

## AN INDIAN PROBLEM — THE LAND REVENUE OF BENGAL

IN 1938 THE Government of Bengal appointed a Commission under the chairmanship of Sir Francis Floud, "to examine the existing land revenue system of Bengal in its various aspects, with special reference to the Permanent Settlement; to estimate the effects of the system on the economic and social structure of Bengal; and its influence on the revenues and administrative machinery of the Provincial Government; to appraise the advantages and disadvantages of the existing system and to advise what modifications, if any, can and should be made; and in what manner, and in what stages they should be effected."

The Report of the Land Revenue Commission was published in 1940 in six volumes, containing in addition the evidence submitted. The evidence includes that given by the Rev Victor J. White of Mymensingh, a vice-president of our International Union, to which reference is made later.\* The principal recommendation of the Commission is that the Permanent Settlement and the zamindari system has developed so many defects that it has ceased to serve any national interest; and that legislation should be introduced enabling the government to acquire the interests of all rent receivers down to the actual cultivator of the soil and that this should apply to all estates whether permanently settled, temporarily settled or revenue free. The members of the Commission disagreed as to the basis of compensation, but the proposal which received most support was compensation equal to ten times the net annual profits.

A subject which receives considerable attention both in the Report and in a long historical appendix as well as in the evidence, is whether under Hindu or Mohammedan law the land was owned by the community or whether there was individual property in it. In our opinion the controversy is of little practical interest. It is agreed that the State was entitled to land revenue and that there was no essential difference between land revenue and rent. The land revenue was generally collected by zamindars who on the one theory were tax farmers and on the other were landed proprietors.

### The "Permanent Settlement"

In 1793 the East India Company, as the sovereign authority, enacted what is known as the Permanent Settlement. In other words, it decreed that the amount to be paid as land revenue by the zamindars should be a fixed sum, and it declared that the zamindars were proprietors of the soil. The amount to be paid by the zamindars was estimated to be ten-elevenths of the annual rent. It must be remembered, however, that part only of Bengal was subject to the Permanent Settlement. A relatively small part is subject to temporary settlements, and a larger part (the Khas Mahal areas) consists of government estates.

If the value of land had remained as it was in 1793, the Permanent Settlement

would not have aroused much criticism. In fact the value of land has enormously increased. "The benefit of more valuable crops and higher prices has gone partly to the landlords, when they could increase rents, and to the tenants when they could not. More serious, the unearned increment due to the growth of towns and the development of trade and industries has also been appropriated by the few." The defenders of the Permanent Settlement say that the loss to the revenue has been compensated by the increased revenue from indirect and other taxes. If this means that the fixation of the assessment compelled the State to levy other taxes, it is certainly true. If it means that the zamindars are paying as much in indirect and other taxes as they would have paid in land revenue if the assessment had been subject to periodical revision, it is outrageously false; and the clearest evidence of its falsity is the violent opposition of the landlords to any suggestion for altering the assessment.

### Special Interests Enriched

In his admirable paper on Indian Land Revenue Systems (International Conference on Land Value Taxation, Edinburgh, 1939) Mr F. G. H. Anderson points out that less than 20 years after the Permanent Settlement land values had already increased with startling rapidity. The East India Company realized that the assumption of unchanging conditions, which was one of the bases of that policy, had been falsified and no further permanent settlements were made. The result is that Bengal contributes relatively less in proportion to its wealth to the public revenues of India than other provinces, and as Mr Anderson puts it, there should be on the public works of Bengal the inscription: "Contributed by the poorer provinces of India as a gift to the tenants and the zamindars of Bengal." It should be noted, however, that the Bengal of 1793 is now divided between three provinces.

The revenue from permanently settled lands in Bengal is 2.15 crores of rupees (1 crore equals 10 millions). If the Commission is right in the view that the Permanent Settlement left the landlords with one-tenth of the land revenue, their share at that time was 0.21 crores. The Commission estimate the rents of Bengal at the present time to be 13 crores. If from this be deducted the land revenue and the landlords' share of the Cess, totalling 2.87 crores, there is left in the hands of the landlords 10.13 crores, or some fifty times as much as in 1793.

### The Army of Rent Receivers

The Permanent Settlement encouraged subfeudation and brought into existence a large body of intermediate landlords between the zamindars and the actual cultivators. This is said to have created a class "which has had leisure for culture and politics, has provided educated men for the professions and Government services, and is responsible for all political progress." Slave-owning in Athens, and elsewhere, was defended on the same grounds. If the landlords and their dependants are the bearers of political

progress, that may perhaps throw some light upon phases of Indian politics which have been puzzling to some of us.

"Moreover this army of rent-receivers is increasing in number each year." Between 1921 and 1931 the increase was 62 per cent. "At the same time a steady reduction is taking place in the number of actual cultivators possessing occupancy rights, and there is a large increase in the number of landless labourers." Many of the cultivators are bargadars, or share croppers, and the tenancy legislation does not recognize as tenants those who do not pay a cash rent or a fixed amount of produce.

### Proposals of the Commission

The Majority of the Commission recommend that the Government should acquire the interests of all rent receivers down to the actual cultivators of the soil. They propose that compensation should be a certain multiple of the net profit of the proprietors. Various views were taken as to what multiple should be taken, but the figure of 10 times received most support. The net profit was to be calculated by deducting from the rent the amount of the land revenue and cess payable and also 18 per cent for management expenses. The compensation should be paid in cash if possible, but if not in bonds redeemable after 60 years.

The grounds upon which this proposal are defended are in effect that a system of temporary settlements could not be introduced, and that for two reasons: firstly because the increased revenue would be paid by the zamindars and not by tenure holders at fixed rents, and secondly, because the State would have to compensate the zamindars for the loss of their rights.

### The Landlord Point of View

Nothing could show more clearly how political and economic thought is hampered by ancient fallacies. If the Commission had directed their minds to dealing with this problem by means of the taxation of land values, they would have seen that both these objections were irrelevant. If the State had imposed such a tax it could have directed it to be paid by every person who shared in the land value according to his share, neither would any question of compensation have arisen. The State does not compensate persons for taxes imposed upon them; if it did, the State could never have any revenue.

The privileged position of the Indian landowner is exemplified by the fact that there is no income tax on agricultural incomes in Bengal, the idea evidently being that the Permanent Settlement had for ever exempted landlords from paying any tax beyond the fixed land revenue. The majority of the Commission recommend that until such time as state acquisition is carried out, there should be an agricultural income tax which would fall on rent receivers. The two members of the Commission (The Maharajah of Burdwan and Mr B. K. R. Chowdhury) who sign a long note of dissent which throughout maintains the landlord point

\* Considerations of space unfortunately oblige us to postpone till next issue the recital of Mr White's evidence. He argues ably for a solution by the taxation of land values.

of view are quite logical in opposing such an income tax for they contend that the Permanent Settlement was binding for all time. It is rather strange to read in much of the evidence submitted to the Commission an insistence by people who presumably believe in swaraj or home rule upon the immorality of interfering with the Permanent Settlement decreed by East India Company in 1793. The two authors of the Minority Report go so far as to say that if the legislature passed an Act for the repeal of the Permanent Settlement it should be disallowed by His Majesty in Council and that "the landowning community belongs to a minority community" and that the protection of its interests falls within the "special responsibilities" of the Governor under section 52 of the Government of India Act, 1937. No one, however, condescended to explain why the law of 1793 alone should not be modified or repealed by the legislature, while all others could be amended. But, in fact, it is not necessary to alter or to amend the Permanent Settlement. Let it remain and let the State collect from all those who have benefited by the increase in rent above the land revenue a due proportion of the annual value.

Although the Commission deprecate the idea of a temporary settlement, they admit that their own proposal will not give a permanent solution. If the actual cultivators are allowed to hold the land from the State at the rent they were paying at the time of acquisition, they would benefit by any increase in the land value. In that event the Commission say: "it would be necessary to carry out the acquisition of rent-receivers' interests at intervals of 30 or 40 years." The only means of avoiding this dilemma is to have the rent payable by the cultivator reassessed at frequent intervals. But that is in fact nothing more or less than a temporary or periodical settlement, which the Commission reject although it is carried out in other parts of India.

#### Contrast in Madras

A valuable description is given of the process of a settlement in Madras. It is "on the land and does not depend upon the kind of crop grown." Hence, it does not exempt the man who uses his land badly, nor penalize the man who uses it well. The Settlement Officer classifies the land according to its productive capacity, in some cases as many as 60 classifications being made. The value of the crops which could be produced from each kind of soil is then calculated on the basis of average prices prevailing during 20 years. The next step is to estimate the costs of production, in which is included the cost of labour, seed, manure, depreciation of cattle and agricultural implements, cartage to the nearest market, losses due to the vicissitudes of the seasons, and other costs. The balance of the estimated value of the produce after deduction of the costs is the expected net profit or rent of the land. Resettlements are carried out at intervals of 30 years. The amount of the net profit claimed by the Government is, however, no more than 50 per cent and in some cases less. The Madras system is, therefore, open to criticism on the ground of the long interval between

one settlement and another, and still more because the state does not take the whole rent. A somewhat similar, but less accurate system of assessment is used in the United Provinces, and more attention is paid to the actual contractual rent arrived at between the cultivator and the landlord.

#### Law of Rent Fairly Stated

The Commission state the theory of economic rent very fairly in the following passage:

"According to Ricardo's theory, rent is the difference, or a share of the difference, between land which yields a certain profit, and land which just repays the cost of cultivation; or in other words, the difference between the gross produce and the sum which compensates the cultivator for his labour, seed, manure, depreciation of cattle and implements and other expenses of cultivation. It is thus explained by Henry George: 'the rent of land is determined by the excess of its produce over that which the same application of labour, etc., can secure from the least productive land in use.' According to this theory, the economic rent has to be fixed on the supposition that the cultivator is fully employed, *i.e.*, that he has enough land to occupy him fully, and the maintenance of the cultivator is the first charge on the land, the rent being paid out of the surplus."

#### Admissions and Contradictions

They admit that the share of the State should be "a certain proportion of the economic rent," but they contend that there are practical difficulties in ascertaining this, because "it is impossible to calculate the gross produce and the costs of cultivation in the case of every holding." None the less it is clear that this difficulty has been overcome in Madras, and, to take a very different example, it has been overcome in Denmark. Even if it be true that perfection cannot be attained, that is no reason for not endeavouring to make the assessment as accurate as possible, and still less for making it on false principles. They say: "Although we think that a share of the economic rent is theoretically the best system of assessment, it would not be in consonance with the system that has always prevailed in Bengal. . . . We agree, however, that if the Government became the sole landlord in Bengal, equality in the incidence of taxation would become an important consideration; but, as we have pointed out, the incidence of rent in Bengal varies widely and has no relation, or only a very remote relation to the productivity of the soil." This is a regrettable anticlimax.

#### A New School of Thought Needed

The Commission in fact do not address themselves to the fundamental point that the rent of land is an unearned income, and that a system which allows this unearned income to be appropriated by individuals is essentially unsound and conduces to all the faults which have arisen out of the permanent settlement including the creation of a parasitic class which lives by giving permission upon terms to other people to work on the land.

The weakness and vacillation displayed by the Commission is an illustration of the enormous influence exerted by the landed interest in India, as elsewhere. Despite the many changes which have since taken place the view is still dominant that a land system which was devised by the East India Company 150 years ago is sacrosanct, and cannot be altered. It is to be hoped that some school of thought may arise in India which is willing to divest itself of such prejudices and obsessions, and which will be prepared to adjust the foundation of the life of the people to accord with their just needs and emancipate them from the poverty in which they are plunged by an antiquated and uneconomic system.

## THE WAGES FUND

MR MCKELLEN, Newcastle, Staffs, in a letter to *Cavalcade*, 20th June, answering a correspondent, wrote:

"Until the question of the ownership of the land—the source of all wealth—is settled, on a basis of justice and equity, monetary reform can achieve nothing. It would be of no use putting down new and better water mains, in the hope of improving the supply of water to the people, if the sources of the supply were left in the hands of private individuals who could withhold the water from use or demand an uneconomic price for it.

"In the same way, it is useless to bother about improving the means of exchange of wealth until we have first freed the source of wealth from private ownership and irresponsible control.

"I would point out that no 'fund' of any sort is necessary to keep producers alive pending completion of long-term productive processes. All that is required is widely-diversified contemporaneous production and freedom to exchange. Labour always yields value before receiving wages. It is commonly said that, in long-term production (e.g., the building of a big ship) labour's wages are advanced 'out of capital.' In actual fact labour does the 'advancing'—labour works for a week and gives value to the extent of that week's work before receiving wages.

"Mr Henry Meulen's criticism of the Social Credit theory is true. But it still remains a fact that if money disappeared from the world and the concept of money vanished from the mind of man, there would still be poverty in the world—because there would still be the landowner taking the lion's share of the wealth produced by Labour and Capital and giving nothing in return."

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