

The Monopoly Problem in India

SUMMING UP the economic background of the chaotic political situation in India, *The Atlantic Monthly* has gone to the root of the social problems of Hindustan and Pakistan. It says:

The old order in India has long been ready to transform itself into the new disorder. The basic problem, contrary to the Exotic East school of writing on India, is neither caste nor religion but the prosaic task of keeping body and soul together. Three-quarters of the population attempt to do so from an agricultural system that is closer to the Middle Ages than to the twentieth century. The system is dominated by landlords who often double as moneylenders and merchants. Honest ones, say the Indians, are as rare as chaste courtesans. It is from triple-threat men of this sort that peasants have to rent land, borrow money, and buy goods. For a long time they have been seething at having to give up two-thirds of their income for rent, taxes and interest. It so happens, not altogether accidentally, that in many places Hindu and Sikh landlords predominate over Moslem peasants, and Moslem landlords over Hindu peasants. In such cases, the peasants have a double reason, religious as well as economic, for not seeing eye to eye with their landlords. . . . Economic grievances have exploded in the form of religious riots.¹

It is easy for the student of applied economic theory, from the quiet of his study, to recommend economic reforms that would go to the bottom of India's troubles. India's land tenure system needs improvement. The landlords can be legally expropriated without the cost of compensation by gradual socialization of land rent through the device of land value taxation. By introducing into this a productivity allowance and exemption of other improvements, family-type rather than corporation farming would be favored. The revenue can be used to replace excise and other regressive taxes, such as the notorious salt tax.

For the improvement of agricultural technique, there is no better device than the extension and demonstration system if the peasants keep political control of it so that it serves their interests rather than those of the large and corporation farmers. Such a system would introduce producers' and marketing co-operatives where these are required.

For the solution of the credit problem there are a variety of techniques, such as the credit union, mutual banking, the non-profit loan society, the late Irving Fisher's 100 per cent reserve plan, and central bank control (under the control of an alert peasantry!) of the credit and currency structure. And there is no better means of combating monopoly and inefficiency of distribution than the consumer co-operative.

¹ *Loc. cit.*, Vol. 180, No. 5, p. 3.