, including railways; and of canteens, operated by the Central Government as well as by a number of private concerns, for the supply of cooked food or tea and refreshments at low rates.²

In reviewing available figures, the comment is made by the Department of Labour, Government of India, that in the case of the cotton mill industry in Bombay City, in the present war as in the war of 1914-1918, the cost of living did not show any precipitate increase in the first two years, continued an upward trend in the third year, and rose sharply in the fourth year. On the other hand, while in the last war wages wholly failed to keep pace with the increase in the cost of living, during the present emergency wages and prices moved almost similarly in the first two years. In 1942-1943, however, wages did not catch up with the rise in the cost of living, but the statement is made in the *Indian Labour Gazette* that the lag in the case of the cotton mill industry in Bombay City has been almost fully made up by the grant of substantial war bonuses and concessions such as the supply of food grains at reduced prices by some employers.³

The Rural Population

The effect of the inflation upon the rural population cannot be determined with precision without far more detailed data than are available. On the one hand, it is suggested that the rise in the prices of food grains and other agricultural produce should have benefited peasant farm owners and should have enabled them to liquidate their debt to a considerable extent; on the other hand, considering that the large majority of peasant holdings are extremely small and too scattered to produce an appreciable surplus for sale, the actual effect on indebtedness is probably negligible. The inflation may, however, be expected to have benefited the agriculturist to the extent to which he has had surplus produce for sale and to which the increase in income due to the rise in prices of agricultural produce has not been offset by an increase in the cost of production and in the prices of the consumers' goods he has to buy. The agriculturist will also have benefited in respect of fixed cash payments such as land tax, interest charges, and rent.

No less than 87.2 per cent. of India's total population is rural.⁴ Out of 102,454,147 persons gainfully employed in agricultural occupations in 1931, rent receivers (non-cultivating proprietors) numbered 3,257,391 or 2.9 per cent.; cultivating owners, 27,006,100 or 26.2 per cent.; tenant cultivators, 34,173,904 or 33 per cent.; agricultural labourers, 31,480,219 or 31 per cent.; cultivators of

¹ *Indian Textile Journal*, Vol. LIII, No. 632, May 1943, p. 235.

² Cf. *International Labour Review*, Vol. L, No. 3, Sept. 1944, pp. 382-384.

³ *Indian Labour Gazette*, Vol. I, No. 10, Apr. 1944, pp. 247-251.

⁴ According to the 1941 Census, out of the total population of 388,997,995, the rural enumeration was 339,301,902, or 87.2 per cent., and the urban enumeration 49,696,053, or 12.8 per cent. (*East India (Census 1941)*, *op. cit.*, p. 3).

special cash crops 2,486,717 or 2.7 per cent.; estate agents, managers, etc., 227,259 or 0.2 per cent.; and the remaining 3,822,557 persons, or 4.0 per cent., were engaged in forestry and stock-raising.¹

The effect of the inflation, obviously, cannot be uniform for the different groups classified under agricultural occupations.² The increase in the price of agricultural commodities has been on the whole considerably less than the rise in the prices of manufactured goods. The disparity in the movements of the prices of raw cotton and of cloth is particularly significant.

Peasant cultivators with only a small surplus probably played for safety by withholding their stocks from the markets. But it is reported that those who have really benefited by the inflation are the landed proprietors with large stocks and tradesmen who resorted to hoarding.

The landless agricultural labourers are probably the worst hit, particularly in Bengal. The number of such labourers has been increasing in all parts of the country. Farm servants and field labourers numbered 291 in every 1,000 cultivating farmers in 1921, and the number had risen to 407 in 1931.³

The inflationary rise in prices has no doubt depreciated considerably⁴ (except in cases where it is payable in kind) the real burden and value of the rural debt. The rural debt was estimated by the Banking Enquiry Committee in 1929 at about 9,000 million rupees⁵, and was estimated to have increased to about 12,000 million rupees by 1933.⁶

¹ *Statistical Abstract for British India, 1943*, table 30.

² Cf. *International Labour Review*, Vol. L, No. 4, Oct. 1944, pp. 451-468: "The Agrarian Situation in India", by Parekunnel J. THOMAS.

In one particular area (the canal irrigated tracts of North-West India) at any rate, the non-cultivating proprietors seem to have benefited considerably by the inflation. As is shown in the following table, the net income per acre in 1942-43 of one landed proprietor with a number of different farms was over four times as much as in 1938-39 and over eight times as much as in 1930-31.

NET ANNUAL AVERAGE INCOME PER ACRE IN RUPEES OF A NON-CULTIVATING PROPRIETOR IN THE CANAL IRRIGATED TRACTS OF NORTH-WEST INDIA, 1930-1943

1930-31	1932-33	1934-35	1936-37	1938-39	1940-41	1941-42	1942-43
7.4	10.9	13.0	13.1	14.8	15.0	21.8	60.4

Source: IMPERIAL COUNCIL OF AGRICULTURAL RESEARCH: *Indian Farming* (New Delhi), Vol. IV, No. 10, Oct. 1943, p. 493.

³ Cf. Radhakamal MUKERJEE: *Economic Problems of Modern India* (London, Macmillan & Co., Ltd., 1939), Vol. I, p. 172. In a speech in June 1944, the Member of the Viceroy's Executive Council in charge of agriculture, Sir Jogendra Singh, estimated the number of landless agricultural labourers at 68 million, or 17 per cent. of the total population (*Indian Information*, Vol. 15, No. 141, 15 July 1944, p. 36).

⁴ According to one estimate the debtor had to pay in 1943 only about 38 per cent. (about 6 annas in the rupee) of the real value of the debt to liquidate it (P. J. THOMAS: *War-Time Prices*, Oxford Pamphlets on Indian Affairs, No. 18, London, Oxford University Press, 1943, p. 12).

⁵ Cf. "Rural Indebtedness in India", by Dr. B. V. Narayanaswamy NAIDU, in *Indian Co-operative Review*, Vol. VIII, No. 1, Jan.-Mar. 1942, p. 43.

⁶ "Rural Indebtedness" by P. J. THOMAS, in *Economic Problems of Modern India*, *op. cit.*, Vol. I, pp. 175-176.

MEASURES TO CONTROL INFLATION

The Central and the provincial and State Governments have taken various measures to control inflation. These measures include increased taxation, public borrowing, the provision of special facilities for saving, commodity control and rationing. In the early stages of the war the control of prices was fairly effective, but subsequently, especially since the commencement of the rapid advance of Japanese forces, inflation set in largely as a result of dislocation caused by the war effort. Some of the more important of the measures taken by the Central Government are briefly mentioned below.

Taxation

In the proposed budget for 1941-42, the excess profits tax was increased from 50 to $66\frac{2}{3}$ per cent., and the rate of central surcharge on income tax and supertax from 25 per cent. to $33\frac{1}{3}$ per cent.¹ The proportion of total tax on income to the total tax revenue rose from 24 per cent. in 1939-40 to 33 per cent. in 1940-41, 43 per cent. in 1941-42, and 59 per cent. in 1942-43.²

During the period 1939-40 to 1942-43 the total revenue of the Government of India increased by 89 per cent. and its total expenditure by 240.9 per cent. The corresponding figures for the United Kingdom were 168.7 and 211.9 per cent., for Canada 283.2 and 385.1 per cent., and for the United States 288.3 and 789.6 per cent. The proportion of total revenue to total expenditure fell in India from 100 per cent. in 1939-40 to 55.4 per cent. in 1942-43; the decline for the corresponding period in the United Kingdom was from 57.7 per cent. to 49.7 per cent., in Canada from 66.5 per cent. to 52.5 per cent., and in the United States from 59.9 per cent. to 26.1 per cent.³

Government Borrowing

Since the launching of the First Defence Loan by the Government in India in June 1940, the total receipts from the various Defence Loans and sales of rupee counterparts of sterling loans up to 31 March 1943 amounted to 3,015 million rupees.⁴ This may be compared with total defence expenditure up to April 1943 of about 10,108 million rupees.

Apart from encouraging savings by various devices, an attempt has been made to immobilise surplus currency by the sale of gold, a traditional form of investment in India.

During the period 1939-40 to 1942-43 the public debt of the Government of India increased by 16.7 per cent., that of the United Kingdom by 88.5 per cent., of Canada 105.2 per cent., and of the United States 156.0 per cent.⁵

¹ RESERVE BANK OF INDIA: *Report on Currency & Finance for the Year 1940-41*, p. 23.

² *Idem*, *Report for the Year 1942-43*, p. 35.

³ *Ibid.*, pp. 3-4.

⁴ The receipts amounted to 1,146.2 million rupees in 1940-41, 807.8 million rupees in 1941-42, and 1,061 million rupees in 1942-43 (*ibid.*, p. 44).

⁵ *Ibid.*, pp. 3-4; the 1943 figures used for the United Kingdom and Canada are taken from *Financial Statements, 1939-40 to 1942-43* (London, H. M. Stationery Office) and *Budget Speeches, 1939-43* (Ottawa, King's Printer).

Price Control and Rationing

As early as September 1939, the Central Government conferred on the provincial Governments power to control prices, especially in respect of necessities such as medical supplies, foodstuffs, salt, kerosene oil, and the cheaper qualities of cotton cloth.¹ Since then various price control and food conferences of representatives of the Central, provincial, and State Governments have been held for the purpose of co-ordinating policy.

An All-India Food Conference held at New Delhi on 13-16 October 1943 decided, among other things, that there should be statutory price control for all major food grains, the prices being fixed for the whole of the crop season and determined so as to ensure a fair return to the cultivator. Similar controls were to be instituted progressively in respect of non-agricultural commodities. It was found that it would be impossible to set up immediately a national price structure on a statutory basis, but it was agreed that price control should in the first instance be built up on a provincial and then on a regional basis until efficient distribution supported by imports from abroad enabled the Government to regain control of stocks sufficient to influence the market. In the meantime, subject to the Central Government's approval, the provinces were to be permitted to enforce statutory control or ceiling prices appropriate to local conditions. The Government of India, furthermore, regarded the introduction of full urban rationing as fundamental to a co-ordinated food plan and recommended to local Governments the immediate preparation of plans for rationing in towns with a population exceeding 100,000 persons.² It has been stated that in July 1944, rationing was in force in 226 urban centres, with a total population of 35,000,000, as well as in many rural areas. Prices are being controlled and most of the procurements in surplus provinces and areas are at present being carried out by trade agencies on behalf of the Governments concerned, but the question of organising a Government purchase monopoly is being closely studied in case existing measures fail to meet the situation.³

The Government of India planned, as early as September 1941, to provide standard or utility cloth⁴ for the use of the poorer sections of the population at uniform low prices throughout the country, but the attempt was not successful.⁵ A series of control orders, designed to stabilise the prices of raw cotton and to combat speculative trading, were also issued as a preliminary to the introduction, in June 1943, of the Cotton Cloth and Yarn (Control) Order⁶, the first really comprehensive control scheme to be initiated in India. By this scheme the Government planned to produce approx-

¹ Cf. *International Labour Review*, Vol. XLVI, No. 6, Dec. 1942, p. 726.

² *India (Food Situation 1943)*, *op. cit.*, p. 27.

³ Speech by Mr. L. S. Amery, Secretary of State for India (*Parliamentary Debates, House of Commons*, Vol. 402, No. 116, 28 July 1944, col. 1114).

⁴ *Dhotis, saris, and shirting.*

⁵ Speech made on 1 June 1943 by Mr. M. S. A. Hydari, Secretary of the Industries and Civil Supplies Department of the Government of India, at a meeting of the Textile Panel in Bombay (*Indian Textile Journal*, Vol. LIII, No. 633, June 1943, pp. 274-278).

⁶ *Gazette of India Extraordinary*, 17 June 1943, pp. 407-408.

imately 2,000 million yards¹ of standard cloth within twelve months and to allocate it, at a uniform stabilised price, to the various provinces and States on a population basis. One result of this measure was that the price of cloth fell in some of the retail markets by more than 40 per cent. and that hoarded stocks of cloth began to appear on the market.²

The full effect of the different measures mentioned above on the inflationary trend may be expected to be reflected in the figures—not available at the time of writing—for the period subsequent to that dealt with in this article. It may, however, be noted that in an address in February 1944 to a joint session of the Central Legislature the Viceroy observed that “there has been a distinct improvement in the rate of savings” and that some progress has been made “in increasing the supply and bringing down the prices of consumers’ goods manufactured in India, as well as of those imported from abroad”.³ The working class cost-of-living indices for most cities have been declining since October 1943. In Bombay the index fell from 236 to 215 in March 1944 (though it rose again to 224 in May), in Ahmedabad from 329 to 278 in April 1944, in Cawnpore from 349 to 315 in June 1944, and in Lahore from 320 to 292 in April 1944. Madras, where it rose from 188 to 206 in May 1944, seems, however, to be an exception.⁴

¹ This quantity represents one third of the normal annual consumption of cloth in India and allows about five yards for every man, woman, and child.

² Cf. Viceroy’s address to the Council of State and the Legislative Assembly (*Legislative Assembly Debates*, 2 Aug. 1943, p. 260).

³ *Idem*, 17 Feb. 1944, p. 338.

⁴ *Indian Labour Gazette*, Vol. II, No. 1, July 1944.