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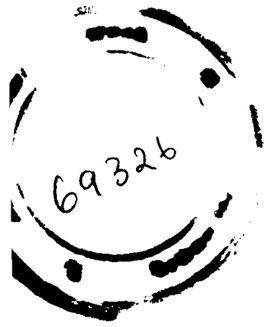
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THE EASTERN ECONOMIST



A WEEKLY REVIEW OF INDIAN AND INTERNATIONAL ECONOMIC AFFAIRS

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Post-War Planning

WITH this number begins the first of a series of articles intended to focus the discussion on some of the fundamentals of post-war economic planning. Although their aim is intensively practical, it is necessary to approach the problem against its scientific and theoretical background. For without some comprehension of the entire range of our national economy and the international implications of our policies it will not be possible to do justice to the details of the plan or to particular aspects of post-war economy. The first article on p. 226 is devoted to an examination of the order of capital requirements that India will need in any planned scheme of economic development. It is obvious that the amount will depend upon the rate of growth which we envisage. But given a certain rate of development it is possible roughly to say how much capital we shall have to put in in order to attain the goal we set out to achieve. Many estimates take only a partial view of the amount of capital requirements because they fail to take a synoptic view of the rate of all round growth aimed at. Thus even the National Planning Committee did not set out in general terms either the rate of saving that should be provided for or the total amount of capital required to be invested in relation to the total amount of income to be attained.

Similarly, we shall have to consider what should be the nature of the occupational distribution of the people with a view to attaining the output we plan for. The distribution of population between agriculture, manufactures and tertiary employments must also be examined from the point of view both of the rate of growth of population in the country and of the rate of growth of national income planned for. Again the question as to the sources from which the required capital will have to be drawn from within the country or abroad and whether the country can afford to make the necessary sacrifices with a view to finding this capital from its savings will also have to be examined. In the initial stages at all events the sacrifice will, of course, be great. But after some time, the increased savings can be secured mostly from the increased income following the investment. Hence the time factor becomes one of great importance. A number of other problems related to the growth of economy will also arise for detailed examination, for example, the place of cottage industries in the national plan with reference to the amount of capital to be distributed between them and large-scale industries. It is our hope that these articles will stimulate thought on the subject and evoke discussion. The *Eastern Economist* will be glad to publish brief comments and criticisms from readers who are interested in post-war reconstruction.

India's Sterling Balances

THE mounting accumulation of sterling balances in Britain to the credit of India and our growing creditor position far from causing satisfaction to the people of this country is becoming a source of increasing anxiety and apprehension, which the statements of British publicists and financial and economic journals in Britain have done nothing to assuage. The problem of the sterling balances is two-fold. In the first place, it is an unwanted accumulation. It is also undesirable in the larger interests of the people of our country for these balances are mainly the result of our sending out essential supplies abroad for the requirements of our allied nations. If India has a surplus after providing for a minimum of consumption, no one would grudge these exports. But actually the position today is very serious. Everywhere there is acute shortage of all essential articles of consumption. Famine conditions prevail in most parts of India. Reports come from several places of the pangs of hunger and privation to which large masses of the people are subject, some eating grass and leaves. In the face of these facts, and the inevitable undermining of the health of the population it is a mockery that India should seek to become a creditor nation. Nations are like individuals. If individuals attempt to save without consuming goods to make them healthy and strong, they will be cheated of their saving by their premature death. And so is the case with a country. A nation in war-time can reduce its standard of living to a very great extent. But there is a limit below which it is dangerous to fall. That limit has long ago been reached in India. Every further accumulation of sterling in so far as it is built of the exports of essential articles of consumption represents a sacrifice which India in her present economic condition simply cannot bear. This then is the first, and in our opinion, the major problem. The second problem to which however greater attention has been given is how to ensure that the sterling balances are available when we want and in the manner in which we want them and how to ensure against their depreciation in value. Further in recent weeks the danger of these balances being frittered away under one plea or other and under one arrangement or other, which had been somewhat remote is threatening to be imminent. The chorus of voices speaking in unison depreciating India's services and criticizing the manner of her building up sterling reserves is a portent. Responsible sections of the British press have pointed to the alleged unfavourable distribution of war expenditure between England and India as being the cause of these monetary balances. Said the city editor of the *Manchester Guardian*—

"On balance India has become a creditor of England, not through normal process of trade and investments but through negotiated division of defence cost. The Indian Government drove a very hard bargain with the British Treasury only justifiable by regarding India as a semi-neutral."

The allocation of war expenditure far from being unduly favourable to India is, in the opinion of Indians entitled to speak on it, favourable to Britain. Judged by the only correct test of a country's sacrifice, namely, its capacity to contribute to war effort in relation to its standard of living, India's sacrifice is more than that of any other nation. Unfortunately this has been systematically ignored by responsible sections of British opinion and they throw hints of a modification of the present arrangement in their favour. But it is well for us to remember that they are partially right. The burden of the war under the present method of financing the British and other nation's war expenditure in India is today actually being borne in any case by the Indians. The burden is already there, here and now. No amount of sterling balances to our credit can alter by an iota or tittle the magnitude of the present suffering and privation. That being so, why not make a gift of it partially at least to Britain. Such views are being expressed freely in recent weeks. The *Capital* (Calcutta) had the following from its London correspondent in its issue of June 10: "If India had met without sterling recompense a larger share of the cost of her defence, much redundant purchasing power which causes speculative activity would per force have been absorbed by higher taxation or borrowing. It cannot be argued that India is too poor to stand the larger burden because in real terms India at present is bearing the whole burden represented by the Allied expenditure in India." Such an argument, however illegitimate it may be, can and must be met only by our pressing for a limit to be imposed on the extent of our real sacrifice. This aspect of the matter is bound to assume growing importance in the months to come when on account of the operations in the East the scale of Allied war expenditure will increase at a tremendous rate. The present method of financing the war expenditure will simply break down and a new plan must be devised.

What is the present system? For all the expenditure incurred in India by the British and U.S. Governments, the Government of India through the Reserve Bank has agreed to supply the currency against a corresponding sterling credit in the balances of the Bank in London. Whatever be the extent of war finance required, it can be fully provided by this system; because it only means the issuing of currency notes to any extent required without any limit whatsoever. Already the present rate of expansion is a little under one crore of rupees a day. But if as might well happen in the next phase of the war the rate of expenditure increases to two crores of rupees a day, the burden imposed on India will become simply unbearable. The financing of the war through the mechanism of the Reserve Bank of India has led to mischievous results and enabled the Government of India to postpone the day of reckoning. But it cannot be any longer postponed. The inflationary spiral which fortunately has been held in check thanks to a number of favourable factors whose continuance it is dangerous to assume

will have its full and free operation. If it is to be checked the whole system of war finance must be altered.

But before seeking new ways of financing the war expenditure of the United Nations, it is necessary to lay stress on one fundamental factor. Too long has it been ignored. The resources available for the war in India are not limitless. The output of consumers' goods is the source which has to be drawn upon both for the defence forces and the civilian population. Let the estimate of the needs of the civilian population be reckoned however low, it should be allowed for and that together with the needs of the defence forces is the amount needed in India. After deducting the amount available within the country, the balance of deficit must be forthcoming from abroad. The necessary transport, including shipping space, should be regarded as part of war effort. Only on that basis can the magnitude of the suffering of the masses of the population be reduced to reasonable dimensions.

A frank acceptance of this policy is the first step in the rational financing of the war. Its implications are far-reaching. If India is to be the supply base for operations in the East, a great production drive to speed up the output of consumers' goods and war equipment is part of war effort. The driving force of war needs will set the productive mechanism in top gear and may astonish even the Government of India to whom nothing is apparently possible.

As part of the production drive, the Government should allow the import of some essential machinery. This will at the same time mop up some surplus funds in the market. After all, machinery is better used in India than in Britain where manpower shortage is so acute that even part-time women have to be used in factories. And import of machinery, as an alternative to import of products may in the end economize the use of available shipping space.

Granted the above, the remaining problem of financing the war in a non-inflationary manner is less likely to be intractable, and provided there is full cooperation between the Government and the people, it can be handled with a considerable measure of success.

The method consists in simple language in getting from the public through taxation and borrowing, voluntary or by compulsion the resources required by Government. In the present state of India's politics, it is not easy to avoid inflation because the defence loans which are the sheet-anchor of Government's budgetary programme cannot succeed unless there is genuine goodwill. But even under the limitations of the present political conditions much may be done. It will not be possible to argue the matter at length, but the main outlines can be set down very briefly.

In the first place the loan programme must be made attractive. This can be done by asking the Indians to buy out through a special company floated by the Government, all British commercial interests, including if possible the financial interests of non-resident British managing agencies. Secondly the Government of India must frankly and explicitly admit (what is now veiled through the process of creating sterling assets) that they are lending to the British Government funds which will be repayable only after the war. The true nature of the transaction has been masked under the present system which has led the British public wrongly to conclude that it is all a question of reallocation of war expenditure. Whatever be the method adopted, the fact cannot be ignored that Britain's short-term finance is being met by India. Thirdly, an assurance that the sterling assets would not be frittered away under any pretences should be forthcoming. In this connection the decision said to have been reached to fund the capitation charges of pensions and provident funds, thereby knocking off about 240 millions from our sterling credits is most unfortunate and deserves to be condemned. The fear is growing that in these and other ways most of our sterling assets will have been exhausted before the end of the war, and unless this is dispelled, no loan programme can succeed. Fourthly, the guarantee which Britain has given to Argentina that, should sterling depreciate, compensation will be payable to her should be repeated also for India. The justice of this demand can hardly be denied by a country like Great Britain who has been a creditor to the rest of the world for nearly two centuries. Fifthly, and partly as a method of granting this assurance, some of the assets might be allowed to be held in dollars. The payments due from America might be allowed to be accumulated in dollars. These suggestions are all practicable from the purely economic point of view even in war-time, and if the Government of India are unable to adopt these proposals, the fault does not lie in their impracticability but only in their own constitutional subordination.

Government's loan programme even if successful cannot eliminate inflation as a good amount of increased purchasing power is now with the agricultural classes and certain other sections who can only be reached by a different method. The best way by which the money in their hands can be drained off is by allowing them to buy gold and silver. It was stated some time ago that proposals were under consideration for the import of silver under the Lease-Lend scheme. Since then rumour has it that America can ill spare silver for such a purpose. But surely a country with practically a monopoly of the world's stocks of gold and silver can hardly convince others of the justice of this attitude. From the strict monetary point of view it will make little difference if three-fourths of the world's gold stock is thrown into the Atlantic. While the desire of the Indian agriculturist to invest his surplus money in gold and silver must be admitted to be irrational, the alternative is their investing in commodities which accentuates hoarding and inflation. As a partial solution of inflation and of the acute food problem in India the case for selling at fixed prices gold and silver to the extent of 300 to 400 crores is very strong. The danger of a fall in prices of gold and silver cannot be ignored, but it will be the choice of a lesser evil.

The main recommendations may now be summarized:

1 The imposition of a limit upon the amount of exports of essential consumer's goods having regard to the minimum standard of internal needs.

2. The speeding up of production with a view to satisfying the needs of the civilian and military population and allowing import of essential machinery with a view to this end.

3. An assurance that sterling balances will not be frittered away during the war and that they will be available to India without depreciation.

4. The adoption of a Loan Policy which will evoke the ready response of the investing public by the offer of the sale of British Commercial investments in India. and of the rights of non-resident British managing agency firms.

5. The holding of part of India's assets in dollars or alternatively to ask America to sell to India gold and silver so as to enable the Government to mop up the purchasing power of the rural population by the sale of silver and gold.

The Week's Notes

WANTED CHEAP FERTILIZERS

In the two notable and illuminating articles published last week and this week, the writer, who is himself a large farmer, has drawn pointed attention to the urgency of fertilizer production in India. The shortage of fertilizers in India at all times and now in wartime requires no emphasis. All the so-called talks of "Grow More Food" are empty slogans when the quickest way of increasing food by arranging for the production of and making available inorganic manures which act upon the plant immediately and with quick results is ignored by Government. We are so often prone to condemn the Government for their failure to develop Indian industry that there is danger of our forgetting that the Government have not done sufficient for agriculture either. In the face of an almost unanimous demand on the part of agricultural experts for prohibiting exports of bones and bone meal and other manures, the Government of India consistently declined to give up their short-sighted free trade policy. Their forest policy has also been responsible for accentuating the manurial problem. Farm yard manure is excellent and can supply the deficiency of nitrogen in our soils. But as long as fuel is so dear, it is bound to be utilized by the farmer for his fuel, thus leading to great waste from the social point of view. What have the Government done to supply cheap fuel to the villagers?

The war has once again brought the problem of chemical manures to the forefront; and yet, as the writer has pointed out, nothing tangible has been done. Only in this unfortunate country is the war made the excuse for doing practically nothing in the industrial sphere. The controversy between organic and inorganic manures is a needless one and as has been pointed out the best results will be achieved by a judicious combination of both organic manures and fertilizers. Will the Government now at least wake up to the urgency of the problem? We heartily endorse the powerful plea of the writer for Government's active action in this matter and for arranging the import of the necessary plant. The prosperity of the agriculturist is so intimately bound up with the development of this industry that here at least the stock argument of a conflict between industry and agriculture can have no validity.

IRRIGATION AND FOOD SUPPLY

Water has been the limiting factor in the growth of crops in India, and if food supply is to increase quickly, facilities for irrigation should be speeded up and extended. We are glad that at least Sir William Stampe, Irrigation Adviser to the Government of India, has great faith in the possibilities of developing irrigation in the quickest possible time and the capacity to translate his faith into action. It is understood that he has submitted a memorandum to the Government of India with a view to its being forwarded to Provincial Governments for examination and speedy action, after the schemes are approved. His plan, it appears from certain press reports, embraces both emergency irrigation schemes which can be put through from within one year to two years and long-term schemes which would take more time for execution. The extension of the tube well system and lifting water from low level rivers by means of barrages are among the possibilities of supplying water to lands. Conditions differ from province to province. In Madras where well irrigation is prominent, by a system of liberal financial grants the extension of tube well irrigation and the construction of a large number of additional wells are possible. The construction of tanks and their deepening are other methods of expansion and their possibilities are undoubtedly still vast in many parts of India, e.g., Madras. We hope the Government of India will not only provide the requisite financial assistance for these purposes but also secure the necessary priority for the import of just the little equipment that may be needed at once but not be capable of being produced immediately in India.

STEEL PRODUCTION IN INDIA

The consumption of steel in a country is a sure index of its industrial development. Judged by this test, India takes very low rank among the great nations of the world. And yet she ought by right of her vast iron and coal resources to take a very high place among the steel producers of the world. Of the total production of steel of about 136 million tons in 1939, U.S.A.'s share was 47 millions, Russia's 18 millions, and the United Kingdom's 11 millions. Little Belgium produced over 3 million tons. Since 1939 rapid progress has been made in several countries, the United States alone having increased her steel output to nearly 91 million tons. India's output which was just about 1 million tons in 1939 is estimated today to be about one and a quarter million tons. Even Australia has taken a march over us during the last three years.

But consider our resources. We have the largest amount of iron ores in the world, next only to the United States and France, and what is more, they are of the richest variety and of excellent quality. About 3,600 million tons of superior ore are said to be available. Our coal resources are also vast, although some are of inferior grade. They are estimatel at about 50 to 60,000 million tons. And yet India's production of steel is the lowest of all comparable countries. The fact is that under modern economic conditions, it is an anachronism to have a Government in a country that is not established by its own people. From the narrow point of view of economic efficiency, the thing cannot work. A Government must be completely identified with the people and should also enjoy the power to act independently to further the country's interests. The Government of India cannot claim that they satisfy either test. Their ear is more keyed to listen to British and even foreign interests. When the late Sir Jamshedji Tata put up his scheme for the iron and steel factory, vested interests in Britain shook their heads and said that it could not be done. Time has proved that those Jeremiahs were false prophets. Today to every suggestion of increased steel output, production of motor engines, cars, electrical equipment, machine tools, etc., the invariable response is that they are not possible in war-time, and this in the face of the glaring instances of rapid advance in several countries. India can and should plan for the production of at least 5 to 6 million tons of steel within the next ten years. Even that is only a slow rate of growth.

THE DOLLAR AND THE POUND

In their anxiety to display the strength of the pound, the post-war depreciation of which is regarded as a certainty by many countries including India, British financial journals are searching for elements of weaknesses in the financial conditions of other countries from which to draw comfort. Thus the *News Chronicle* City editor argues that American loss of gold or depreciation of the dollar would be inevitable in the early post-war years, because the huge production costs of America due to inflation in war would make American goods exorbitantly costly. United States is wildly outstripping Britain in inflation. Industrial wage rates rose 15 per cent. in the U.S.A. in 1942 and only 4 per cent. in Britain. In view of the resulting high production costs and therefore high prices of U.S. exports, America will import more, export less, have an adverse balance of trade and lose gold and the efflux of gold will raise costs and prices in other countries and thereby effect readjustment. If this is not probable—and the *News Chronicle* thinks it is not—a depreciation of the dollar is inevitable.

The limitations of the above analysis are obvious. Exchange rates as reflecting the relative purchasing powers of currencies ceased to exist long ago, and the theory of purchasing power parity is now out of date. The working of the gold standard mechanism visualized in the reasoning is also a matter of history only and not true to life. The strength of the dollar has depended and will depend on the superior economic resources of America, and the war has not abated, but emphasized it. The dominance of the dollar has originated from the scarcity of dollars, and it is quite certain that in the early post-war years the scramble for American goods for relief and reconstruction will add to the dollar scarcity. Therefore, the increase in foreign exports to the U.S.A. contemplated by the *News Chronicle* in the early post-war years is unreal. Moreover ,it is only necessary for America to ask for a repayment of a small fraction of the Lease-Lend aid to prove that the weakening of the dollar is mere wishful thinking. The probable retention of the Lease-Lend machinery and exchange control for some years after the war also argue against the possibility. Apart from all this, the problem of devising a machinery for freer world trade and capital investment after the transitional period of post-war relief is a more fundamental one, and to its solution the strength and generosity of America are essential. America will have to liberalize her trade and tariff policies. For a strong country like America, it will be a matter of generosity, and not of yielding to any external threats. Nothing therefore will be gained by drawing fanciful pictures of dollar depreciation which tend to miss the real economic strength of America in the maze of financial and exchange manipulations.

THE LOCUST MENACE

Although the locust was probably the first insect definitely to be recognized as a noxious pest, it is only very recently that systematic research has been taken up, and attempts made to ensure international co-operation in combating the menace. The economic loss in terms of money on account of locust depredations in the shape of destruction or damage of crops, loss of livestock due to destruction of pasture and decrease in the output of dairy products, wool, etc., often run up to truly staggering figures especially in the worst years of the locust cycle when semi-famine conditions may prevail over wide areas. In these days of international crisis, it is not easy for the lay public to come to the realization that the locust pest is also an international problem of the first order on which the prosperity of the countries from Egypt to Rajputana and South Africa depends. Since the publication of Predtechensky's paper on "The Annual Cycle of the Desert Locust in Persia and Adjacent Countries," we have had conclusive evidence of the vital connection of the Indian and Persian infestation with swarms of Arabian origin and also the connection between strong westward migrations of swarms bred within Indian limits and the presence of large masses of locusts in the South Persian overwintering areas in preceding winter. Recent reports from Persia and Eastern Arabia show continued active late spring locust breeding and swarms are expected to develop from large areas. We must, therefore, expect an unabated intensity of locust invasion up to the end of July when ovipositing swarms will spread. An interesting item of news says that locust reconnaissance practices by aeroplanes have proved a success in the location of swarms. Nevertheless, it is evident that recent researches in habitat study and ecological control of outbreak centres have not yet taken us to such a stage that we can confidently look forward to nip the menace in the bud. Much more research work remains to be done and in the matter of prevention and control, international co-operation is of utmost importance. It is understood that the International Anti-Locust Conference is meeting at Cairo on June 29 when experts from all Middle Eastern countries and India will review the locust position in their respective countries and chalk out future programme of action. We hope tangible results will follow not only in respect of organizing and co-ordinating further researches, but in instituting a permanent machinery for effective international co-operation in combating the locust problem. Meanwhile we shall be interested to know what the Indian delegation led by Mr. Jantia which went to Persia six months back, have to report to the Government of India.

CENTRAL COCONUT BOARD FOR INDIA

The recent decision of the Government of India to constitute a Central Coconut Board for India is of vital interest to the copra and coconut oil industry. Coconut oil is a raw material in the toilet industries such as soaps and hair tonics, and in South India copra and coconut oil are put to use as edibles. The States of Cochin, Travancore and Mysore possess among themselves what is practically a monopoly of coconut cultivation in India. These three States together covered over 99 per cent. of a total of 825,000 acres under coconut cultivation in 1937-38. This explains the preponderant voice that these States are going to have in the proposed Board. It is reported that the Board is to consist of 16 members representing the Governments of Madras, Cochin, Travancore and Mysore. Apart from the growing interests, the milling and coir industry interests are also to be represented on the Board.

Most important among the problems before the new Board will probably be that of imports of copra and oil from Ceylon. Since the loss in this war of the Strait Settlements, which also used to export these articles to India, the supply of adequate quantities of oil to Indian industry has become an urgent matter. The British Ministry of Food is now the sole buyer of Ceylon copra and the Indian oil mills are now dependent on the quota allotted to them by the Ministry through the agency of the Tata Oil Mills. The new Board will naturally have to go into this matter and assure that local coconut production is supplemented with adequate imports, so that the requirements of the industry as well as of the consumers who use copra and coconut oil as edibles might be met. For the lower middle and poorer classes in South India the latter use is almost a necessity and it is to be hoped that the Board will consider their needs, particularly during war-time, to be paramount.

As is the practice with Central Control Boards for such commodities, a cess is to be levied at the rate of two-and-half annas per cwt. of copra crushed by power mills. Research and propaganda usually claim the bulk of the revenues from this source in the case of such Board-controlled commodities as the evidence of tea and coffee controls tells us. But it is to be hoped that the Coconut Board, when constituted, will keep such items of its programme in abeyance till after the war and until then will concentrate on securing supplies to those who consume copra and oil as food at a price within their means.

THE AMERICAN CONGRESS AND COST OF LIVING

American domestic politics recorded some sensa-

tional turns over the last week-end. It was reported that after overriding the President's veto on the Anti-Strike Bill, the Congress proceeded to turn down his plan for subsidizing food at the retail stage to keep the cost of living low for the benefit of workers. In the absence of details regarding the provisions of the President's plan and the grounds on which Representatives and Senators objected to it, an appraisal of this Congressional revolt is difficult. But a Congress which has given the President practically unlimited powers to resolve the problems of total war as he thinks best, consistent with national interests, must be presumed to be on solid ground when venturing to fling a rebuff at him. Subsidizing food either at the production stage or at the distributive stage is a well-known practice and is intended to neutralize the effect of inflationary prices. In England the retail distribution of some articles of food is at present subsidized. For example, at whatever price the Government buys grain etc., from the growers, it sells it to the retail trade at a fixed price—usually lower than the former—the difference being made up by a huge Government subsidy. This process ensures supplies to the retail trade and also helps them sell articles of food at controlled prices. The House of Representatives amended the Bill to extend the life of the Commodity Credit Corporation forbidding the use of the funds of any Government agency for the payment of subsidies and the similar decision by the Senate was on a very close vote. Whatever the reasons that prompted Congress to do as it did, keeping down the cost of living by subsidizing food prices is quite a sound and practicable proposition and consequently the behaviour of the American Congress makes one ask himself whether this is not one of those periodical instances of "lobbying"—the bane of American politics.

BENGAL FOOD CRISIS

In his address to the Bengal Food Conference, Mr. N. R. Sarker brings out in clear outline the defects of the shifting food policies of Government in face of a quickly developing crisis. In a previous issue, we expressed our apprehension that the Bengal anti-hoarding drive by inquisitorial methods based on the initial fallacious assumption of the existence of adequate stocks in hoards was bound to injure the small consumer. The Bengal Government have not so far published the results of the food drive. But judging from the fact that Calcutta and Howrah, where big business firms and in particular English firms are reported to have built up enormous reserves of foodstuffs were excluded from the campaign, the results cannot be appreciable except on the assumption that the tiny subsistence reserves of innumerable small consumers have been encroached upon. The mistake lies in the initial assumption that enough stocks are available, whereas the facts of the situation point unmistakably to increasingly acute scarcity due to the failure of the crop over a wide area of the province, the influx of vast numbers of workers and refugees and demands of the huge army stationed on the eastern frontier. The problem is not one for Bengal Government alone to tackle. It is the larger one of meeting the additional responsibilities imposed upon India as part of her war effort and it is up to the United Nations and the Government of India to see that India is enabled to fulfil them. We heartily endorse Mr. Sarker's suggestion that arrangement should be made to secure imports from abroad. To this end the Bengal Government should, besides intensifying their "Grow More Food" campaign, exert pressure upon the Government of India and not merely seek to secure stocks from the neighbouring provinces like Orissa and Bihar, which equally feel the scarcity and are unjustly made to bear the burden of free trade in the eastern region.



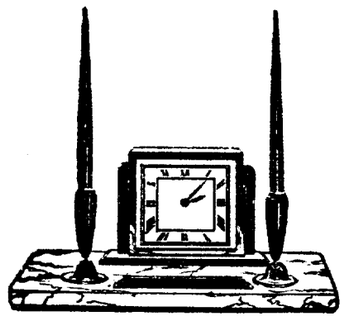
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DORIC DESK SETS

Monetary or Price Inflation?

(From A Correspondent)

THERE seems to be prevailing a common tendency among people to mix price inflation with monetary inflation. The consumer, naturally, is least concerned with the words inflation and deflation. These are words foreign to him and he has begun to hear about these only very recently. His chief concern is the rising price, *viz.*, the price and not the monetary inflation. But since he has been told that the root cause of the scarcity of the consumers' goods is the monetary inflation, he has accepted the verdict and has added his voice to the cry: "deflate."

Time, however, may come when the country may find itself in serious conflict with the various measures intended to be adopted by the Government under the plea of restoring a lower level of prices. It is, therefore, incumbent on those who advocate deflation to pause and think whether they are not unwittingly making themselves a tool of the Government in advocating a policy deadly against the Indian interest. Let it not be said by the Government that they took certain actions with the fullest approval of a section of the public. And let it not be said by the deflationists, when it may be too late, that they never advocated those measures.

The reactionary element in England since it realized that India had become a creditor nation, even though on an empty stomach, is perturbed. It is already advocating measures calculated to invalidate India's position as a creditor. It is time, therefore, that the deflationist took stock of his position.

Let us clearly understand what we want. Do we want monetary deflation whatever be its cost, or mere price deflation? The distinction should be clearly understood. In the words of an economist, "Monetary inflation consists not in the rise of prices but in an increase of the monetary demands for goods and services outstripping the supply of goods and services available to meet the demand." If that be accepted, as it should be, then the prices could be made to fall and yet the monetary inflation might be intensified by widening the gap between monetary demand and supply of purchasable goods and services. On the other hand, a rising price continues to mitigate monetary inflation since it tends to narrow the gulf between the monetary demand and the supply of goods and services. Monetary inflation thus could exist even with a stationary or a falling price level. Vice versa, one could also conceive of monetary deflation co-existing with higher prices of essential commodities. What the consumer, therefore, wants is price deflation and not necessarily a monetary deflation.

The deflationist, on the other hand, is so obsessed with the term inflation that he has almost forgotten that monetary deflation, under the present conditions in India, while it may bring down prices, may not necessarily be free from serious evils in other directions. The distinction between the two must be clearly understood. It is of vital importance to understand the nature of the remedies to be adopted in the two cases respectively; since while some of them may be innocuous, others may be most objectionable. In fact, some of the remedies to check monetary inflation may be of such a dangerous character as to cause serious alarm among all well-wishers of the country.

Let us first analyse the remedies that have been tried successfully in other countries. They are:

(1) Very high taxation,
(2) Compulsory investment,
(3) Restriction of increase in wages and salaries,
(4) Control and rationing.

The first three are measures of monetary deflation and as such may cause also price deflation, but it is the last one that is purely a measure of price deflation. Two more remedies for effecting price deflation could be suggested. They are, the spending tax and the increased production. The last one, however, has been seriously neglected so far by the Government. The experts too, unfortunately, seem to have given it a go-by. But the other measures are gradually coming into operation in India.

Controls of all kinds have come in an epidemic form to stay perhaps for good. There has been control, decontrol and partial control of foodgrains with devastating results. In all controlled articles black markets run galore. Nothing that has been controlled so far has helped the consumer in getting his wants at a cheaper rate. Black markets exist in rice, wheat, dal, sugar, cement, petrol, iron, coal and many other commodities. There is thus no relief to the consumer. High taxation on higher incomes (and there is practically no room for any further increase) has not brought down the prices. Nor will they. People or bodies with high incomes do not consume less rice or less cloth or less kerosene because of the increased taxation.

If, therefore, purchasing power has to be curtailed and prices brought down through monetary deflation, more stringent actions will have to be taken. The axe will have to fall on smaller incomes too. But compulsory saving and higher taxation when applied to workers and middle-classes and the restriction on wages and salaries and also the spending tax when it is introduced (this being the logical consequence of the policy of deflation) will raise such a furore of storm as to make all those who advocated deflation feel unhappy. And these measures are bound to come in time. If the Government is determined to achieve deflation by all means, bad, worse and worst, then even measures most dangerous from India's point of view may be adopted.

It appears that funding of the pension charges is already being seriously considered. And if it is decided upon to do this, by one stroke of pen a thick slice of our sterling balances could be made to pass into the hands of His Majesty's Government. There is also a danger of India being asked to pay for the reconquest of Burma and the defence of Iran and Iraq.

Let those, therefore, who have been advocating deflation with such vehemence make their position clear. One like Sir Tracy Gavin Jones who does not bother so much about the price inflation as about the monetary inflation must welcome deflation at any cost—even to the extent of loading India with expenses of reconquering Burma and defending Iraq and Iran. But do the others who are equally strong in favour of deflation advocate high taxes on smaller incomes, restriction on wages, compulsory saving in the case of people with smaller incomes, spending tax and funding of pensions etc. And what do they say of the insidious proposals made to charge to India various defence expenses that should justly go to the debit of England?

A timely answer by the deflationist is necessary.

More About Fertilizers

From a Correspondent

I return to the subject as there are aspects of it with which I was not able to deal within the space at my disposal when I wrote the first article. An additional reason is the hope to which an announcement has given rise that the entire food policy of the Government may be reconsidered and reorientated, A sound food policy means, among other things, greater food production, and this, in its turn, is largely a matter of intensive farming in which manures play such an important part.

Manures are either organic or inorganic, and it is to the latter class that the term "fertilizers" is usually limited. When one speaks of the production of fertilizers within the country, what one means is the manufacture from Indian raw materials of inorganic or artificial manures in the form of chemical salts.

But, at the very outset, we have to face the question: Is it at all desirable to try to increase soil productivity by the use of such artificial manures?

Admittedly there are some with whom such use finds disfavour. They include Sir Albert Howard—a recognized authority on the subject of agriculture, specially Indian agriculture. What they favour and advocate is the almost exclusive application of organic manures and they are said to have an obsession about what has been sarcastically called "the celestial qualities of compost." More and more of humus—that is the recurring note of what they have to recommend.

But the truth is somewhere between the two extremes—the view that artificials are no good at all and the view that those who stress the importance of humus or organic matter should be written off as old fossils belonging not to the living present but to the dead past. Each of the two kinds of manure has its own utility and each supplements the other. In the field of manuring, artificials or fertilizers have definitely come to stay.

Those interested in the subject may be referred to *Indian Farming* for February, 1943, which deals with it editorially and otherwise, and records its conclusion that "applications of both organic and inorganic manures are desirable in order to keep the soil in good condition and to get worth-while yields."

The occasion for this comment was provided by a letter which Sir Edward Cole of Okara—a practical farmer of considerable experience—wrote to the journal in defence of Sir Albert Howard by way of a reply to a review of the latter's book *An Agricultural Testament*, which appeared some time ago in *Indian Farming*. Sir Edward proclaims himself an ardent advocate like Sir Albert of composting, though he does not appear to go to the same length as the latter in his criticism or condemnation of artificial manures. In his rejoinder, the reviewer of Sir Albert Howard's book maintains his ground and reminds Sir Edward Cole that in the experiments on sugarcane which have been conducted in certain parts of the country, farmyard manure by itself has shown poor results as compared with those shown by its combination with ammonium sulphate.

The considered view of the Imperial Council of Agricultural Research which issues the journal is thus expressed in its editorial columns:—

"Both practice and experience have shown that organic manures. . . . generally require for maximum yields a supplement of what have come to be called 'artificials,' *i.e.*, chemical salts such as sulphate of ammonia, calcium superphosphate and sulphate of potash. Organic manures are, on the whole, slow acting. . . . When artificial manures are applied to the soil, a certain amount of their nitrogen may also be be taken up by soil bacteria, but the greater portion is available immediately to a crop plant, and can therefore give a much-needed stimulus at times when such stimulus is important, *e.g.*, at the time of tillering of wheat or sugarcane."

Referring to the existing scarcity of artificial manures, the note adds:—

"We are not yet in a position to see what the total effect throughout India of this temporary shortage of artificial manures is going to be. One may anticipate a certain average reduction in acreage yields in the case of crops to which it has been the practice to apply artificials."

This, then, is the position in a nutshell. On the whole, the best results are obtainable by a manurial application which is not exclusive in its character and which may be said to be a judicious combination of both organic manures and fertilizers. For fertilizers India has been dependent—except to an insignificant extent—on foreign sources of supply, and under war conditions she finds herself deprived of what she has been accustomed to import and use, with the result that she has to suffer a reduction in acerage yields just when she needs to grow every extra bushel of wheat or rice she can.

The subject has not so far received the attention it deserves and our present helplessness is the result of that apathy and neglect. We have seen in the previous article on the subject that though our consumption of sulphate of ammonia in pre-war days came to about a lakh of tons, we were not making more than 20,000 tons ourselves. This was in spite of the fact that from the point of view of both production and consumption, the conditions here were so favourable. With the exception of two concerns, all the Indian producers of sulphate of ammonia as a by-product in the manufacture of coal-gas and metallurgical coke were members of the British Sulphate of Ammonia Federation and had to sell their product at the price fixed by that Federation—which makes a tell-tale description of the state of things that has prevailed in the Indian market. The production of synthetic ammonia is yet to make a beginning here—if an exception is made of the project associated with the name of Mysore Chemicals and Fertilizers Ltd.

In view of the food crisis through which the country is passing and the end of which is not yet in sight, it is imperative that steps be taken here and now to achieve increased production through an adequate provision of fertilizers which we need so badly for the purpose, but of which so little is available today. The problem can be solved if the Government will do what is expected of them and facilitate in every possible manner—but mainly through the procurement of the necessary plant—the establishment of an Indian fertilizer industry capable of meeting the needs of both the present and the future. Food and fertilizers are closely inter-related, and an industrial expansion of the kind suggested here will benefit millions and provide an immediate solution of the problem that we have to face—for fertilizers or inorganic manures have the virtue of being able to act quickly on the soil.

The World Abroad

International Bank—Reconstruction Loan—Army Budget

(From Our Washington Correspondent)

International Bank

WHEN Washington and London made public their tentative and somewhat different plans for post-war currency stabilization, each recognized that this would be only one of the instrumentalities which would be needed in the field of international economic co-operation when the fighting is over. Both statements mentioned, but only briefly, the necessity of making financial aid available to those countries which will need outside capital either to repair war damages or strengthen and expand their local economies. That was early in April.

Since that time, plans for financing post-war reconstruction and general economic expansion have been taking shape quietly. The central theme is an International Bank. It would have a tremendous capacity (multi-billion dollar when measured in U.S. currency terms) to extend liberal long and short-term credit to governments the world over. In the current discussions, going on in both Washington and London, this projected institution has a place alongside currency stabilization, a world programme for food and agriculture, less restrictive trade policies and price regulation of basic commodities in world trade in the developing picture of post-war economic planning on an international scale.

The mechanics of just how the bank would operate, how its capital would be subscribed and the terms of its loans apparently are still pretty much in the discussion stage. At any rate, very little about them has been divulged to date. The object of the bank, however, has been made fairly clear and can be traced.

It would be to the bank that a country needing outside capital to rebuild bomb and shell-wrecked cities, power plants, docks, transportation systems and industrial facilities in general could turn for aid if it could not make satisfactory financing arrangements through more normal channels. The bank's loans, however, would not be limited to reconstruction in war-damaged areas. They would also be available to countries seeking advances to be used in strengthening and expanding their local economies.

It is readily apparent that such a lending institution would have a direct bearing on foreign trade in the years immediately following the war, as borrower demand would be concerned almost exclusively with import needs. Those planning the bank have watched closely the systematic destruction of industrial facilities in Europe. They foresee a strong demand for loans to reconstruct these areas. Another broad field in which it is anticipated that the bank would operate would be industrial development loans in such areas as China, India and Latin America.

Loans For Rebuilding

Officials here recall the heavy buying of industrial products, especially in the capital goods class, by Europe after the First World War. They point out and emphasize that in the other war the destruction of port facilities, rail equipment, power installations and industrial plants is hardly comparable with what is taking place today. Air power makes the difference. The Allies have planes especially equipped to blow up locomotives. The British have destroyed huge power-dams in Germany. All industrial facilities are prime targets for the airmen.

In a recent report on "markets after the war," the U.S. Commerce Department made this observation: "In the international sphere there is general agreement among experts that the demand for goods will exceed the supply for several years after the war. Grating the difficult problem of how other countries are going to pay for our exports, this can be an important market." It would be the job of the International bank to provide the financing.

As now projected, the bank would be created entirely separate from any currency stabilization machinery that may be established as a result of the plans advanced early in April in both Washington and London and on which discussions with other countries now are in progress. The only customers of the bank would be governments. Loans would be made on a business basis. Projects to be financed through the bank would have to show promise of being self-liquidating, either in the sense that a power plant can pay for itself over a period of years or in the sense that the undertaking will be of sufficient value to the general public that the loan would be serviced willingly from revenue receipts. While governments would be the only customers of the bank, this does not mean that the banks facilities could not be used to benefit private undertakings. An enterprise needing money to finance a plant, for instance, and unable to secure private loans could prevail upon its government to obtain a loan for its use. The Government, and not the enterprise using the loan, would be responsible for its repayment, however.

At this time, sentiment here favours joint ownership of the bank by a number of nations. The thought is that if the lending institution should be created and operated by a single country, the U.S. for instance, other countries might complain that loans were so conditioned that they gave undue advantage to the exports of those operating the bank. Also, it is thought that joint ownership would make repayment of loans more certain, as a country would be more hesitant to default on its obligations to a group than to a single country.

Army Budget

The Army Budget for the 1944 fiscal period, which starts July 1, this year, has been revised upwards by some six billion dollars to accommodate a larger aircraft building programme. When the budget for 1944 was sent to Congress in January, it called for roughly 66 billion dollars to meet army expenditures and commitments in the new fiscal year. This figure now has been upped to just under 72 dollars billion. The 1944 aircraft programme has been scheduled at 1,417,000,000 pounds (exclusive of engine weight). This compares with the 1943 production goal 911,000,000 pounds and amounts to an increase of better than 50 per cent. In submitting the revised army budget figures to Congress, President Roosevelt observed that the 1944 aircraft programme 'will exceed the combined production of all other countries in the world." The Navy's budget for 1944 calls for 29.5 billion which lifts the total for the two services to just over the 100 billion dollars mark.

Post-War Planning Section

Capital Requirements of an Economic Plan

EVEN in the halcyon days of the nineteenth century liberal economics, different countries were by no means completely satisfied with the comparative rates of general economic development which fell to the lot of the various countries under the prevailing system. Some countries felt that they could accelerate the rate of national economic development by effective state measures and appropriate deviation from free trade and *laissez faire*. One of the most powerful of the schools of thought that grew up was the "infant industry" school. In India in our eagerness for rapid industrialization, we seized on this system of economic thought and for a time the cult of "discriminating protection" has been the rage. After almost two decades of "discriminating protection," in retrospect we find the net result severely disappointing; for although there has been some considerable absolute growth of industries, it has been far outpaced by the rate of growth of population. In the face of this, many economic pessimists in our midst have come to the depressing conclusion that nothing appreciable can really be achieved in the field of industrial development. They have reverted to the free trade position and have concluded that efforts for industrialization are as vain as harmful.

On the contrary, it has led the sterner stuff to do some hard thinking and grope their way in more daring directions. Many blueprints for our economic development have been trotted out but the order of magnitude of many of the problems still remain to be properly assessed in quantitative terms. Thus, most of us still have only the haziest quantitative notions about the aggregate capital requirements of any economic plan, the sources from which this capital is to come, the appropriate rate of "capital-intensification" in industry, and finally, the rate at which it would be possible or desirable for us to industrialize ourselves and improve our standard of living.

The problem of a quantitative definition of our task ahead is of utmost significance in the light of the recent interesting experiments in Russia and Germany. We may recall the nature of the problem which the Bolshevist regime faced in Russia. The war, the inflation and the civil war had ravaged the economic system, both in the physical and the financial sense and by 1921 the standard of living in Russia had sunk below the Chinese level. But although the Russians were woefully short of capital, they were fortunate in the possession of inexhaustible natural resources and manpower. By 1927, they had recuperated from the wounds of war and they embarked on an ambitious plan of intensive capital-formation. In the course of only 14 years, and without foreign aid, they achieved miracles to an extent that has enabled them today to withstand the onslaught of the mighty industrial power of the whole of the European Continent organized under German leadership. The miraculous growth of the economic power of the Soviet Union in recent years is certainly the most astounding phenomenon in our economic annals.

The problem faced by the Third Reich was somewhat different from that which faced the Russian leaders. In Germany there had been a financial collapse, but the physical capital and skilled labour force were mainly intact. The primary problem to the German leadership was the problem of obtaining raw materials. The rate at which the necessary raw materials can be obtained from abroad by international trade is limited, apart from possibilities of importing capital, by the rate at which a country's export trade can be expanded. This latter is largely limited by the rate of growth of world commerce in general, for attempt to increase export at the expense of other countries to a large extent frustrates itself. Germany solved this problem, in a measure, by effecting utmost economy of foreign exchange by means of strict exchange control, by substituting as far as possible synthetic products for imported natural products and lastly, by a system of bilateral trade. Thus within a few years, a country which lay financially prostrate, had been enabled not only to recover its equilibrium, but also to increase its economic power at a very rapid rate.

The outstanding success of the Russian Five-Year Plans and the German Four-Year Plans together with the practical experience in the course of total mobilization for war, have given us a new insight into the problem of economic development. According to the orthodox economic theory, the rate of development possible in a country is limited by the amount of "savings" and "enterprise" available and a Planning Commission dominated by these ideas would start by estimating the "financial resources" and the strength of credit and the monetary system—by adding up the figures of savings deposits in banks and weighing the "backing" of the currency. But neither Germany nor Russia had any "financial resources" when they started with their plans. During the war, again, we find that the limit to production is set not by shortage of money or savings, but by the shortage of manpower and raw materials which cause the worst bottlenecks. As for the capital equipment, both the Russian experiment and the war experience have demonstrated that with proper organization it can be built up more quickly that we could anticipate in the more placid time in the heydays of *laissez faire*.

Already before the war, we could see the intellectual revolt against the incubus of the orthodox system of thought which regarded "saving" and "enterprise" as the twin virtues in the capitalist system. Lord Keynes caused some flutter in the dovecotes when he demonstrated that until the point of full employment was reached, "savings" were not necessary—for "investment" created its own equivalent amount of "saving"—and that under *laissez faire* it was not certain that the optimum rate of investment would be made by private enterprise alone. It follows that under private enterprise the rate of national economic development would not be necessarily optimum and by regulating the rate of capital formation, we could regulate the rate of economic development. Secondly, even in a state of full employment, if one country devoted a larger proportion of its national income annually to capital investment than another country, it is natural to expect that the national income will increase at a greater rate in the former country in comparison with the latter. Of course, production depends on the combination of all the factors of production, but capital is the most easily variable factor and the supply of other factors can be taken as more or less inelastic over the short and the medium period. The rate of economic development is thus seen to be primarily a function of the rate of capital formation. The question now arises about the pragmatic relationship between the rate of capital formation and the rate of expansion of national income; and secondly, the maximum rate at which it is possible for any country to increase its national income and standard of living.

Exhaustive statistical study of the correlation of the volume of national production and the volume of national capital was first undertaken by Prof. Douglas in co-operation with Prof. Cobb. They have sought a formula establishing a functional relationship between total output or national income (P) on the one hand and the total input of labour (L) and the stock of capital (C) on the other. As a first approximation, it was assumed that general increasing returns or diminishing returns did not exist. The formula which they discovered has been tested in the light of data in the United States, Australia, New Zealand and other countries and the statistical fitting has everywhere been found eminently satisfactory. Ingenious attempts have also been made to refine the formula in order to allow for general increasing or diminishing returns. But for the tentative study we have in view now, the original Douglas-Cobb formula should give us as good an approximation as we may reasonably desire. By a simple transformation of this formula, it can be shown that the increment of national income consequential upon an increment of capital will be measured by the ratio which national income at any time bears to total stock of national capital equipment* It follows that a historical study of the ratio between C, the total stock of capital in a country and P, the national income will give us a satisfactorily rough appreciation of the rate at which national income of the country can increase as a result of any particular rate of capital formation. Conversely, we can say that the Planning Commission of a country desirous to improve the national standard of living at a certain pre-determined rate will greatly benefit by a study of C/P (hereinafter called the Ratio) in different countries and in different periods, for this will give them an idea of the order of magnitude of the aggregate capital requirements of the economic plan which they are outlining.

It is possible to make a statistical study of the relation of capital endowment of a country with its national income. Basing on Lord Stamp's figures, Colin Clark has estimated in terms of stable value the national capital of the various countries for 1913. For our purpose in estimating national capital, in addition to land values and national debt, value of buildings must also be excluded; for buildings comprise largely residential buildings which are properly consumption goods. We can then get the following table, expressing both capital and real income in terms of "international units" per head of working population:—

TABLE I

Countries	National Capital	Real Income	Ratio
U.S.A. ..	2680	1191	2.2
Canada ..	2810	1061	2.6
Australia ..	1830	742	2.4
Argentine ..	3240	(800)	4.0

*For those initiated into the mysteries of mathematical economics, we may mention that the Douglas-Cobb formula for the production function is

$$P = b.C^{1-k}.L^{k}$$

Partial differentiation of P with respect to C will at once give the increment of output consequential upon an increment of capital:

$$\frac{\partial P}{\partial C} = (1-K).\,b.\,c^{-k}.\,L^{k} = (1-K).\,\frac{P}{C}$$

Since k is the "productive exponent" of the country and (1-k) can be taken as constant, it is easy to see that marginal productivity of capital will vary as P/C.

Germany ..	(1982)	704	2.8
France ..	1940	629	3.0
Britain ..	2255	966	2.3
Italy ..	970	328	2.9
Spain ..	950	408	2.3
Spain (1930) ..	(1609)	600	2.6
Austria ..	1170	452	2.6
Hungary ..	800	220	3.6
Sweden ..	1800	474	3.8
Belgium ..	1640	470	3.4
Japan ..	300	128	2.3
Japan (1930) ..	620	301	2.0
		average=	2.7

We thus get interspatial comparison of the relation between national capital and national income. The average value for the Ratio between national capital and national income for these countries is seen to be 2.7. It would be interesting to study also the historical trend of the relation between national capital and national income in respect of any particular country. We have the following table for Great Britain:—

TABLE II

Years	(I.U. per capita) National Capital	(I.U. per capita) Real Income	Ratio
1865	855	530	1.6
1875	1338	600	2.2
1885	2219	720	3.0
1895	2360	810	2.9
1905	2624	900	2.9
1909	2572	930	2.7
1914	2314	970	2.4
		average=	2.5

The average of the Ratios in Table I tallies closely with the average of the Ratios in Table II. We find that on an average, the national capital is about 2½ times the national income. Of course, the Ratio must vary from industry to industry. In general, the productivity of capital would be higher in an industrially backward country or in a country richly endowed with natural resources and labour; and the Ratio will be to that extent lower. In the Tables above, national capital includes farm capital and national income includes agricultural income. In the non-agricultural industries, the Ratio will tend to be somewhat lower. A statistical study in the light of the admittedly meagre data available shows that in industry in general, especially in the comparatively less industrialized countries, like India, the Ratio is approximately equal to 2 and the stock of capital invested is about double of the annual flow of income disbursed by the industries.

It will be interesting here to compare the value of the Ratio industry-wise in any particular country for a recent year. Taking the case of Canada, for which figures are readily available, we get the following table for 1936:—

TABLE III

Group of Industries	Capital	Output: net value added	Ratio
	$ mm.	$ mm.	
Vegetable products ..	524	264	1.9
Animal products ..	222	114	1.9
Textile and Textile products ..	316	169	1.9
Wood and paper products	874	292	2.6
Iron and iron products	600	226	2.6
Non-ferrous metal products	266	139	1.9
Non-metallic mineral products ..	282	81	3.4
Chemical and Chemical products ..	147	74	2.0
Miscellaneous industries	36	20	1.8
		average=	2.2

Here again we find that although the Ratio varies from industry to industry, on an average the value of capital invested is about double the value of the annual flow of income disbursed by the industries.

The Ratio must, of course, vary from country to country, from industry to industry and, again, over time, as the "productive exponent *k*" changes. A country which is very richly endowed with natural resources, high-quality labour and organizing capacity will be able to sustain the same standard of living with a smaller capital equipment than a country not so fortunately placed. People inhabiting countries like Germany, Italy or Japan which are poor in natural resources, have to use more machineries and real efforts than people inhabiting rich countries like the United States or the Soviet Union to sustain any level of standard of living. Again, over time also there may be increasing or decreasing returns according as the pressure on the supply of the various factors of production is diminishing or increasing.

To bring out clearly the exact nature and limitations of the assumptions implicit in our proposition and elucidate the theoretical aspects, we may put the matter in technical terms. Let us envisage a country with a national monetary system independent of the monetary system of the rest of the world. Assume, further, that the technical conditions are such that the elasticity of substitution of factor capital for the other factors of production is unity. In other words, there is no bottleneck in respect of the factors of production (1) raw materials, (2) manpower and (3) organizing capacity; or if there is any bottleneck, it is always possible to substitute capital for any of these other three factors of production, without encountering increasing or diminishing returns. This means that shortage of raw materials can be always met, at constant costs, by using more capital to make substitute synthetic products. Similarly, if there is shortage of man-power, technique will keep pace so that we can use more and more automatic machines and relieve the pressure on manpower. (This will be made the more possible, if there is no restriction on the spread of technical knowledge from country to country). Conversely at any moment, the "intensiveness" (or degree of "roundaboutness") of capital is distributed through the economy in such an optimum fashion that there is no technological unemployment or surplus of manpower. Similarly organization can always be more and more mechanized at such a rate, that efficient executive control of increasingly bigger economic units can be effected at constant costs.

Under such abstract theoretical conditions, the Ratio will tend to be stable in value, and the same from industry to industry and from country to country. Assuming the value of this Ratio is equal to 2, we could enunciate a general proposition: In the ideal circumstances envisaged, if we devote Rs. 100 crores to capital accumulation, then our national income could be expected to increase by half that amount, i.e., by Rs. 50 crores. Similarly, if every year we devote 10 per cent. of our national income to capital formation, we could reasonably expect our national income to increase at the rate of 5 per cent. per annum.

Of course, in actual practice, the abstract conditions will not be fulfilled. The elasticity of substitution of capital for the three other factors of production will deviate from unity. Thus, firstly, we are not self-sufficient in respect of raw materials and synthetic products are often, especially in the initial stages, much more costly than natural products. If India is cut up into a number of small States, the raw material position of the individual States will worsen and to that extent the rate of economic development will be slowed down. On the other hand, if India becomes part of a large regional economic *bloc*, comprising, for example, China, India and S.-E. Asia, our position in respect of raw materials will greatly improve and so also the rate of possible economic development.

Secondly, it is true that for a long time to come we may not be troubled with shortage of man-power, but uneven distribution of capital-intensiveness will mean a slower rate of economic development. In a country like India where capital is much the scarcer factor of production than labour, it is not economical to use the latest, highly automatic, costly machines. If a cotton mill uses a very costly machine embodying the latest technological triumph, while simultaneously the spinners and handloom weavers use very crude technological process, we have uneven distribution of capital-intensiveness, technological unemployment and wastage in use of capital.

In any industry which uses cruder technology, *e.g.*, in the cottage industries and handicraft industries, the amount of capital used is lower in comparison with the value of output and the Ratio is lower. Similarly, in more modern industries the Ratio tends to be comparatively higher. If the Ratio is lower, output is greater relatively to amount of capital and we have economy of capital. But output per man-hour and therefore standard of living is also lower. Standard of living can be improved in the main only by progressive capital-intensification. It is only if the process of capital-intensification is evenly distributed through the system that we have maximum economy in the use of capital. To ensure this is a fundamental task of the Planning Commission which must thus determine the progressive place in the economy and the optimum rate of capital intensification in the time-scale of the Plan, of cottage industries. The rate at which we can improve our standard of living will depend substantially on a wise choice of the scheme of technological time-preference in the plan.

And thirdly, our organizing capacity may fail to keep pace with the pace of our economic development. In all these three circumstances, the effective Ratio will be much larger than normal and the rate of expansion of our national income will be much smaller relatively to the rate of capital formation.

But nevertheless the Ratio gives us a fair picture of the order of magnitude of the rate at which it would be possible for us, in ideal circumstances, to improve our national income and standard of living. Thus, suppose we have a capital fund equal to Rs. 500 crores which we invest in various industries. In such a case, we could say that our national income ought to increase by Rs. 250 crores per annum. Again, supposing that in making our economic plan, we decide to double our national income in the course of 5 years, then we know the order of magnitude of our capital requirements during the Five-Year Plan. For if we are to double our national income in 5 years, we must increase it at the rate of about 15 per cent. per annum progressively. In other words, we must devote 30 per cent. of our national income year by year for investment. Assuming that our national income is Rs. 3,000 crores at pre-war prices, we have to invest Rs. 900 crores in the first year and somewhat more in the subsequent 4 years. With the present standard of living, such a rate of investment may seem to some extraordinarily high, calling for unduly great sacrifice from the masses during the first Five-Year Plan. But it would be possible to change the scale of time-preference in our economic planning to

suit the requirements and the special circumstances of our country. Thus the proportion of investment in the capital goods industries and the consumers' goods industries could be varied, and again, the rate of development during the first 3 or 4 years could be kept low enough to suit the capacity of the people. The momentum of development could be gradually increased until it reaches, say 25 per cent. per annum after 10 years.

Before we conclude, let us cast a glance at the statistical results of the Russian economic plan. Total capital construction during the first Five-Year Plan was 50,502 million roubles and increase in national income during the same period was from 18,300 million roubles to 45,500 million roubles, i.e., by 27,200 million roubles. The Ratio is thus found to be a little less than 2. Again the total basic capital was planned to increase from 85 milliard roubles in 1932 to 195 milliard roubles in 1937, i.e., by 110 milliard roubles. The national income during the same period increased from 45,500 million roubles to 95,700 million roubles or by 50,200 million roubles. This gives the value of the Ratio a little above. 2 The striking feature of the Russian economy is its high rate of development which it has continuously maintained since 1928. The national income has doubled itself every 5 years, which means that the average rate of expansion of national income has been about 15 per annum. This, however, is not surprising, in the light of the Ratio, if we remember that approximately a third of the national income has been devoted to investment every year and during the difficult depression years an even larger proportion of national income had to be mobilized. This involved an enormous strain on the standard of living of the Russian masses during those few years. The cost of the plan in terms of human sufferings is probably incalculable. We should learn the lesson and in the initial three or four years of our economic planning, the pace of industrialization should be adjusted to our capacity.

The Ratio we have discovered from our statistical study gives us a crude mental tool or "rule of thumb" for roughly estimating the aggregate capital requirements of any national economic plan and provides the approximate quantitative framework of the basis for regulating the momentum of the plan itself. We are still left with many other complicated problems in the field of capital. The most interesting and fundamental of these, as we have already averred, is the problem of determining the scheme of technological time-preference in a directed economy *i.e.*, the optimum manner of distribution of capital-intensiveness throughout the economy and over time in the plan itself. But this leads us to a very wide and difficult field of study.

The Eastern Economist

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FROM THE PROVINCIAL ANGLE

Madras Letter

GOVERNMENT'S LIVESTOCK AND MILK POLICY—CANALS FOR FAMINE RELIEF—TOBACCO EXPORTS TO THE MIDDLE EAST— DISTRIBUTION OF STANDARD CLOTH.

(From Our Correspondent)

THE practice of keeping milch cattle in congested cities has always been a problem with the municipal administrations since it affects the sanitation of the cities. But this practice, though harmful to the animals themselves, has continued owing to various causes, the chief among them being the availability of timely and, to some extent, genuine supply of milk. This problem has now been investigated by a committee which has made certain recommendations to the Provincial Livestock Improvement Board, which if brought into force, would be of great benefit. The committee which was appointed in 1942 to inquire into the question of salvage of milch cattle in the City found that about 12,000 heads of cattle were brought into the City annually for milk production. Among these were some of the best from Nellore and Guntur districts. The percentage of mortality among calves was about 60, owing to starvation, and some of the cattle when they went dry were sold for slaughter. The cattle were kept and used in congested and insanitary conditions and production and distribution of milk were also far from sanitary. To remedy this situation, the committee has recommended that Madras should be divided into eight zones and that each zone should be cleared of all commercial milch cattle within a period of not more than two years. The Provincial Government or the Madras Corporation should provide facilities for the removal of the animals and for their future upkeep. The encouragement of co-operative milk societies and unions around the city and in breeding areas is also stressed. The committee has suggested that the Corporation should provide hygienic model milk depots in each zone and also appoint a full-time dairy expert on the staff of the Health Department.

These recommendations have now been sent to the Madras Corporation for its consideration and these are certainly good enough for the other bigger municipalities in the Province. The recommendations themselves, it will be found, are similar to those of the Imperial Council of Agricultural Research and legislation would be necessary to bring into force these recommendations. The breeding and keeping of milch cattle is closely related with agriculture which is the mainstay of the Indian peasantry. The production and distribution of milk is important from the economic, public health and national points of view, particularly on account of the vegetarian dietary of the majority of the people of India. The average per capita consumption of milk in India is but 6.6 ounces as against five times that quantity in other countries but the per capita consumption in Madras is only 3.9 ounces. Therefore any legislation to improve this state of affairs will be welcomed and supported. But in any such scheme should also be included methods by which the indiscriminate slaughter of cattle can be prevented. The Madras Government seem to be aware of this and recently Mr T. Austin, Adviser to H.E. the Governor, told a Madras audience that half of the 5,000 cows in the city are marched to the slaughter-house when at least 60 per cent. of them are fit for the dairy. This is due to the high cost of maintaining them during the dry period. The Government with a view to helping the milk production drive and to prevent the indiscriminate slaughter of milch cows have advised all Municipal Councils to take steps to restrict the sale of good milch cattle by issuing instructions to their health staff. But slaughtering of dry cows can be prevented only if there is a scheme to collect and maintain them in the suburbs and bring them back when in milk again. The co-operative movement can certainly render valuable help in this direction and the authorities can utilize it with advantage.

Raw Cotton Prices

The Chairman of the Tiruppur Cotton Market Committee has sent a communication to the Government of India in the course of which he has pointed out that on the basis of the rates suggested by the Government for Cambodia and Karunganni, the total loss to the trade for the stock in the market is estimated at not less than Rs. 40 lakhs. He says that Rs. 760 for Cambodia and Rs. 655 for Karunganni along with 289F and Western-farm respectively are unfair and requests the Government to recommend suitable higher rates, thereby giving relief to the large body of growers and traders in this Presidency.

Famine Relief in the Ceded Districts

According to a Press Note issued by the Madras Government, 35 relief works were in operation during May in the Ceded Districts where famine conditions prevail. The situation in Bellary district continues to be distressing and it was here that the largest number of people were given relief. On an average, 1,17,930 workers and 32,964 dependants were relieved per day in the 21 works in that district. In the month of May, Rs. 8,94,400 was sanctioned for expenditure on the works but this was exclusive of wages paid in the form of grain paid to workers in the Bellary district. In the meantime, it is happy to see that the Government have ordered the excavation of some of the projected canals under the Tungabhadra Project as a famine relief work. The excavation of a portion of the low-level canal below the crossing of the Hagari River is to be taken up and the workers in the seven camps near the canal are to be diverted to this work.

Tobacco Exports

In reply to the representations made by the Southern India Chamber of Commerce and the Muslim Chamber of Commerce regarding the sudden stoppage of export of flue-cured tobacco to Egypt, Palestine and other places, the Government of India have replied allowing exports up to three quarters of a million lbs. of the commodity to the Middle Eastern countries. It may be remembered that this was ready for shipment as early as April 8, 1943, when the ban was introduced. The question of exports of this commodity to the United Kingdom is stated to be under the consideration of the Government. The order of the Government hardly touches the fringe of the problem. The cultivation of flue-cured tobacco had developed by leaps and bounds in recent years solely because of the good export market. At present the yield of the crop is estimated between 55 and 60 million lbs. annually. It has been stated that the production in India can be absorbed in this country but in the absence of competition either within India or from abroad, the producers are thrown at the mercy of one giant company which controls 90 per cent.

of the manufacture of cigarettes in India. In the meantime, agreeably to the promise given by the Finance Member of the Government of India when the tobacco duty was imposed, the Madras Government have ordered that no licence is necessary for wholesale dealers dealing in unmanufactured tobacco under the Madras Tobacco (Taxation of Sales and Licensing) Act and that no tax shall be collected under the Madras General Sales Tax Act on sales of such tobacco.

Standard Cloth

An order providing for the control of the distribution and the sale of mill-made standard cloth and extending to the whole of the Presidency has been enforced with immediate effect by the Madras Government. Only licensed dealers can sell the standard cloth at the price fixed by the Central Government. The order also provides for the maximum quantities of cloth that can be sold and limits the quantity that anyone, except a licensee, can have in his possession to 15 yards. Inspection of stocks and penalties in case of contravention of the rules are also provided for in the order.

Bombay Letter

GOVERNMENT AND THE STOCK EXCHANGE—NERVOUSNESS IN CLOTH MARKET—THE WHITE METAL POSITION IN THE U.K. AND THE U.S.A.—CHEAP CLOTH.

(From Our Correspondent)

BOMBAY, June 26.

THERE is no noteworthy development in the Bombay market except for the move on the part of the Bombay Government to regulate trading in the Bombay Stock Exchange. The Government addressed a letter to the Bombay Stock Exchange saying that unhealthy speculation is still going on, and have asked the Board to take steps to make budla business illegal and instruct the members to effect or give delivery in as short a period as possible, not exceeding a week. The Board have replied that they are unable to do anything more at the moment and they point out that in order that any control may be effective, the control should include the Indian Stock Exchange Ltd. also. The effect of this has been that weak holders have unloaded with the result that there has been an easy tendency in the Bombay Stock Exchange.

Technically, all business in the Stock Exchange is on a cash basis, but the delivery period at present is a fortnight which allows an operator to carry forward his purchase or sale by budli, and it is this which the Government wishes to stop.

In Bombay, the demand in the ready market is fair. Despite the nervousness that prevails in the yarn and the cloth markets, prices in cotton are well maintained. One of the shortcomings of the rates recommended by the Government for the Mills to pay is that it does not take into consideration the carrying charges which at present are very heavy, amounting to nearly Rs. 6 per candy per month, and in view of this, sellers are anxious to dispose of their stocks. In some of the New Crop Sind N.T. transactions that have taken place, Mills have paid a little more than the Government-recommended rates.

Forward Business in Cloth and Yarn

There has been a nervous tone in the piecegoods and the yarn markets. Speculative business in Leopard cloth has become greatly curtailed, presumably on account of scarcity of ready goods. Inquiry from the upcountry merchant is also slack. On the whole, everybody seems to be awaiting further clarification of the Cotton Cloth and Yarn Control Order promulgated on the 17th instant. Railway booking for the Punjab and Madras has reopened after several months, but there has not been any substantial clearance from these markets. Leopard cloth went up from Rs. 2-14 per lb. to Rs. 3 per lb. owing to shortage of ready goods, whereas forward quotations were from Rs. 2-12 to Rs. 2-13 per lb. In the Fancy goods, the rates are steadily on the decline.

The Government of India promulgated one more Order yesterday prohibiting forward business in yarn and cloth. The order does not affect the existing forward contracts and their obligations and further makes an exception in favour of bona fide forward transactions for actual and non-transferable deliveries of cloth and yarn. The Bombay cloth market which tried to keep up a bold front since the issue of the first controlling order, broke up during the week on better realization of the meaning and implications of its various provisions. There is a great deal of nervousness apparent among holders of stock and in some types of goods the value of a bale has already fallen by as much as about Rs. 700. All the goods that remain on balance after July 31, are to be declared by August 15 and disposed of to the consumer by October 31 and in view of the difficulty of getting Railway bookings, the merchant is in a dilemma as to how to move away the goods to centres where they can be best disposed of and how to do the same at falling prices under pressure of general selling on the part of the mass of stock holders. The prices of cloth should go down appreciably, but the consumer may have his hopes to get cheaper cloth disappointed if exports are not properly regulated and are allowed to be made to his disadvantage.

Standard Cloth Prices

The personnel of the Textile Control Board is very nearly complete and has now been announced; the non-official Chairman will be Mr. Krishnaraj, M. D. Thackersey. There is a move afoot on the part of some of the Ahmedabad and upcountry Millowners to get the prices of "Standard Cloth," already decided upon, raised. It is stated that the basis taken by the Committee of Millowners in 1941 has been a poor one and that it does not tally with the costing of the Ahmedabad Mills. They are said to be losing As. 2 per lb. of "Standard Cloth" on the present level of prices.

The Bombay Mill-owners' Association is planning to supply cloth at cheap price in Bombay proper by opening 25 shops in the city, the selling quota being 18 yards six-monthly per adult holder of the food ration card in Bombay. The object is laudable but the scheme is not so appealing. The quota is hardly enough and the system proposed is cumbersome. It would be better if they opened a chain of co-operative retail shops and sold whatever was available at fixed factory selling price freely and directly to the resident consumers.

Bullion

The Bullion market presented a steady appearance at the beginning of the week owing to shortage of stock and brisk covering of the large bear position at the close of the business for June 24 delivery. Silver touched Rs. 127-12 and Gold Rs. 83-12 with the transfer premium

for further 12 days' delivery reaching as high as Rs. 2 for silver and Annas 12 for gold. Subsequently, prices recede owing to profit taking and reports of silver arriving from Kathiawad. The prices on the whole are steady and maintaining. There is good demand in gold, the ready delivery carrying a premium of 8 annas per tola fine. The volume of business has grown smaller and there seems little incentive for prices to work up much higher, on account of the fast improving war situation and seasonal demand keeping at the lowest for some months to come.

Silver

Owing to increased arrivals from upcountry and the falling off in demand, the silver section was inclined to be a shade quieter. Spot silver of .999 fineness which was quoted at the opening at Rs. 126-10 gradually declined to Rs. 123-10 on Thursday, but closed steady at Rs. 124-2.

Commenting upon the embarrassing shortage of the white metal both in the U.K. and U.S.A., the *Manchester Guardian* says: "After many years of enforced divinity, silver is returning to the earth as a welcome war material." The shortage in the U.S.A. is due to the U.S. Treasury's hoards which are not releasable until Congress agrees to alter the law. The paper says that silver consumption by British War industries is comparatively small, but stocks are virtually exhausted. Five million ounces from North America met British needs in the first half of 1943, but nothing is yet published about the second half of the year though it would appear from a recent War Production Board's statement that 50 million ounces may be required in 1943 for "essential foreign requirements."

The Combined Raw Material Board recently considered allotting some Mexican Silver to Britain, but rejected the idea because it would leave the U.S. War industries short of silver. Apart from monetary silver, which is completely unsaleable, the U.S. Treasury's free silver may be used only for non-consuming purposes, leaving the U.S. Industries to depend upon imported silver for consuming uses. The paper goes on to examine the prospective shortage of silver in 1943 at 100 million ounces which, it says, must be made up by further relaxing the taboo on the U.S. Treasury's hoard.

Punjab Letter

THE COTTON CONTROL ORDER—SIR CHHOTU RAM AND THE AGRICULTURISTS—LAND RECLAMATION—NORTH-WESTERN RAILWAY'S EXAMPLE.

(From Our Correspondent)

LAHORE, June 26.

INTEREST and anxiety have centred during the last week round the Cotton Yarn and Cloth Control Order of June 16, the latest outstanding addition to control measures adopted by the Central Government. Though the Order was heralded by premonitory conferences and discussions, not much impression was made on the provincial markets. Ever since its promulgation, however, anxiety and depression have been settling thick on the markets—both wholesale and retail. The reactions already produced by the Order may be set out under two heads: (1) the effect on prices as well as the general state of confidence and (2) the uncertainty and apprehension regarding the future. The big wholesale market in Amritsar recorded a fairly heavy decline in the prices of certain standard varieties of cloth and set the tone for the retail markets. Slowly and reluctantly but in sure measure, the retail prices are following the wholesale in their downward course. The varieties chiefly affected have been muslins, voils and latha, though a sympathetic response can be noticed in other varieties also. An important reason for this earlier and stronger reaction on varieties like muslins etc., is the speculative stocking of these goods by non-business and irregular dealers who at the first sign of setback tried to dispose of their stocks. Another reason for the sag in prices is that the banks, following their usual practice, have tried to safeguard their position by asking their debtors to maintain the usual margin between loans taken and the market value of goods placed in the custody of the bank. As the 'whip' of the banks went round, stocked goods were thrown on to the market, depressing prices. This much for the present position. About the future, the dealers are uncertain and apprehensive, especially as it is not clear at the moment how the various provisions of the Order will be made effective. It is not clear, for instance, whether the Order amounts to a 'clear the shop' order, requiring the disposal of every bit of stock in the shops by October 31, 1943. Such clearance may entail great hardship because a part of the stock consists of winter clothing which cannot be sold now and another part consists of varieties for which customers may not be coming forward. Then the provision as regards the declaration of stocks by August 15, 1943 is also felt by a number of retail dealers here to be very harsh in that such stock-taking involves exacting and prolonged effort spreading over some days and is never more than a rough and approximate affair even for income-tax purposes. While the dealers are thus weighed down with their real and imagined woes, the consumers are hailing every slip down in the prices with the most lively satisfaction. But they are holding back from the market, except for the most essential purchases, in the hope that prices will fall still lower.

Minister on Hoarding

No appreciable change is noticeable in the prices of foodgrains. The wholesale price of wheat continues to rule in the neighbourhood of Rs 10 per maund. The speeches of Choudhry Sir Chhotu Ram, the Revenue Minister, during the course of his tour in the rural areas have aroused much comment. According to reports reaching several local papers, the Revenue Minister is said to have advised the agriculturists to extract the utmost benefit out of the present situation by withholding their stocks and disposing them off only at the most remunerative prices. Further, he told them not to believe reports regarding imports of wheat into India from outside and held out the assurance that there was no likelihood of the reimposition of control on wheat. The Revenue Minister has in a statement tried to correct these (according to him) tendentious reports of his speeches. This does not, however, dispel the impression that the agriculturists are being deliberately encouraged to exploit an admittedly difficult situation. If it is borne in mind that a price of Rs. 7 or 8 per maund is not remunerative for the zamindar and that the ruling price is Rs. 10 per maund, it can be easily seen how unnecessary any advice to the agriculturist to withhold his stocks must be. In fact, there may be some ground for the opinion expressed in some quarters that even the present price is somewhat inflated by the system of Government purchases. The collusion between the sub-agents of Purchasing Agencies and the sellers that is possible under the present system can act as a stimulant to prices. It would, of course, not be easy to detect or establish the presence of such collusion but the very nature of the arrangements now in force makes it necessary that the utmost vigilance be exercised in this direction.

Land Reclamation Scheme

Among the measures that have been taken in the Province to pursue the Grow More Food campaign, prominent mention may be made of the Land Reclamation Scheme. It aims at reclaiming government lands that are at present lying waste, due to the presence of a large proportion of saline elements. The procedure adopted for reclamation is to obtain an extra allotment of water from the Irrigation Department for such lands, to grow one or more crops of rice—rice being the first crop to be put on any deteriorated area—and then to cultivate gram and other leguminous crops. During the *kharif* of 1942 and *rabi* of 1942-43, about 19,000 acres of such land were reclaimed. The exact figures for the quantities of foodgrains obtained from these lands could not be ascertained but the production of rice amounted to a little over five lakhs of maunds and small quantities of gram and other legumes were also obtained.

Promotion of Co-operation

Recently a new Association—called the Punjab Association for the Promotion of Co-operation—has been formed here with the object of popularizing the co-operative movement in the Punjab and neighbouring areas. The proposal for such an Association was first mooted in the Co-operative Conference held at Lahore in November, 1942 under the chairmanship of Dr. Henry Carpenter who had made a close study of co-operation in U.S.A., Canada, Mexico, Newfoundland and China. How the Association will go about its task remains to be seen but it has already brought together professional co-operators, enthusiasts for co-operation and academic students of the co-operative movement. The conditions created by the war in rural areas lend peculiar importance to its work. There is some evidence that the rise in agricultural prices is gradually enabling the debtors to repay debts and redeem mortgaged lands but the gains thus made may vanish quickly with the return of less prosperous times unless they are consolidated now in some permanent form. If the Association carries into the countryside the slogans 'Good times will not last' and 'save now,' it will have done some good work.

N.-W.R. and Cost of Living

The arrangements made by the North-Western Railway for the supply of essential articles of daily consumption to its employees should arouse more than casual interest in these hard times. The Railway is one of the biggest employers of labour, employing about one lakh of persons including officers, clerks, coolies etc. It has made arrangements for the sale of wheat at its own grain shops with effect from January 30, 1943 at a rate of Rs. 6|10 per maund (lowered to Rs. 6 per maund from June 1, 1943). Quantities allowed are fairly liberal, being 15 seers per month for every adult member (of over 18 years) of family and 7½ seers for every child of ages between 3 and 18 years subject to a maximum total of 60 seers per month. From July 1, 1943, the following seven commodities besides wheat will also be supplied: vegetable ghee, dals, mustard oil, sugar, kerosene oil, soap for washing clothes, and matches. As the prices fixed for all these commodities are very much lower than the prevailing market prices, one is led to inquire whether the Railway is incurring any loss for the benefit of its employees. But any such inquiry verges on indiscreet snooping and is, therefore, for the moment withheld.

Sind Letter

GOVERNMENT TRADING IN WHEAT—'REPAYMENT' OF LOAN FROM AUSTRALIA—THE RAT PEST—MR. JINNAH AT KARACHI—SPEECHES AT MUSLIM CHAMBER.

(From Our Correspondent)

KARACHI, June 26.

IN the midst of the general bungling and confusion on the Food Front by the Government of India, and unaffected by all the raging and tearing controversy elsewhere in the country as to the relative advantages of control and free trade in foodgrains, the Province of Sind continues to enjoy the unique privilege of being able to send out its surplus of produce. More light is now thrown on the activities of the Syndicate set up by the Government three months ago to be in sole and exclusive charge of the export of foodgrains. The Syndicate has so far purchased one million bags of wheat, or a little less than one lakh of tons, involving an initial investment of Rs. 2 crores. The Provincial Government, as already revealed in these columns, have agreed to advance a sum of Rs. 50 lakhs to the Syndicate to enable it to purchase stocks of wheat, and a sum of Rs. 26 lakhs has been given up to now. The members of the Syndicate have themselves invested Rs. 35 lakhs from their private resources, and the balance of the capital has been obtained from banks as done by any other ordinary commercial undertaking. Of the one million bags of wheat purchased by the Syndicate, over a lakh of bags have been milled locally to meet the local needs of consumption of flour; about 2 lakhs of bags have been sent over to Bombay, 60,000 bags to Ceylon, 25,000 to Rajkot State in Kathiawar and 15,000 to Cutch. The price at which the Government of Sind have been selling these stocks of surplus wheat to outside Provinces and States is not given out. But the current presumption in commercial circles is that the rate is regulated by the rates prevailing in the Punjab market, where wheat is quoted at over Rs. 10 a maund.

Australian Wheat

In connection with the transactions of the Wheat Syndicate, it has also come to light now that some of the ships that touched Indian ports about three months ago, laden with wheat from Australia, were intended for countries in the Middle East, but had been diverted to our coasts in response to the request made by the Government of India to relieve the food shortage in the country. And now that the situation is said to have eased, and the new crop is expected to become available shortly, a great balance of the surplus of wheat at the disposal of the Wheat Syndicate has been shipped outside as repayment of the quantity borrowed from Australia. It is asked why the Government ought to be in such haste to repay the borrowed stocks, particularly as the wheat that exported will not go to Australia but in its name to countries of the Middle East, at a time when the rest of India is suffering from serious food shortage. Thus the unmistakable inference is that the needs of non Indians abroad are of greater concern to our Government than the sufferings of nationals at home. This policy is in direct

contradiction to the unanimous demand made by commercial organizations in the country to put an immediate stop to exports of foodgrains in order to minimise the acute position at home.

Visit of the Rationing Expert

An important visitor to Karachi last week was Mr. W. H. Kirby, the Government Rationing Adviser for Foodstuffs, who came to India a month ago. During his brief stay of two days, he met members of the Wheat Syndicate, as well as the various commercial organizations in the city. Mr. Kirby was not prepared to discuss any of the plans he had in view for solving the food shortage in the country. He admitted the complexity of the problem in India compared with conditions in Britain, where rationing on a nation-wide scale was possible and successful. He desired to take up the role of a patient observer for the time being, but summed up his general view of the food problem by saying: "The merchants should keep the prices low: the producer must get his price, and the starving must be fed." He would not say how these ends could be reached, but gave out another motto in reply: "Self last; others first." The problem is, certainly, not so simple as to be deducible to a few copy-book maxims. Altruism and ordinary business of life are apart, and it requires all the energy and determination of the Government to eliminate the hoarder and the profiteer and reach food from the producer to the consumer in an easy and direct manner and at a fair price. Mr. Kirby expects to be in India for about six months to study the situation and later give the Government the benefit of his expert opinion and suggestions.

Sind's War on Rats

In addition to the menace of locusts, Sind is faced with a rat pest. Rats damage the soil by burrowing holes into it and also destroy crops. It is an old evil, fortunately confined to Lower Sind. From 1914 onwards, remissions in land revenue have been granted on account of the harm done to standing crops by the rats. The Government have spent during 1941-42 a sum of Rs. 65,000 towards meeting this menace. But during the Budget for the current year the allotment is only Rs. 26,000, and the estimated cost of the operations is Rs. 1,25,000. The Government desire to exterminate the peril in the course of five years by an intensive campaign, and in order to supplement the money they would spend from their revenues, a Bill is to be brought before the current session of the Assembly to levy a tax of three annas per acre of cultivated land in which the rat killing operations will be carried out.

The Government have also completed their plans for safeguarding Upper Sind from floods. Repair works for the main Sukkur Begari Bund have been carried out and a loop bund has also been constructed. It is stated that the Government have incurred an expenditure of Rs. 8,00,000 over the construction of the new defence line, and it is confidently asserted that there is now little danger of new breaches even if the river rises again. It is not out of place to recall in this connection that the Government appointed some time ago a special tribunal to inquire into the causes of the floods, particularly those relating to the floods of October last year.

Economics of Pakistan

After nearly three weeks' stay in Karachi, Mr. M. A. Jinnah has left for Quetta. Although his main business was professional, the politics of the Province could not escape his attention. The advocate of Pakistan did not content himself with strengthening the political side of his demand. He laid emphasis in Karachi, on more than one occasion, on the importance of Muslims strengthening the economic front, so that a separate Muslim State, if and when it came, could carry the process of separation into the economic sphere. That was the message he delivered on the occasion of the meeting of the Sind Provincial Muslim League. But the thesis of the economics of Pakistan was developed in some detail by him in the course of his reply to an address presented by the Karachi Muslim Chamber of Commerce on Saturday last. Mr. Jinnah observed: "Unless a nation is economically well-organized and powerful, it cannot progress in any sphere. Economic development is the foundation of a nation's strength." He stressed the value of self-help in commercial enterprise, and said: "You must be worthy of securing rights, privileges and facilities enjoyed by other Chambers." He continued that a large body of Muslims had been left far behind economically, and appealed to all Muslim merchants to join the Chamber and strengthen the economic front. Mr. M. H. Gazdar, Home Minister in Sind, who is President of the Chamber, in the course of an address of welcome to Mr. Jinnah, said that trade and commerce were closely linked with agricultural and industrial development, and appealed to Muslims to regain the position of importance they had formerly enjoyed in the economic field. Mr. Gazdar added that the Chamber was yet in its infancy and required the fostering care of all concerned, so that it could quickly rise to the same position of importance and recognition as other commercial organizations in the city and the country.

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A DELHI DIARY

NEW DELHI, Friday.

A SERIES of conferences and meetings are to take place this month in New Delhi culminating in the three-week session of the Central Legislature. Already the Viceroy and all Members of Government are back at the capital including the new Commander-in-Chief, General Auchinleck. The first of the month saw the opening of the National Defence Council. Ordinarily, the proceedings of the Council are merely of a routine character—a series of prepared addresses by the Commander-in-Chief and Members of Government on the work of their respective Departments. As there is to be a separate Food Conference, it is not expected that the new Member, Sir Azizul Haque, will be able to make any new statement of policy beyond stating the position as it exists today and the difficulties that are facing the Government. There is one subject, however, which is likely to arouse considerable interest this time—the subject of post-war reconstruction. Unfortunately this subject has not received the attention which it demands from the Government of India, but as both in England and in America these post-war problems are receiving as much importance at the moment as the war itself, there are signs that the Government of India also are bestirring themselves. For one thing it is necessary that this country should be prepared with its case—complete with statistics and other data—for international conferences. Already one conference which dealt with problems concerning food and agriculture, has ended. There are soon to be conferences to discuss present and post-war problems connected with textiles, civil aviation and other activities in which India is keenly interested. And it is well known that there are already joint preliminary plans prepared by the British and United States Governments for an international clearing union, for an United Nations stabilization fund and similar questions dealing with post-war currency, exchange and trade arrangements. One may well ask—what is India doing in connection with these important discussions?

The history of the Government of India's attempts to deal with post-war reconstruction has been a sad affair. At the time of Sir Ramaswami Mudaliar's term of office as Commerce Member, a number of committees, including a consultative committee of economists were set up, but it does not appear that they were able to do any work. Sir Ramaswami Mudaliar found himself transferred to London. His principal lieutenant in these activities, Sir Theodore Gregory, was away on long deputation in England. And Mr. N. R. Sarker, the new Commerce Member, was hardly a few months in office when he resigned. So the fact of the matter is that though the subject of post-war reconstruction has been before the Government of India for nearly two years, nothing of importance has so far been done. With the creation of the new sub-committee of the Viceroy's Council for post-war reconstruction another attempt is being made to deal with the subject methodically. In Assembly circles there was, even at the time of the original announcement, the feeling that a better way of dealing with the problem would be to set up a separate department. Evidently Sir J. P. Srivastava has been selected for the Vice-Presidentship of the sub-committee as the Civil Defence Department is in a state of dissolution owing to the gradual curtailment of its activities. In fact, there is even a proposal that owing to the change in the war situation which has made it unnecessary to proceed with civil defence preparations on any large scale, civil defence may be transferred to another portfolio, so that Sir J. P. Srivastava may be free to devote his full time to post-war reconstruction. At the moment, it is the Viceroy's personal responsibility as his Excellency is the President of the Post-war Reconstruction Sub-Committee.

From inquiries I understand that at present the Post-war Reconstruction Sub-Committee's Secretariat is engaged in collecting statistics. It has drafted a questionnaire which has been circulated to the various Departments of the Government of India and Provincial Governments. As soon as the replies are received and the necessary statistics have been gathered it is proposed to call meetings of the various policy committees—probably the Consultative Committee of Economists also will be summoned for eliciting their advice. As this stage will take two or three months, nothing can be expected before the latter half of autumn. In the meantime it is urgently necessary that the public, particularly the Legislature, should keep themselves on the alert and give their close attention to these post-war problems. If careful thought is not bestowed now and definite plans are not got ready, the country will find itself seriously handicapped not only now but in the post-war years which are bound to be a period of world-wide economic competition. Education, agriculture, food, health, social security, industries, currency, taxation, etc., have all to be studied through separate committees. It is not yet known what exactly are the Government's proposals for associating non-official representatives with these policy committees, but it is believed that a number of them have already been approached. It is only to be expected that the Government Departments would try to give preference to their own problems first—demobilization problems in order to find suitable civil employment for the army of two millions when the war ends, the switching over of war industries to civil requirements, the utilization of surplus stores and such other problems. To the public, however, it is of the utmost importance to prepare such plans as will generally raise the economic standard of the country and, particularly, avoid those mistakes of omission and commission which were made after the last war. It is necessary to draw up a list of new industries which can be started now or after the war and make arrangements for procuring the necessary plant, technical personnel, etc. As the object should be to make India industrially self-sufficient comprehensive plans should be got ready without delay. For the very purpose of industrial expansion it is imperative that a definite decision should be reached regarding the utilization of sterling balances in England. On this point, the Finance Member is expected to make a statement in the Assembly during the forthcoming session, for if he carries out his plan of setting apart a capital fund for meeting sterling obligations in England, a sum of over £200 million pounds would have to be given away for the purpose.

Next week there is to be the Food Conference for bringing about some permanent understanding between the Centre and Provincial Governments on price control, free trade and other economic issues. There is also the conference of leaders called by the Overseas Member to deal with the South African question. Later there will be the meeting of the Board of Industrial and Scientific Research. Prior to the session of the Central Legislature there will be the meeting of the Standing Finance Committee for Railways which among other questions may have an opportunity to discuss the dearness allowance controversy. Though the Railwaymen's Federation has decided to take a strike ballot, the hope expressed is that a compromise solution would finally be reached between the Railway Board and the Federation. The proposals under the Government's consideration include arrangements for the sale of foodgrains, cloth, fuel and other necessaries of life at substantially reduced prices.

ARGUS.

Letter to the Editor

To

The Editor,
The Eastern Economist,
New Delhi.

Sir,

It is most astonishing that various control measures designed to cheapen commodity prices have so far hopelessly failed to achieve the object. In fact, whichever commodity the Government touched as controller, up went its price and a black market appeared overnight. I admit there is nothing inherently wrong with the theory of the control policy. But it is not sufficiently realized by many in India that even a good weapon, if it is to prove effective, must be wielded by one who knows how to do it. There can be no gainsaying the fact that a complicated machinery like the one of control and rationing requires a most efficient and experienced body to work it for success. And that body is not to be found within the walls of the Government secretariats.

A bureaucracy has its own good and weak points, but an alien bureaucracy specially ignorant of people's wants and disregardful of their opinions, can be most dangerous.

I came across recently a document by an American. (Reproduced in *The Eastern Economist*, June 25—Ed.) I cannot resist the temptation to reproduce some extracts from it:

"Bureaucracy by its nature is the enemy of liberty. Its very insistence on control means that it brooks no rival nor even partner in its operations. It acknowledges no force superior to its own directives. Its contempt for the people themselves, even in a so-called democracy, is little short of devastating.

"Free individuals in the mass—the people—learn more quickly than government. They correct their errors when they are free. They learn through suffering, and are willing to remedy mistakes. There is a basic reason for this. People are not particularly fond of suffering. On the other hand, bureaucracy suffers no penalties. It does not have to pay for its mistakes. Only the people pay, and they have paid more for the mistakes of bureaucracy than for any mistakes of their own.....

"Top-notch bureaucracy presents a curious paradox. One cannot fail to be impressed by its erudition and scholarship, particularly in mathematics. It is capable of working out the most intricate problems in analytical geometry and integral calculus, but in the humdrum affairs of mankind's production and distribution it never yet has been willing to recognize that 2+2=4.....

"Time after time, in all ages and in all countries, Bourbon-like, they have persisted in their tactics. The Apostle Peter put the case most vividly when he said, 'The dog is turned to his own vomit again.'

It is a study in pathology, not economics."

If this be the true description of American bureaucracy, one wonders what to say of the British bureaucracy in India which has no contact with the people and which is much more inefficient than its American cousin.

Another thing which puzzles one is that while all sorts of measures, good, bad or indifferent, are being adopted to lower the price level, no serious action is taken to increase production. There are at least two commodities the production of which could be increased, *i.e.*, cloth and food.

One wonders why Government has done nothing so far to encourage the cotton mills to run three shifts per day and also on Sundays with alternate shifts. This in itself could increase cloth production by at least 20 per cent. at the end of nine months and the scarcity could thus be made to disappear.

As regards the "Grow More Food" campaign, it seems to have degenerated into an advertisement stunt. The other day I came across an invitation to attend a "Grow More Food" function where I was told that a great personality would perform the "seed sowing ceremony." This is the way in which a serious problem of that kind is sought to be tackled here.

One wonders what would be the feeling of a man who on returning home finds the housewife engaged seriously not in making bread, but rehearsing a pantomime of grinding, rolling and baking!

How one wishes we had more of fertilizers, wells, and work on the fields, and less of these silly ceremonies.

Yours faithfully,
"GROW MORE."

Book Reviews

GUIDE TO CURRENT OFFICIAL STATISTICS. Volume I.—Production and Prices. Second Edition. Prepared under instruction from the Economic Adviser by S. Subramanian. Published by the Manager of Publications, Delhi. 1943. Price Rs. 4 or 6s, 6d.

The necessity of issuing the second edition of this publication so soon after the issue of the first edition testifies eloquently to the fact that its answers to a widely felt need. It may be recalled that as early as 1934 Professors Bowley and Robertson had recommended the publication of such a guide on the lines of the corresponding British publication. It has taken our Government nine years to take the cue, but now that the first volume is out, we must feel happy that the Economic Adviser has not been deterred by consideration of war condition or paper shortage in releasing this most useful publication.

Volume I of the *Guide to Official Statistics* deals with Production and Prices and gives an analytical description of the contents of nearly all recurrent Government publications bearing on these sections. More, it gives a critical introduction to the figures, defines their limitations, if any, and accounts for the apparent divergence between two sets of figures, whenever it occurs. These will be greatly appreciated by all research students. Other Government publications of an all-India character and many publications of the Provincial Governments are also cited as reference under relevant classifications.

The second edition is in the main a reprint of the first edition, but it adds an appendix on the Economic Adviser's Index of Wholesale Prices and another on the probable extent of the underestimation of the yield of rice, linseed and coffee. The tables showing the underestimation of yield in the case of cotton and jute have also been brought up-to-date.

The appearance of this publication makes us again conscious about the woeful deficiency in the organization of our statistical materials, both official and non-official. There is need of a separate volume on the same line as the present one which will take cognisance not only of the publications of the Provinical Governments and local authorities, but also the great mass of valuable statistical informations which at present lie scattered in various publications, both official and non-official. This is a big job yet to be undertaken. But, meanwhile, we are looking forward to the early publication of Volume II of the *Guide* which, we are told, will cover the sections: Trade, Transport, Communications, Finance and Social Welfare.

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THE FORMATION OF FEDERATIONS. By S. G. Vaze. Gokhale Institute of Politics and Economics, Poona. 1943. Pp. 82. Price Re. 1-8.

In Mr. Vaze's own words, this pamphlet is a "brief and somewhat desultory survey of the manner and spirit in which political constitutions are made." His intention is apparently to draw some lessons from the evolution of federal constitutions elsewhere for purposes of constitution-making in India. Most of his space is devoted to accounts of the way in which Canada, South Africa, Soviet Russia, Germany, Finland, Czechoslovakia and Yugoslavia overcame constitutional difficulties that arose when they had to weigh between the unitary and federal types. His stress throughout is on the racial factor as it affects issues like self-determination, the type of the constitution, regrouping of constituent units and minority rights. He draws attention to the recognition of the position of the French-Canadians in Canada, but he might have detailed some of the privileges they enjoy in the province of Quebec, such as a two-chambered legislature and a reservation of 65 seats in the Lower House. While the South African constitution is a federal one with more of unitary features in it, Mr. Vaze seems to suggest, rather confusingly, that it is the other way about. The section on the Soviet Union is the best in the pamphlet, where the author has brought out how the various racial and linguistic groups in the Union have been ensured their autonomy, consistent with allegiance to the Communist Party State. As regards Germany, the Weimar constitution contained provisions for subsequent reorganization of territory which is a very important and unusual feature to which the author draws attention.

In the concluding section of the pamphlet where Mr. Vaze outlines the problems of a federal constitution for India, he implies that we might benefit by some of the features mentioned above. He would particularly desire enabling provisions in the constitution "for future territorial readjustments" and the integration, under the federal government, of functions which the complex economic society of today necessitates. In short, Mr. Vaze's discussion is a sample of the liberal tradition in political thought, but even those who do not subscribe to that tradition should welcome it.

****

WAR AND PRICES. By L. Nemenyi (Gulab Singh & Sons, Lahore. 1943. Re. 1-8.)

In this pamphlet of forty-four pages, Mr. Nemenyi analyses the causes of the rise in prices in India, examines recent writings on the subject and suggests measures to counter inflation. In his view, up till March 1943, currency expansion has not been excessive, the principle of sterling finance is quite sound, and the increase in note issue has not had inflationary effect because of such deflationary factors as the fall in the velocity of circulation of bank deposits and the hoarding of silver coin and notes. Scarcity of goods is there, but hoarding and speculation are more to blame and the "fatal role of psychological factors" has to be clearly understood. After March, 1943, the situation has radically changed, and Dr. Nemenyi would have ruthless deflationary methods to mop up surplus money. Nowhere does Dr. Nemenyi say how and why a changed situation has come on the country from March. All the factors for inflation have been with us for over three years, and note issue against sterling was no less inflationary before March than it is now. Dr. Nemenyi makes much play of the fact that the legal provisions of currency expansion are fully satisfied, forgetting that the backing of foreign exchange is real only in so far as it represents international purchasing power and not when it is mere *ad hoc*, as it is the case with sterling. He is hardly convincing in his theoretical discussion of inflation. Moreover, he overlooks the real factors of inflation and scarcity which give rise to adverse psychological reactions, which come in for so much criticism at his hands.

Dr. Nemenyi submits the "outlines of an entirely new orientation in financial and monetary policy" aimed at severe deflation. He would like the Indian States and the Provinces to play an important part in this, and the very limited fiscal powers of the provinces do not strike him as setting the extent of their efficacy. As regards new taxes, temporary surcharge on land revenue and rents, increased railway rates which have been scarcely raised, and the taxation of the increment in the value of house and other real property are suggested. Dr. Nemenyi apparently imagines that the Indian public are travelling by train for pleasure and the Indian peasantry has grown fat since 1939. The reduction in consumption of many necessaries of life of the large masses of the country which has been forced by inflation and shortage does not appear serious to Dr. Nemenyi, who would like to tax the agriculturist. Nor does he seem to be aware of the overwhelming difficulties of valuation of real estate in a large country like India, and the administrative problems it will give rise to. He would also advocate compulsory savings on a large scale and suggest consideration of the death duties. It is unfortunate that his proposals reveal neither the "entirely new orientation" he claims for them nor an element of practicability which one would have expected at the fag end of the discussion. This pamphlet reads very much like an apology for Government policy and a paraphrase of official explanations. Nowhere does he consider what the Government should do to overcome the present acute scarcity. He leaves it to those who ask for increased production. The Government is there, in his analysis, only to tax and deal with hoarders; and in canvassing ruthless measures of deflation and control, he forgets the wholesome dictum he himself lays down at the outset—*viz.*, that all economic problems are part of the living social organism and should not be considered apart from other interconnected factors. We may tell Dr. Nemenyi that no Government so isolated from public opinion as the Government of India can achieve much success in fiscal and other measures, for which he on its behalf seeks public co-operation by writing and touring.

BOOKS RECEIVED

WAR AND PRICES. By L. Nemenyi (Gulab Singh & Sons, Lahore. 1943. Re. 1-8.)

THE POPULATION PROBLEM IN INDIA; A Regional Approach. By N. V. Sovani, M.A. Gokhale Institute of Politics and Economics, Poona 4. Price Rs. 4, or 8sh.

Gleanings

NEW GOVERNMENT OF INDIA LOANS

The Government of India have announced their new loan programme. Two notifications have been issued, one closing the Third Defence Loan (3 per cent. 1951-54) with effect from July 1, 1943 and the other opening new loans from July 3, 1943. The latter includes (i) a re-issue of the 3 per cent. Loan, 1963-65 and (ii) the Fourth Defence Loan in the form of the 3 per cent. Loan, 1953-55, subscriptions to either being acceptable in cash or 4 per cent. Bonds, 1943.

The re-issue of the 3 per cent. Loan, 1963-65 is issued at Rs. 95-8 as. per cent., and will be closed as soon as the total subscriptions reach approximately Rs. 15 crores (nominal) and in any case not later than July 10, 1943, partial allotments being made to subscribers in cash in the event of over-subscription on the opening date. As interest for the full half-year ending November 30, 1943, will be paid on December 1, 1943, subscribers will have to pay interest less income tax and surcharge from June 1, 1943 up to the date of application along with the issue price.

The 3 per cent. Loan, 1953-55 is issued at par and will be redeemed at par not earlier than 1953 and not later than 1955. Subscriptions will be received without limit of amount and the loan will be on tap until further notice. Interest will be payable half-yearly on January 15 and July 15 and will be subject to income tax and surcharge. As interest for the full half-year ending January 14, 1944, will be paid on January 15, 1944, the issue price of the loan will increase by 8 pies per cent. weekly to allow for the approximate weekly net accrued interest. Interest from the date of application to July 14 inclusive will be paid in cash at the time of issue of securities to applicants for the loan from July 3 to July 14, 1943.

Four per cent. Bonds, 1943 will be accepted at Rs. 100-4 as. per cent. for conversion into either the 3 per cent. Loan, 1963-65 or the 3 per cent. Loan, 1953-55 upto July 10, 1943 in the former case and July 17, 1943 in the latter, and interest for the full half-year ending the 31st July, 1943 will be paid on Bonds tendered for conversion.

Applications will be received at the offices of the Reserve Bank of India at Bombay, Calcutta, Cawnpore, Delhi and Madras, at the branches of the Imperial Bank of India, at other places in India and at all Government Treasuries.

NEW DEFINITION OF BANKING COMPANIES

A *Gazette* of India Notification has been issued fixing November 1, 1943, as the date on which the Indian Companies (Second Amendment) Act, 1942, shall come into force.

The Amendment Act, which received the assent of the Governor-General on October 1, 1942 and was published in the *Gazette* on October 10, 1942, amends Section 277F of the Indian Companies Act so as to require companies using the word "bank," "banker" or "banking" in their name to conform to the provisions of the law relating to banks. In order, however, to allow companies using any of these words to make necessary changes in their names or business, it has been provided that the Act shall come into force not earlier than one year from the date of its publication in the official *Gazette*, after assent of the Governor-General.

The Amendment Act added the following proviso to Section 277F of the Indian Companies Act:—

"Provided that any company which uses as part of the name under which it carries on business the word bank," 'banker" or "banking" shall be deemed to be a banking company notwithstanding that the accepting of deposits of money on current account or otherwise, subject to withdrawal by cheque, draft or order, is not, or is not shown to be, the principal business of the company."

LEAD AND BAUXITE IN INDIA

The production and smelting of lead-ores in India, its uses, occurrences, treatment and valuation are reviewed in an article in the *Journal of Industrial and Scientific Research* (Vol. 1 No. 3). Since the separation of Burma from India, and the subsequent passing of that country into enemy hands, the necessity for restarting and developing the lead industry in India, has become urgent. The lead resources of India are substantial and the Utilization Branch of the Geological Survey of India has carried out considerable prospecting work, particularly at the old lead-zinc mines of Jawar in Udaipur State, with very promising results.

The article on bauxite discusses its physical and chemical properties, occurrences, production, uses, etc. The most important use of the product is for the manufacture of aluminium metal. It is also used as a refractory material, for the manufacture of artificial abrasives, of various aluminous cements and chemicals and as a corrective for slag in the smelting of iron. The bauxite deposits of India are as large and their quality as good as those of any other country in the world. The total resources of Indian bauxite are estimated at about 250 million tons and the better grades of bauxite are quite suitable for the manufacture of aluminium. With the prospect of manufacturing cryolite, artificially from mineral fluorite, the last obstruction for starting the aluminium industry has been overcome. The Aluminium Works at Alwaye (Travancore) have already started production but the prospects for many more aluminium works in India are bright and adequate raw material and power resources are available for making India self-sufficient with respect to this valuable metal.

COSTS OF SYNTHETIC AND NATURAL RUBBERS

A serious view of the rubber supply situation is taken by Mr S. Moos, writing in the *Institute of Statistics (Oxford) Bulletin* and he foresees an acute shortage if sufficient new resources are not created before the pre-U.S. war stocks are consumed.

Since new rubber plantations need some five years to mature, the bulk of production for the coming years has to be obtained synthetically. Great Britain, after the exhaustion of stocks, will become therefore almost completely dependent for the rest of the war on the development of the synthetic industry in U.S.A. One of the outstanding obstacles to a rapid development is the uncertainty about the competitive strength of synthetic in relation to natural rubber and about the general economic policy in the post-war period. . .

With regard to natural rubber more than half of the costs consist of wage payments. Food represents about 50 per cent. of a family's cost of living with

rice as staple food, an adult male labourer consuming some 1-1 3 lbs. a day (=1d per person). A coolie collects on the average 8-10 lbs. a day on European estates (6 lbs. on Asiatic estates). On the basis of pre-war rates (45 cents per day) for a male adult tapper, the wage per coolie per pound would amount to some 1.3d to 1.6d (a Strait $=2s 4d), compared with 3.35d in 1919. The improved system of tapping after the last war doubled production and thus more than halved the costs. European supervision costs some 0.8d per pound. Milling, packing, etc., account for another 0.9d.

Factor costs f.o.b. of crude rubber represent only 50 per cent. of "all in costs." Depreciation and amortization of plantations and buildings, their upkeep, taxes, interest and selling charges account for another 50 per cent. Although rubber was sold at the bottom of depression at 2-2½d and still product on was maintained at 80 per cent. of capacity, the price hardly covered prime costs of collection and manufacture and transport costs. The companies could carry on, since they had just experienced a boom period with a record average price of 2s 11d in 1925. . . . .

A comparison of costs for the production of synthetic and natural rubber shows that capital investment per ton of synthetic rubber is much lower than twice that per ton of natural rubber. But a lifetime of roughly 30 years for rubber trees compares with some 12 years for machinery. Factor costs of natural rubber are largely determined by wages, while those of synthetic rubber are to a considerable degree based on power costs. The relation of these two essential items may easily change with changes in Government policy. . . .

In many fields synthetic rubber or a mixture of synthetic and natural will be a superior to natural rubber and it is likely that a plant of economical size would find a ready market beyond the demand for natural rubber. The large-scale development of new strategic roads in all continents will, in connection with the progress of engineering, further motorization and with it the demand for rubber to an extent, which will leave ample room for both products after the war. Even without these prospects, none of the alleged post-war dangers of insufficient demand can be compared in magnitude with the danger of the war-time rubber shortage.—*The Financial Times, March* 25, 1943.

FUTURE OF CIVIL AVIATION

During the debate on the Air Estimates on March 11th, Sir Arhibald Sinclair made an important statement about the future of civil aviation on behalf of the War Cabinet. He said:

Whatever form of international collaboration may be devised for post-war civil air transport, it will clearly be the duty of this country, both from our own and from an international point of view, to play a prominent part in the production and operation of civil aircraft.

Sir Archibald went on to say that the exploratory work is already in hand. Preliminary consultations are being held with the Dominions and India and the crucial discussions with other members of the United Nations are to follow. So far as the provision of aircraft is concerned, Sir Archibald pointed out that the Brabazon Committee had recommended that work should start immediately on the design of civil aircraft of new types and on preparing for the conversion of military aircraft. He felt confident that aircraft manufacture, now the largest industry, can make a real contribution to the development of civil air transport, and he agreed that the first thing to be done is to take the necessary steps to provide aircraft of the types that will be required after the war for passenger and goods transport. Sir Archibald's statement on aims at least suggests that the Government is alive to Great Britain's need to play an important part in what is likely to be a rapidly growing industry after the war. At present the time and skill that can be devoted to this end is necessarily limited; but within these limits preparations should be pushed ahead as rapidly as possible. At the moment, the future relationship between State, public corporation and private enterprise in civil aviation seems no nearer a decision than the relationship between the nations in this field. Four directors of British Overseas Airways, including the chairman and the Director-General, have resigned because they believe that the proposed arrangements for civil traffic on trunk routes under the new R.A.F. Transport Command do not afford sufficient guarantees to the Corporation either for the present or for the future. The time for some explicit statement of the Government's design for post-war flying and for post-war aircraft manufacture is more than ripe.

—*The Economist, March* 27, 1943.

FUTURE FOR COTTON

The one question asked, and the one question which has as yet received no satisfactory answer, is whether the cotton industry offers prospects of steady employment over a long period. The outlook here, unfortunately cannot be said to be very encouraging. On the side of technique, the adaptation of ring spinning to the finer counts lowers still further the relative advantage of the skilled Lancashire worker, needing as it does less highly trained operatives. The actual fabric of the mills, too, is becoming out of date. A "new" mill in Lancashire is one built in 1906-7 and the majority were constructed in the noneteenth century. This is in marked contrast to the plants of overseas countries, whose capacity, incidentally, is being further extended during the war. It is all-important that Lancashire should not repeat the folly of a price boom and wide-spread recapitalization after this war. The finances of operating mills are notably sound at present after the extensive capital reorganizations of the last few years. But the need for large capital expenditure to renovate the older mills should not be underestimated. It is also important for cotton that the exchange parity of sterling after this war should not again be fixed at a conventional level which after the last war penalized all export industries and cotton in particular. Presumably, some form of control will remain after the war, in view of the economies shown in the experience of the Cotton Control and some scheme of reorganisation may be enforced.

If Lancashire is to have a prosperous trade in the future it must spend not less but more than its competitors on new experiments and developments. An immediate start is indicated in more than one direction, of which the development of viscose yarns is not the least important. Unless some indication can be given that the cotton industry has these steps in mind there can be little justification for an attempt to recruit labour on a scale sufficient to enable all the mills to run at an economical level. In sum, Lancashire's real problem after the war will be to find steady buyers for its wares, buyers who are willing to pay prices which will enable it to pay good wages. There is room for an efficient, if shrunken cotton trade, with emphasis on quality products. During the past three years wages in the cotton industry have been brought more into line with the average for all industries. If the industry can offer good wages and security in peace, it will have no difficulty in recruiting an adequate labour force.

—*The Economist, March* 27, 1943.

COAL TAR PRODUCTS

"The realisation that coal tar products can be processed to yield a large variety of raw materials (or "intermediates") essential to the synthetic chemical industry, has given a fillip to researches on tar products both in Britain and in the United States of America," says an editorial note in the *Journal of Scientific and Industrial Research* for April, 1943.

"Although various industrial concerns in India interested in coal tar products, do carry out a certain amount of investigation, the results of their researches are not, as a rule, available to the public, and it is difficult to assess the value of such researches. Much work has been done recently on investigations into road tar specifications and it appears that a more rational and scientific distillation policy may ultimately be adopted by the coal carbonisation and coal tar distillation industries. The Board of Scientific and Industrial Research has been fully alive to the potentialities of the coal tar distillation industry in this country. One of the schemes of research financed by the Board relates to the utilisation of coal tar products as basic materials for the dye-stuff industry. This work is being carried out in the Department of Chemical Technology, University of Bombay, and results of far-reaching value to the projected Indian Dye Industry have already been obtained.

"One of the difficulties in the way of co-ordinating the policies of the different branches of the industry is that demands for the major products such as road tar, creosote, etc., tend not unnaturally to impose on the industry a policy dictated by important economic considerations. This is a problem which only a centrally-directed policy in the national interest, is likely to solve. The fact that enormous quantities of valuable volatile constituents are daily escaping into the atmosphere from the soft coke heaps throughout the Jharia coalfield, and that in spite of strong recommendations by research workers several years ago to the effect that large-scale experiments should be carried out for utilising them, adds point to the importance of this vast subject.

"The whole matter has been taken up in its general aspects by two important War Department Committees on which the Director of the Board serves and the results of the deliberations of those committees will be scrutinised in due course by the War Resources Committee."

CANNED FRUIT IN INDIA

It is now understood that an up-to-date fruit canning factory has started work somewhere in Northern India which will be able to produce 300 tons of canned fruits this year. For the first time canning of fruit has been started on a large organised scale and in an hygienically built factory. This is likely to be the nucleus around which a major industry would develop after the war. For it is well known that India produces a variety of fruits which compare favourably with those imported from abroad. The new factory is for the time being, concentrating on plums, peaches, pears and apricots—fruits which are available in large quantities in its vicinity.

The process of canning the fruit is simple. The fruits are plucked and washed; the peaches are stoned and pealed. Then they are put in a can and syrup or sugar solution of suitable concentration which varies from 30 to 40 per cent. is added. Then they are "exhausted" which means that they are kept at a temperature of 180°F. for ten to fifteen minutes. The cans are then hermetically sealed; after this they are 'cooked' for ten or fifteen minutes. The processing is now complete and the fruit will keep for a considerable length of time. At present the tin containers have to be imported, but there is every reason to hope that suitable tins may be manufactured in India before very long.

TRADE AND THE ATLANTIC CHARTER

"Adaptation of international trade to principles underlying the Atlantic Charter is one of the most difficult problems which will confront the world when peace returns," writes *The Financial Times* editorially in its issue of the 26th March 1943. The paper continues: "The countries are all starting at different distances from scratch. They have widely varying standards of living, influencing their normal competitive power. Some are more nearly self-sufficient than others, and Britain is among the heaviest importers, necessitating a correspondingly important share of the entire export trade to enable payment to be made.....The other aspect of the situation is that, in the meantime, many of our customers have been equipping themselves to produce the goods which they used to obtain from us. The cotton industry provides an excellent example of developments which will necessitate a very generous measure of give and take if the Atlantic Charter is to become anything but an ideal. The extent to which progress in India has affected Lancashire is well known. More recently South America has expanded its own textile production, and a question to be asked in Parliament directs attention to uneasiness caused in Lancashire by transfers of cotton-manufacturing machinery from the United States to South America.....In the earlier post-war phases there can be no doubt, as Mr. Churchill said, that demand will be enormous. The task then will be to limit the potential boom and avoid the slump which might follow, with its temptation to restrictive measures. Another textile authority, Sir Raymond Streat, would cure these by international agreements limiting tariffs and prohibiting all other trade restrictions on the great majority of commodities, leaving only a few of outstanding importance subject to special arrangements. This would conduce to greater freedom of trade—advocated by the Atlantic Charter—and, other things being equal, would benefit the most efficient producers of goods of the quality demanded, although the postulated tariff ceiling of 25 per cent. would still give home producers substantial protection. How far any scheme of the kind would enable British exporters to meet the country's vital need for exports remains to be seen. The lesson remains clear that they must keep their organization tuned up to take advantage of every opening that offers itself, and not rely only on the possibility of political arrangements and Government controls, which in democratic countries must be subject in the long run to the votes of the electors."

AUSTRALIAN BUDGET

Mr. Chifley, the Commonwealth Treasurer, announced in the House of Representatives, an increase of £A103,000,000 in the current financial year's expenditure, bringing the total of the 1942-43 Budget to £A652,000,000, of which £A500,000,000 would be war expenditure, against an estimate of £A440,000,000 last September. Mr. Chifley also announced the creation of a national welfare fund of £A30,000,000, to be financed from an increase in the income-tax yielding £A40,000,000.

New social benefits include an increase of the present £A5 maternity allowance to £A15, funeral benefit not exceeding £15 for old age prisoners, an increase of 20 per cent. in the standard war pension, and allowances of 15s. a week for dependent wives and 5s. for unendowed children and invalid pensioners.

Mr. Chifley stated that the increased income-tax, beginning at 6d. in the pound on incomes of £A104 and rising to a maximum of 18s. 6d. on excess income over £A5,000, would be imposed in the financial year beginning in July on incomes earned in 1942-43. A reduction of the existing exemption limit of £A156 to £A104 would mainly affect single taxpayers without dependents. Married persons with one child would still enjoy a rebate of tax on at least £A175.

The tax on income from property would be the same as on income from personal exertion up to £A200, after which the rates of tax on property would rise more steeply till at £A1,000 they would be 25 per cent. higher. The amount on which service men serving in Australia were exempt from tax would remain at £A250, but the benefit of this concession would cease at £A587 instead of £A355 as at present. Members of the women's auxiliary services would receive the same concession. Members of the forces serving oversea, including New Guinea, are exempted from taxation on their service pay and allowances.

Cost of the War. Turning to oversea war expenditure, Mr. Chifley said that up to the end of December it was £A21,000,000, against a Budget estimate of £A50,000,000 for the whole year, representing the amount of London funds which it was then expected would be available, but it was now expected that the Australia Government would be able to finance £A80,000,000 from London funds, and they would have to provide at least that amount for oversea war expenditure, an increase of £A30,000,000 over the Budget estimate. Any excess would be covered by the arrangement with the United Kingdom Government.

Total taxation had been increased from £A125,000,000 in 1940-41 to £A225,000,000 this year, excluding the States' taxation, and next year there would be a further increase of £A40,000,000. The Commonwealth income-tax had been increased from £A30,000,000 in 1940-41 to £A70,000,000 this year and £A110,000,000 next year. Including income tax levied for the States, the yield from uniform income-tax on individuals would exceed what would be obtained were the United Kingdom rates imposed in Australia, and would roughly equal the United Kingdom combined rates for income-tax and post-war credits.

With regard to the national welfare proposals, Mr. Chifley explained that the means test applied in connection with the maternity allowance would be abolished, and henceforth the allowance would be £A5 where there were no other children, £A6 where there were one or two, and £A7 10s. where there were three or more. All mothers would receive in addition 25s. a week for eight weeks to provide clothing for the baby and domestic help before and after the confinement.

Mr. Chifley added that a plan for unemployment benefits would be introduced in six months, and for sickness in nine months.

—*The Times*, February 12, 1943.

"DEPARTMENT OF COMMERCE IMPORT TRADE CONTROL"

Holders of "Essentiality" or "Essentiality Quota" import licences issued under Notifications Nos. 56-ITC|41 and 22-ITC|42 and covering shipments in the period January-June, 1943, from:—

The United Kingdom,
North America,
Australasia,
South Africa, and
East Africa

are informed that, where shipment is not made against the licences within that period, the licences will stand automatically revalidated to cover shipments made in the period July-December, 1943.

2. "Prepayment" licences valid for shipments from:—

The United Kingdom,
North America and
Australia

up to the 30th June, 1943, will, however, expire on that date and will not be revalidated.

3. "Prepayment" licences covering shipments from:—

South Africa,
East Africa, and
New Zealand

up to the 30th June, 1943, will, however, be automatically extended to cover shipments made up to the 31st December, 1943.

4. In the case of licences which are automatically revalidated it will be unnecessary to return the licences to the issuing authorities for formal revalidation.

5. The above does not apply to import licences issued under Notification No. 25-ITC|40 or the Machine Tool Control Order.

Agriculture

Aspects of Crop Planning

By P. S. Narayan Prasad

OUR agricultural policy for the post-war period will have to be viewed mainly from three angles—all the rest of the problems being more or less subordinate to one or the other of these broad categories. Firstly, there will be the problem at the end of the war of the cessation of war demand for many of our agricultural products leading to an almost definite recession of prices—and a recession which might be expected to be more severe than that for manufactured articles. It is, of course, possible that for some raw products the markets now lost may be recovered, but agricultural prices as a whole may be expected to face a depression. Secondly, there will be that permanent problem of curing our agriculture—the 'sick man' of Indian industries—of the various ills which have been there before the war. Their treatment will have to be continued in an endeavour to restore normal health and equilibrium should be secured between prices and costs, between production and consumption, between the supply of and demand or the factors of production, between the home market and the foreign and above all in the matter of distribution of the agricultural dividend between the various factors of production and the state. Thirdly, there will be the question of the manner in which our agricultural policy will have to be reoriented with a view to integrating this economy with the trends of production and policy of world agriculture as a whole. Such questions as were discussed at the recent world food conference, like international collaboration in the production and distribution of food, the securing of full employment, the achieving of an equitable balance between agriculture and industry, providing agriculture with the stimulus of additional purchasing power, the adoption of single uniform grade, standards, etc., come under this category. In a single article it would not be possible to do justice to all these questions. It is, therefore, proposed to take up here only the first question. Further the aim here is only to arrange some of the problems in a broadly suggestive manner so as to focus attention on certain fundamental matters and a fuller elucidation would only be possible after a more thorough discussion of each of the problems separately.

With regard to the problem of price recession, all that is necessary to take account of at this stage seems to be this. Firstly, the problem will be rendered easy or difficult of solution according as prices and costs are held in check at present or they are permitted to go out of hand; and from this point of view the degree of control that is now exercised on inflation will have to be as stringent as possible so as to minimize the extent of price convulsions at a later stage. Secondly, the control of this depression phase will have to be planned largely through monetary and fiscal policies planned with reference to the general requirements of the country's economy taken as a whole. But the real long period solution for the more or less chronic depression that has been there in our agriculture since about at least 1927, is to be sought along directions affecting some fundamental aspects of our agricultural economy itself through a proper system of crop planning, land revenue reforms, improvements in the systems of rural finance and policy, all of them being planned in a co-ordinated way.

Of course, it must be admitted at the outset that the task of making any very useful suggestions is handicapped by a colossal want of statistics and by the absence of even a proper type of analysis in the light of economic theory. Although there have been a good number of studies of the problems of agriculture they have largely concerned themselves with problems of production in a more or less descriptive way and there has been an absence of *analysis* of our agricultural problems in the light of the general principles of value theory. We have, thus, practically no knowledge worth the name in regard to our agricultural economy of the nature of the cost price relationship; of the extent of the extra-marginal cultivation which is undoubtedly there; of the nature of relationship between the rate of interest and the fluctuations of investment in agriculture; of the nature of the relation, if there is any, between this investment and wages in agriculture; of the character of the exploitation of labour by other agents of production due to its being far in excess of the demand for it and due to imperfect competition; or of the way in which the price-income structure of our agriculture is capable of responding to corresponding changes in the agriculture of other countries, and so on. Unless patient analysis of all these matters is undertaken it is difficult to expect any intelligent solution of the problems of our agriculture. What is offered in the following paragraphs, therefore, is not claimed to be as accurately founded on scientific analysis as it ought to be.

One of the most important aspects of our post-war agricultural policy will be that of crop planning. The questions that arise in this connection seem to be (a) how to strike a proper balance between the production of food and cash crops, (b) the manner in which readjustments are called for in this matter under the guidance of the state, (c) the extent to which regional self-sufficiency should be aimed at in the matter of this adjustment, and (d) finally, some means through which such schemes of crop planning may be effectuated.

With regard to the striking of a balance between the production of food and cash crops the present food situation in the country has revealed the nature of the food shortage in the country. This shortage has been caused, partly by shortage of production relatively to the need for it (please note the word *need*—not demand), and partly by the curtailment of imports from other countries which formerly supplied part of our demand. From the point of view of economic theory both the imports and the shortages in food

production are explainable in terms of value theory in the sense that we preferred to import some fraction of our food in normal times because the other countries possessed relative advantage in production to that extent; and inside the country also there has been a contraction in the margins of land under food crops and an extension of that under cash crops, because the cultivation of cash crops has been more productive of value. This latter trend particularly is inevitable with the increased tendency for the commercialisation of our agriculture. It has been noticed for instance, that the cultivation of sugarcane in U.P. and jute in Bengal has displaced the acreage under *arhar* and rice respectively; and in other places the cultivation of cash crops on the better class of lands has led to the cultivation on the remaining second rate lands of inferior foods like barley and gram in the place of wheat. And as Prof. Radhakamal Mukerjee has pointed out, this has led to shortage of food not only in terms of quantity but also to a deterioration in the quality of foods consumed. And it seems that the agriculturist has been forced to prefer inferior food in order to be able to raise more valuable crops in terms of money—a tendency which is further understandable in view of the pressure of population on land. Thus, although there is *need* for food there has been no *demand* for it for want of purchasing power and there has taken place a shift in the margins of production in the direction of demand (both indigenous and foreign). All this is just what might be expected to happen in terms of economic theory. The problem that now arises, therefore, is whether we should prefer to have a higher marginal net product in terms of cash crops or a higher social net product by artificially encouraging the cultivation of food crops reversing the normal tendency for the increasing acreage under cash crops. Frankly, the answer to this question is not easy to offer—as it depends on several conditions and each course of action has its own attractions. It is not possible to dilate at length on all the implications of this problem here. But there is a great deal to be said in favour of the first alternative—*viz.*, of permitting economic forces to work out themselves in their normal course. This would lead to the production of a higher net product in value terms from agriculture and the correct solution would be to legislate for a better *distribution* of the excess thus made available between the factors of production so as to place more of it in the hands of labour and thus stimulate the demand for food. Thus, planning for the stimulation of demand through a reduction of rents and interest rates and an increase in the level of wages seems to be a better course to adopt as this would bring about both an increase in the marginal net products as also through a proper system of distribution, an increase in the social net product. The other alternative, if adopted, would reduce the value of our marginal net product from agriculture.

But in practice there are difficulties. Firstly, there is the strategic question as to whether it is desirable for us to increase our dependence for food on other countries in view of the difficulties that such a situation would create in wartime. If Great Britain finds it necessary to work out plans for stimulating food production at considerable sacrifice to national economy, a similar course for identical reasons may be necessary for us also. Secondly, constituted as we are, legislation for a transfer of wealth from the rent and interest receiving classes to wage earners is not so easy, although it may be very desirable to plan for it as one of the best means of stimulating purchasing power. Thirdly, the expedient of stimulating wages at the expense of rents and interest would become difficult, if not impossible, beyond a certain stage, if population goes on increasing from decade to decade. In view of all these factors, there seems to be need for planning our agricultural economy so as to render us self-sufficient in matters of food—both from the point of view of a sufficient quantity as well as quality of food—a self-sufficiency, be it remembered, aimed at with the full awareness of the sacrifice involved and which we would be ready to give up and work for international collaboration in proportion as a real international economy becomes practicable.

But is it not likely, it may be asked at this stage, that such artificial adjustments of production through crop planning disturb the balance of our export crops? Will not the effect be to upset our balance of payments? Will it not, by reducing our ability to export, also reduce our ability to import those various items of capital goods which may be so necessary for the reconstruction of the country? Fears of this kind, however, may not be quite sound. The nearly complete repayment of our foreign obligations has, to that extent, reduced the need for an export surplus and the present accumulation of sterling balances may go a long way in providing capital goods. If even then an export surplus has to be maintained we may have to find some other items like semi-manufactured or manufactured goods. But from the point of view of social economy plans to provide for a sufficiency of food for our population should have precedence over the demand for non-food crops, even if they are likely to fetch better value in terms of money.

Such food planning will have to aim, among other things, at three main objectives. It should, as far as possible, rectify the absolute shortage of food staples in terms of quantity. Secondly, it should aim at production designed to balance in nutritional terms the availability of foods providing for protein, fats, etc., by the increased production of beans, pulses, dairy products, vegetables and so on. Thirdly, it should aim, wherever possible, at improving food quality by suitable incentives for the substitution of crops like wheat for barley or by attempting to provide for starch food through an increased consumption of potatoes, etc. Even the introduction of new varieties like soya beans would come under this category of planning.

Then, there is the question as to how far such agricultural planning will have to aim at regional self sufficiency—at least in respect of food production. This question also is not very easy to answer. If localisation of industry has justification on the ground of economy, such localisation is determined in agriculture more by considerations of natural advantage than is true in the case of manufactures. In view of this any excessive attempts at working out regional self-sufficiency plans may become very costly. But it is possible that in regard to the staple cereals a certain degree of regional self-sufficiency may be practicable. It is, however, a matter in which considerations of economy will have to be carefully balanced against considerations of strategic needs and expediency. But it may be accepted in a general sense that here the need for excessive regionalisation involving sacrifice of economy may be on the whole deemed undesirable.

The work of such planning not only involves the aiming at certain production goals, but if these aims are to succeed, it would be necessary to tackle all the incidental problems of our agricultural economy. But before taking them up it seems necessary to touch upon the question as to how far agricultural production may be increased by reclaiming the available land classed as 'culturable waste' and having an estimated area of about 110 million acres. To some

extent such reclamation may be possible, especially if reclamation measures of the type adopted in Italy are undertaken; and Prof. Radhakamal Mukerjee believes that of this area nearly 80 million acres may be so reclaimed. In any such organised scheme of reclamation the state will have to play an important role, in clearing the jungle, levelling the surface, sinkings wells, making roads, starting anti-malarial measures and even providing for expert agricultural advice or investigation very nearly free of cost. But with all this, we should not also lose sight of the fact that there is not too much scope for optimism in this direction. For, as Sir T. Vijairaghavacharlar has rightly pointed out, what is often called culturable waste is really land which is on the margin of fertility and which is not worth cultivating at the existing levels of price and cost. It may be that it is *possible* to cultivate these tracts at some cost but it may not be worthwhile doing so at the present prices for agricultural products. Much of the enthusiasm displayed regarding land reclamation schemes usually overlooks this very relevant point.

In fact, one might even go further and assert, that viewed strictly from the angle of cost-price equilibrium, not only perhaps is the scope for such reclamation very limited, but possibly there would be need for throwing out of cultivation some lands which are now under the plough! Strange as this might sound, it is nevertheless true, that there is in our agriculture a fair quantity of extramarginal cultivation. Under the present price levels which are highly inflated, there is practically about the same area under cultivation as there was during the depression years. But this apart, owing to the enormous growth of our population the cultivators perhaps try to make up the deficiencies by increasing the area under crops even though the price situation may not warrant it. Such a situation is not impossible in agriculture. A statistical study made by the League of Nations during the last depression revealed that during those years in several of the agricultural countries the phenomenon was noticed that in order to make up for deficiencies caused by the fall in prices the agriculturists actually increased the area under cultivation seeking to compensate for the fall in value by the increase in quantity! On a *priori* grounds it seems probable that in this country there are possibly several fields which are under the scratch of the plough only because they permit subsistence wages. Perhaps, sometimes even this much may not be forthcoming from these lands but they may be kept under cultivation only through borrowings which temporarily make up for the deficits in cultivation and ultimately end by alienating land from the cultivator. It is not possible, of course, to compute without closer analysis and a more careful compilation of cost and price statistics as to what proportion of the cultivated area is really speaking extramarginal in this sense; but there need be little doubt that some sections of our agriculture today do not pay in the business sense. If reclamation is necessary, we should not therefore overlook the fact that it is at least as necessary to have plans for the reclamation of labour and capital from land as it is desirable to try to reclaim any possible acres from the 'culturable waste.'

DEPARTMENT OF COMMERCE

(Import Trade Control)

The attention of importers is drawn to Notification No. 23-ITC|43 published by *Gazette of India Extraordinary* on the 1st July 1943, under which the existing Import Trade Control Notifications have been superseded and a redistribution of import licensing powers has been made. Details of the new arrangements are given in the Schedule to the notification (copies of which may be obtained from the Manager of Publications, Civil Lines, Delhi); but the following general summary indicates to which authorities applications for import licences should in future be addressed for various classes of goods:—

(1) *Steel Import Controller* (Address: 7 Wellesley Place, Calcutta). Iron, Steel and other metals manufactured and semi-manufactured; and ferro-alloys.

(2) *Deputy Chief Controller of Imports, Calcutta* (Address: 17, Ezra Mansions, Calcutta).—All goods hitherto licensed by the Director of Licensing (D.G.M.P.) including motors and generators, pumping machinery, bearings, small tools and hand tools, precision and measuring tools, abrasives, crucibles and belting; raw hemp and sisal; tea industry requirements; electrical goods; and machinery required for the jute, hemp, and tea industries, iron and steel production, electric supply undertakings, mines and quarries, agriculture, and road making and haulage.

(3) *Deputy Chief Controller of Imports, Bombay* (Address: New Custom House, Bombay).—Cotton textile machinery, spares and millstores hitherto licensed by the Cotton Textile Directorate; other machinery for use in textile industries other than jute and hemp; raw cotton; cotton ropes and bandings; knitting machines; and coal-tar dyes.

(4) *The Import Trade Controllers, Calcutta, Bombay, Madras, Karachi* (Address: the Custom House at the port concerned).—Consumers' goods and other goods at present licensed on a quota basis.

(5) *The Chief Controller of Imports* (Address: Hutments, Block No. 108, Near North Block, Imperial Secretariat, New Delhi).—Paints and chemicals in bulk packing; raw asbestos; raw wool; wood pulp; goods hitherto licensed by the Director General of Supply including mineral oils, rubber manufactures, and A.R.P. goods; explosives hitherto licensed by the Chief Inspector of Explosives; aircraft and parts of aircraft hitherto licensed by the Director of Civil Aviation; railway materials; and machinery and industrial requirements other than those mentioned in (2) and (3) above.

2. Licences already issued under the superseded notifications to cover shipments in July-December 1943, or revalidated to cover such shipments, will however continue to be accepted as valid at the Custom Houses; and it is not therefore necessary to have them replaced by fresh licences under the new notification.

3. The above does not affect the licensing of Machine Tools, which will continue to be carried out by the Machine Tool Controller (Address: 31, Chowringhee, Calcutta) under the Machine Tool Control Order, 1941

Investments

(From Our Correspondents)

NEW DELHI, June 30.

The tide has turned once again. The spell of recovery—based as it was more on speculative activity than on the revival of genuine investment enquiry—which swept over the market during the previous week has been short-lived, and the week has been crowded with developments which have created new problems for the operator and introduced fresh factors into the situation confronting the market. The stoppage of carry-over facilities is now not a remote possibility. The Tatas have lowered their dividends. While the textiles have been the worst sufferers by this sequence of events, its reactions were felt by other sections as well though in a varying measure.

The Government of Bombay have asked the authorities of the Stock Exchange to take prompt steps to curb speculation by making *budla* transactions illegal and forcing the members to fulfil their contracts within a period not exceeding one week. This has unnerved the professionals, and in consequence, there was a pressure both on the price levels and the volume of business in the Bombay market. There was an all round drop in the prices of textiles, while steels ruled weak, and the buying in public utilities and other fixed yield bearing companies was only selective. Whatever the views of the operators, the elimination of short sales from the market which the proposed ban on *budla* transactions means will be too welcome from the viewpoint of the investor, since it will set the market right, bringing sober level of prices.

The movement of the market during the week is summed up below:

Share. June 18 Highest Lowest June 25 Year's top.

Dyeing	2040	2050	1980	2022-8	2180
Kohinoor	870	868	815	830	1005
Century	860	861	814	824	1005
Tata Ord.	417-8	420	406	412-8	417 8
Tata Defd.	2070	2070	2025	2045	2270

In the Calcutta market the jute shares have been in a buoyant mood, its optimism being encouraged by the recent order from the U.S. Government. The Jute Adviser, Government of India, acting on behalf of the Defence Supplies Corporation, in whose hands the U.S. Government has placed all business relating to sales of hessians, following a ban on private sales, has with the approval of the Indian, British and American Governments placed with the jute mills a war order for the supply of 70 crores yards of hessians to be completed in instalments by the middle of March, 1944. The improvement in the values of the jute share prices is also helped by the wise decision of the Indian Jute Mills Association to unseal all looms in mills, though the working hours will be maintained at 54 per week. Prices above which mills must not purchase jute have been declared and, as the object of this is to give equal opportunity to all mills to cover their raw jute requirement under the war order referred to, the mills have also agreed not to sell any manufactures and not to buy more jute for the present than is necessary to meet needs under the order. Thus, the order, apart from bringing handsome profits to the jute mills in the country, has solved certain difficult problems facing the industry. In the first place, shipping difficulties will no longer be the concern of the producers but of the consumers. Secondly, the purchase by the American market is assured. And thirdly, the fixed prices are an advantage in so far as the mills will be able to regulate their purchase of raw jute in terms of market fluctuations.

But the star event of the week in the Calcutta market was provided by the Calcutta Trams. London is buying heavily, following the news that the Calcutta Corporation has decided to purchase the company next year. It is stated that a scheme has already been submitted to the Government of India for their sanction and that in Calcutta a Syndicate is being formed by some well-known business magnates for the taking up of the agency from the Corporation. The price touched Rs. 28. The opportunity may offer itself once again for making a profit when the shareholders will be repaid.

The shares of companies situated in the Indian states have suffered severe recession in prices, for, it is considered unlikely that the earnings of these companies may continue to remain exempted from taxation any longer, or, may not be subject to as severe restrictions as their confreres in the British India. But the present prices of most of these shares discount any possible taxation, and hence their purchase at their current levels may prove a profitable proposition.

Name	Current price	Highest	Dividend
Azamjahi ..	505	750	35 expected
Osmanshahi ..	305	450	15 expected
Mysore	270	350	4 interim
Minerva	235 c.d.	295	12
Indore Malwa ..	1,000 c.d.	1,600	70
Binod	875	1,600	70
Raza Textiles ..	59	72	30 per cent.

BOMBAY, June 30.

The Money Market

The issue of new loans was announced on Saturday morning. The gilt edged market remained unaffected by this announcement. 1963-65 loan was previously available at the same rate and the difference between third and fourth defence loan was only in the period of maturity by two years. These conditions continued on Monday and Tuesday, but security market has firmed up today. 3½% Government Paper which for several months was available at Rs. 95 changed to Rs. 94-8 with fair amount of business passing. Enquiry was also in evidence for both 3% 1963-65 and 3% 1951-55 loans. With extremely easy money conditions and with the approach of the slack season for employment of funds gilt-edged market is drawing increasing attention of the investors. Semi gilt-edged investments such as public utility shares, bank shares, insurance shares and preference shares are more and more difficult to obtain and yield on them ranges between 2 to 4% and even yield on equities is anywhere between 3 and 4%. Such being the state of share market and with the present high prices of commodities and Government determination to put down speculative interest in all organized markets, it is likely that the investing public may turn their attention more and more to the gilt-edged section. Long-dated securities particularly 3½% paper yields about 3.70 and with other avenues for investment practically closed investment demand in gilt-edged may perhaps grow. The Finance Member

stated in his last budget speech that subscription to long-term loans amounted to Rs. 267.5 crores between September, 1939, and January 31, 1943. The rate of subscription was no doubt greater in 1942 than in earlier years. It is more than probable that public subscription may be greater in 1943. The response to Government loans from individual investors has remained comparatively low, but institutional investors whose number has grown with formation of new banks and insurance companies are investing considerable amounts in gilt-edged securities. The share market has ruled steady during the week.

Government control of the textile industry was inaugurated by the meeting of the Textile Board which started on Monday. Prices in the piecegoods market have considerably declined during the last few days but there is no corresponding decline in the prices of textile shares. Leading textile counters viz., Bombay Dyeings, Centurys and Kohinoors have remained more or less unchanged, the closing prices being Rs. 2,040, Rs. 830 and Rs. 835. Prices of other textile shares were barely maintained with very little investment demand. Dividend on Tata Steel shares has been declared at Rs. 23 on ordinaries and Rs. 129-8-9 for Tata deferreds came up to market expectations and the closing prices were Rs. 415 and Rs. 2,075.

CALCUTTA, June 26.

Abundant supplies of short credits continue to be the main feature of our money market. Record profits from war industries and war products, bulging bank deposits and no outlet for remunerative employment of money for producing consumption goods now coupled with slack monsoon conditions make money very easy. Interbank call money rate however remains at the conventional rate of ½ per cent. with no borrowers. Perhaps the end of the month may create some temporary demand due to window-dressing of balance-sheets but that is no criterion for a realistic judgment of the actual position.

Bombay call money rate is ¼ per cent. nominal and Madras ½ per cent. with occasional borrowers.

Treasury Bills

This week's Treasury Bills allotment totalled the required amount of Rs. 8 crores at an average rate of Rs. 1-1-0 per cent. per annum, showing no change over the previous week's rate. The amount of intermediates sold from June 16 to June 21, amounted to Rs. 4.12 crores against Rs. 3.74 crores in the previous week. Likewise the amount of Treasury Bills in favour of the Issue Department of the Reserve Bank of India increased from Rs. 3.57 crores to Rs. 6.84 crores during the previous week.

Investment Market

As anticipated last week, the morning announcement of the Government of India closes the 3rd 3 per cent. Defence Loan 1951-54 on June 30 and replaces it by a 4th Defence Loan carrying the same rate of interest but a little longer maturity, 1953-55. The amount of subscription to this Loan has been kept fithout any Sterling Securities and a decrease of Rs. 38 lakhs in limit.

The Government have also announced the 4th issue of 3 per cent Loan 1963-65 at Rs. 95-8-0. The amount of this loan is limited to approximately Rs. 15 crores.

The Security Market has been fairly steady and Government could have easily prescribed a little longer maturity for the Defence Loan and a slightly higher price for the 1963-65. In fact, the rate for the latter Loan in the market was slightly higher than the newly announced issue price. It is probable that the Government have deliberately offered slightly better inducement so that even those who anticipate reaction in the Securities market due to the deflationary drive of withdrawing about Rs. 150 crores by the summary process of recovering excess profits tax, may take kindly to the New Loans.

Reserve Bank Statement

The statement of the Issue Department of the Reserve Bank of India for the week ended June 18, 1943, shows on the week an expansion of about Rs. 1.62 crores in the amount of notes issued. This is a welcome relief compared to the hitherto weekly noticeable expansion of the order of Rs 6 crores to Rs. 8 crores. Assets of the Issue Department reveal an increase of Rs. 2 crores in Sterling Securities and a decrease of Rs. 38 lakhs in Rupee coins. The statement of the Banking Department shows an increase of over Rs. 6 crores in Bank Deposits but a diminution under Government balances of over Rs. 2 crores.

Bullion

Gold and silver are still in the forefront of public eye and steadily maintain their present prices. With so many rumours about increasing control over all commodity and investment markets, coupled with the spiral of increasing currency, Indians cannot easily shake off their age-long traditional faith in the precious metals as a comparatively safer storage of value; and unless some factor of very great importance appears on the scene, the market fully believes in the maintenance of the present level of prices.

Stocks And Shares

The week opened with a strong bullish sentiment in jute, coal and other counters but the prices began to sag towards the end of the week. The net gain is very slight as compared to the previous week. Cotton shares are easier mainly due to the control of textile industry.

As yet, there is no investment demand on a large-scale, in spite of easy conditions of the money market and dwindling rates of interest. Discreet inquiries in large sharebroking houses disclose that the market is under an apprehension of some sort of control over stock exchange dealings, the result of which would be discouraging to the investor. Unless, as in Australia, the Government of India totally bans dealings in shares, it is difficult to see how the investor can lose in the era of easy money and rising prices due to depreciation in monetary value. Even if prices of standard manufactured articles for the consumption of the poor are rigidly controlled, the resulting fall in profits would, to a large extent, be compensated by decrease in amounts payable as Excess Profits Tax. The present stalemate can more probably be attributed to the inherent apathy of the stock exchange to operate in the face of impending uncertain legislative or Government Control.

Exchange Market

The Exchange Market continues its monotonous career with no change whatsoever in the buying and selling rates for sterling and dollar. Rates for T.T.'s, demand drafts, sight bills and usance bills are unchanged. For some days past, it has been reported that whatever remmittances the Exchange Banks had to make to their London offices due to easy monetary conditions, have been made through the Reserve Bank of India at their official selling rate of Rs. 1-6. Perhaps these sales of the Reserve Bank account for a comparatively smaller increase in the amount of notes issued and their cover in sterling securities, referred to in an earlier paragraph.

CURRENT STATISTICS

BANK OF ENGLAND RETURN

(000's omitted)

	June 23, 1943. £	June 16, 1943. £	Aug. 30, 1939. £	June 25, 1942. £
Total Bullion ..	1,197	1,136	263,700	1,547
Public Deposits ..	7,300	7,200	31,100	8,000
Other Deposits ..	203,100	211,000	129,100	180,900
Of which Banker's Deposits ..	148,900	157,700	90,100	133,600
Govt. Securities ..	153,700	163,400	113,100	145,100
Other Securities ..	15,900	16,700	31,000	20,600
Of which Discounts and Advances ..	5,000	4,200	6,400	5,500
Notes and coins ..	53,400	51,700	34,200	35,500
Notes in Circulation	947,700	949,400	529,500	796,000
Ratio of Reserve to Liabilities ..	25.41%	23.70%	21.38%	18.79%

U.S. FEDERAL RESERVE BANK RETURN

(000's omitted)

	June 17, 1943. $	June 10, 1943. $	Aug. 31, 1939. $	June 18, 1942. $
Resources:				
Total Reserves ..	20,609,000	20,593,000	14,660,610	20,845,000
Total Bills Discounted	11,000	13,000	6,190	5,000
Bills bought in open market ..	..	..	550 ..	
Total U. S. Government Securities	6,626,000	6,636,000	2,426,190	2,578,000
Liabilities:				
Federal Reserve Notes in actual Circulation	13,656,000	13,680,000	4,609,280	9,229,000
Deposits — Member Bank Reserve Account ..	12,511,000	12,165,000	10,951,000	12,706,000
Ratio of total Reserve to Deposit and Federal Reserve Note liabilities combined. ..	75.1%	75.3%	83.9%	89.2%

RESERVE BANK OF INDIA

Weekly Statement of Accounts as on 18th June, 1943

ISSUE DEPARTMENT

Liabilities.	Rs.	Rs.
Notes held in the Banking Department	11,50,88,000	
Notes in circulation ..	722,94,33,000	
Total Notes issued		734,45,21,000
Total Liabilities ..		734,45,21,000
Assets.	**Rs.**	**Rs.**
A. Gold Coin and Bullion:		
(a) Held in India ..	44,41,43,000	
(b) Held outside India	..	
Sterling Securities ..	554,48,67,000	
Total of A. ..		598,90,10,000
B. Rupee Coin		14,83,85,000
Government of India Rupee Securities ..		120,71,26,000
Internal Bills of Exchange and other commercial Paper ..		..
Total Assets ..		734,45,21,000

Ratio of Total of A to Liabilities: **81.544 per cent.**

BANKING DEPARTMENT

Liabilities	Rs.
Capital paid up	5,00,00,000
Reserve Fund	5,00,00,000
Deposits:—	
(a) Government	
(1) Central Government of India	8,96,21,000
(2) Government of Burma ..	76,48,000
(3) Other Government Accounts	9,46,01,000
(b) Banks	59,57,05,000
(c) Others	2,80,55,000
Bills Payable	2,28,30,000
Other Liabilities	10,60,89,000
Rupees ..	104,45,49,000
Assets.	**Rs.**
Notes	11,50,88,000
Rupee Coin	13,06,000
Subsidiary Coin	1,77,000
Bills Purchased and Discounted:—	
(a) Internal	..
(b) External	..
(c) Government Treasury Bills ..	75,19,000
Balances held abroad*	80,02,58,000
Loans and Advances to Governments	..
Other Loans and Advances	70,00,000
Investments	7,48,63,000
Other Assets	3,83,38,000
Rupees ..	104,45,49,000

* Includes Cash & Short term Securities.

ISSUE DEPT. COMPARATIVE STATEMENT

(000's omitted.)

	18th June, 1943.	11th June, 1943.	19th June, 1942.	1st. Sept., 1939.
Notes held in the Banking Department	11,50,88	11,17,45	10,92,22	35,04,49
Notes in circulation	722,94,33	721,65,74	439,00,27	182,13,17
Total Notes	734,45,21	732,83,19	449,92,49	217,17,66
A. Gold Coin and Bullion	44,41,43	44,41,43	44,41,43	44,41,43
Sterling Securities	554,48,67	552,48,67	256,85,11	59,50,11
Total of A.	598,90,10	596,90,10	301,26,54	103,91,57
B. Rupee Coin	14,83,85	15,21,94	26,37,30	75,87,11
Sterling Securities	120,71,26	120,71,15	122,28,65	37,38,98
Ratio of Total of A to Liabilities	81.54	81.45	66.96	63.15

BANKING DEPT. COMPARATIVE STATEMENT.

(000's omitted.)

	18th June, 1943.	11th June, 1943.	19th June 1942.	1st. Sept., 1939.
Cash ..	11,65,71	11,30,93	11,03,95	35,15,27
Bills Purchased and Discounted—				
(a) Internal	..	..	..	..
(b) External	..	..	..	..
(c) Govt. Treasury Bills ..	75,19	41,44	19,23	1,15,67
Balances held abroad* ..	80,02,58	76,26,78	62,82,91	10,08,33
Loans and Advances to Govt. ..	..	26,00	5,30,00	31,00
Investments	7,48,63	7,49,14	8,70,46	6,81,34
Deposits—				
(a) Govt.	19,18,70	21,09,74	11,43,89	14,89,43
(b) Banks	59,57,05	53,18,07	61,12,80	26,91,43
(c) Others	2,80,55	3,02,32	1,84,29	1,24,37

* Includes cash and short-term securities.

STERLING PURCHASES

(000's of £)

	Total Amount Purchased.	Average rate.
1943:—		
January	8,132	1sh. 6d.
February	11,070	1sh. 6d.
March	17,779	1sh. 6d.
April	9,219	1sh. 6d.
May	8,721	1sh. 6d.

SCHEDULED BANKS

(In thousand Rupees)

(COMPARATIVE STATEMENT)

	18-6-1943	11-6-1943	19-6-1942	1-9 1939
1. Demand Liabilities in India	412,77,66	408,16,82	263,00,71	134,36,49
2. Time Liabilities in India	130,32,76	129,09,46	96,68,71	102,24,34
3. Cash in India	17,73,83	17,67,49	12,15,26	6,69,92
4. Balances with Reserve Bank	59,54,26	51,56,71	59,36,14	25,17,19
5. Advances in India ..	141,79,47	143,49,71	96,69,66	101,52,16
6. Bills discounted in India ..	4,78,29	5,27,02	1,49,71	3,57,29

IMPERIAL BANK OF INDIA

Week ended 18th June, 1943.

Liabilities.	Rs.	Rs.
CAPITAL—		
Authorized — 2,25,000 shares of Rs. 500 each	11,25,00,000	
Issued and Subscribed— 2,25,000 shares of Rs. 500 each	11,25,00,000	
Called up—75,000 shares of Rs. 500 each, fully paid	3,75,00,000	
1,50,000 shares of Rs. 500 each, Rs. 125 paid	1,87,50,000	
		5,62,50,000
Reserve Liability of Shareholders—Rs. 375 per share on 1,50,000 shares	5,62,50,000	
Reserve Fund		5,75,00,000
Fixed Deposit, Savings Bank, Current and other Accounts ..		189,25,29,000
Loans against Securities per contra		..
Acceptances for Constituents		..
Sundries		2,50,47,000
Total Rs. ..		203,13,26,000

Assets.	Rs.	Rs.
INVESTMENTS:—		
Government Securities	127,46,62,000	
Other Authorized Investments ..	2,19,73,000	
		129,66,35,000
ADVANCES:—		
Loans	10,38,53,000	
Cash Credits and Overdrafts	23,29,16,000	
Bills Discounted and Purchased	2,65,45,000	
		36,33,14,000
Liability of Constituents for Acceptances per contra ..		..
Dead Stock ..		1,71,48,000
Sundries		1,09,02,000
Bullion		..
CASH:—		
In hand and with the Reserve Bank of India	32,30,32,000	
Balances with other Banks	2,02,95,000	
		34,33,27,000
Total Rs. ..		203,13,26,000

TENDERS FOR TREASURY BILLS

(In thousands of rupees)

Week Ending 1943	Amount Tendered	Amount Accepted	Average Rate	Inter-mediates	Sold in favour of Issue Dept.
	Rs.	Rs.	Rs. a. p.	Rs.	Rs.
Mar. 2	12,15,50	8,00,00	1-1-11	3,69,25	7,96,00
„ 9	12,29,75	8,00,00	1-1-11	2,18,25	13,62,00
„ 16	11,39,75	8,00,00	1-1-11	35,00	14,42,00
„ 23	11,04,00	8,00,00	1-1-10	75,25	3,33,50
„ 30	1,80,25	1,63,25	1-1-11	64,00	22,92,00
Apl. 6	5,71,00	5,31,50	1-2-0	14,50	2,53,50
„ 13	9,01,00	8,00,00	1-2-0	2,24,75	39,98,00
„ 20	7,64,25	7,58,00	1-2-0	2,29,25	11,77,00
„ 27	12,54,50	8,00,00	1 2-0	1,22,00	5,41,00
May 4	15,12,00	8,00,00	1-1-9	4,44,00	2,35,50
„ 11	15,07,00	8,00,00	1-1-7	2,90,75	1,57,00
„ 18	12,79,75	8,00,00	1-1-0	2,75,50	10,64,00
„ 25	11,92,50	8,00,00	1-1-0	1,40,00	7,91,00
June 1	11,88,00	8,00,00	1-1-0	3,90,25	6,57,75
„ 8	12,31,50	8,00,00	1-1-0	5,70,50	6,66,75
„ 15	12,80,25	8,00,00	1-1-0	3,74,25	3,57,00
„ 22	11,11,00	8,00,00	1-1-0	4,11,50	6,83,50

Dates of Maturity of Government of India Treasury Bills Outstanding in Hands of the Public as on the 31st May, 1943.

Date of Maturity	Amount (000's of rupees)	Date of Maturity	Amount (000's of rupees)
Bills maturing on or before 31st May, 1943, but not paid up to that date ..	..	Brought forward ..	45,96,50
3rd June, 1943	14,25	15th July, 1943	1,50
4th „ „	17,00	16th „ „	8,56,75
5th „ „	7,85,00	19th „ „	1,01,00
6th „ „	2,00,00	21st „ „	1,07,50
8th „ „	2,00	22nd „ „	7,55,50
10th „ „	21,50	24th „ „	4,00
11th „ „	33,75	26th „ „	5,00
12th „ „	7,75,75	27th „ „	8,00
13th „ „	1,00	28th „ „	1,92,00
15th „ „	3,00	29th „ „	65,00
17th „ „	14,00	30th „ „	9,09,00
18th „ „	8,35,00	1st August	62,00
20th „ „	25,25	3rd „ „	16,00
22nd „ „	1,60	5th „ „	1,33,50
24th „ „	15,75	6th „ „	1,04,50
25th „ „	23,60	7th „ „	8,19,75
26th „ „	7,86,25	8th „ „	28,00
29th „ „	39,00	10th „ „	5,00
30th „ „	1,00	12th „ „	2,16,50
1st July, „	25	13th „ „	90,25
2nd „ „	1,60,50	14th „ „	7,28,25
3rd „ „	16,00	17th „ „	40,50
7th „ „	57,25	19th „ „	1,14,25
8th „ „	21,00	20th „ „	7,89,25
9th „ „	5,66,50	24th „ „	36,50
10th „ „	8,00	26th „ „	2,69,25
12th „ „	1,03,50	27th „ „	1,15,00
14th „ „	70,00	28th „ „	7,51,00
		29th „ „	50,00
Carried forward ..	45,96,50	31st „ „	5,00
		Total ..	1,19,76,25

CLEARING HOUSE RETURNS

(In lakhs of rupees)

Period	Bombay	Calcutta	Cawnpore	Delhi	Karachi	Lahore	Madras	Total	Progressive
Total 1940-41	796,66	1,005,65	18,95	28.26	46,62	15,71	106,69	2,018,54	2,018,54
„ 1941-42	1,046,77	1,230,09	30,33	41,08	58,50	26,61	135,30	2,568,66	2,568,66
„ 1942-43	1,321,06	1,061,88	55,14	80,53	76,62	47,96	129,84	2,773,03	2,773,03
April	96,70	75,35	3,19	5,06	4,82	2,75	8,61	196,44	196,44
May	97,79	76,68	3,95	6,24	6,94	3,74	8,49	203,83	400,27
June	82,06	66,40	2,86	4,92	5,48	2,96	7,44	172,12	572,39
July	105,05	85,62	3,42	6,53	6,61	4,89	10,49	222,61	795,00
August	81,80	66,62	2,65	4,32	4,83	3,61	8,19	172,02	967,02
September	79,63	75,87	3,19	4,67	4,66	3,51	9,90	181,43	1,148,45
October	124,29	95,16	5,39	6,35	6,96	4,24	12,26	254,16	1,402,91
November	101,80	97,13	4,49	6,73	6,14	4,18	11,20	231,67	1,634,58
December	111,59	104,41	5,56	7,13	5,74	3,91	12,06	250,40	1,884,98
January	152,27	113,35	6,67	10,30	8,96	4,84	13,36	309,81	2,194,79
February	130,41	92,20	6,81	9,03	7,69	4,54	13,27	263,95	2,458,74
March	157,67	113,09	6,96	9,42	7,79	4,79	14,57	314,29	2,773,03
1943-44									
April	195,60	141,50	8,94	10,56	9,31	6,62	17,67	393,20	393,20
May	154,55	121,09	7,63	8,35	7,52	5,07	14,25	318,56	711,76

GOLD POSITION IN BOMBAY

1943	Price of Gold (Tola) Spot.	1 month forward.	2 months forward.	Estimated Visible Stocks in Bombay (Tolas).
	Rs. a. p.	Rs. a. p.	Rs. a. p.	
May 7	94 8 0	94 0 0	..	1,00,000
„ 14	94 8 0	93 12 0	..	1,00,000
„ 21	89 2 0	89 2 0	..	1,00,000
„ 28	76 0 0	..	..	1,25,000

SILVER POSITION IN BOMBAY

1943	Price of Silver (100 Tolas) Spot.	1 month Forward.	2 months forward.	Estimated Visible Stocks in Bombay (Bars).
	Rs. a. p.	Rs. a. p.	Rs. a. p.	
May 7	136 8 0	134 4 0	..	1,000
„ 14	135 4 0	133 12 0	..	1,500
„ 21	132 12 0	130 12 0	..	1,500
„ 28	120 0 0	..	..	2,000

INDEX NUMBERS OF WHOLESALE PRICES OF CERTAIN ARTICLES IN INDIA*

(Prices for week ending 19th August, 1939=100)

1942

Groups	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
I Food and Tobacco ..	128.4	132.3	130.5	136.5	144.7	152.3	155.8	158.9	161.0	167.2	172.4	178.5
II Other Agr. Com. ..	130.2	125.3	116.8	114.9	120.7	131.5	145.7	136.0	152.5	169.6	168.2	177.9
III Raw Materials ..	158.7	158.0	162.4	162.3	158.1	162.2	162.3	162.4	163.1	165.3	168.6	171.4
IV Manufactured Articles	158.6	162.3	162.5	162.5	160.0	166.5	172.7	174.6	179.2	168.5	203.7	221.5
V Primary Commodities..	139.8	140.6	139.4	141.9	145.3	152.3	156.5	156.1	160.4	166.8	170.2	175.6
VI All Commodities ..	143.7	145.0	144.2	146.1	148.4	155.2	159.9	160.0	164.3	171.4	177.0	184.7
VII Chief Articles of Export	142.2	142.4	138.7	139.7	139.3	147.2	152.2	151.0	154.5	161.7	166.3	171.3

* Issued by the Economic Adviser, Government of India.

INDEX NUMBERS OF WHOLESALE PRICES AT CALCUTTA BY GROUPS OF ARTICLES.

(PRICES IN JULY 1914=100.)

Period.	Foodgrains. Cereals.	Pulses.	Sugar.§	Tea.	Other Food Articles.	Oil-seeds.	Textiles. Oil, mustard.	Jute, raw.	Jute manufactures.	Cotton, raw.	Cotton manufactures.	Other Textiles (Wool and Silk).	Hides and Skins.	Metals.	Other raw & manufactured articles.	Building materials (Teakwood).	All commodities.
No. of items included	8	6	5*	3	9	3	2	3	4	2	7*	2	3	6	8	1	72
1914, End of July ..	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
1939 „ „ ..	86	99	164	142	125	106	81	80	102	75	106	110	67	147	95	123	108
1940 „ „ ..	99	101	157	149	146	106	78	79	107	87	122	146	72	175	115	127	120
1941 „ „ ..	112	105	145	202	178	103	78	77	137	77	179	166	74	209	126	132	139
1942 „ „ ..	157	162	208	241	298	143	85‡	77	137	96	†	146	86	273	147	†	185
1943 January ..	260	238	258	299	434	196	†	125	175	143	†	194	95	322	159	†	250
February ..	266	280	260	246	444	178	†	110	167	152	†	204	98	331	162	†	253
March ..	334	309	298	199	457	189	148	122	168	166	†	246	100	331	170	†	272
April ..	375	307	280	189	505	252	189	144	184	185	†	257	98	339	183	†	293
May ..	473	374	311	192	545	281	197	147	195	199	†	262	95	354	183	†	325

* Two items have been dropped under Sugar since February, 1934, and one item under Cotton manufactures since September, 1936, as their quotations are no longer available and suitable substitutes cannot be found for them.

† Price quotations not available. ‡ Average of nine months.

§ Index compiled from quotations of Sugar as well as of Valley *Gur* (raw sugar). Owing to the control in the price of sugar, the present fluctuations in the group index are due entirely to variations in the prices of *Gur*.

INDEX NUMBERS OF WHOLESALE PRICES AT BOMBAY BY GROUPS OF ARTICLES.

(July 1914=100)

Commodities	No. of Items.	Mar., 1942	Apl., 1942	May, 1942	June, 1942	July, 1942	Aug., 1942	Sep., 1942	Oct., 1942	Nov., 1942	Dec., 1942	Jan., 1943	Feb., 1943	Mar., 1943
Food grains	..	142	133	152	167	180	180	178	171	186	219	209	212	211
Cereals	7	145	138	158	173	187	187	183	175	177	212	199	204	202
Pulses	2	132	117	135	146	155	155	157	157	216	244	242	242	244
Sugar	3	151	157	166	192	192	192	196	196	196	203	215	218	222
Other food ..	3	143	141	147	169	171	176	165	165	210	264	246	268	253
All food	..	143	138	153	171	179	181	178	173	193	226	218	225	222
Oilseeds ..	4	102	102	110	115	118	118	118	118	118	150	155	153	156
Textiles	..	104	103	108	117	129	128	136	143	162	162	162	169	174
Cotton, raw ..	5	71	71	76	84	94	94	94	94	94	94	94	94	94
Cotton, manufactures ..	6	159	156	161	173	186	185	205	223	275	276	276	293	307
Other textiles ..	2	83	83	83	83	83	83	83	83	83	83	83	83	83
Hides and skins	3	99	99	99	99	99	99	99	99	99	99	99	99	99
Metals	5	657	665	669	742	722	746	747	783	821	840	766	742	746
Other raw and manufactured articles ..	4	220	225	225	226	226	227	230	230	230	232	232	232	232
Non-food	..	226	228	231	249	249	254	257	266	279	288	274	271	274
General Index	..	197	196	204	222	225	228	229	233	249	266	255	255	256

INDEX NUMBERS OF WHOLESALE PRICES IN BANGALORE*

(Base year 1914=100)

Particulars.	Feb., 1943.	Jan., 1943.	Feb., 1942.
1. Food grains and pulses	226	193	131
2. Oils and Oil Seeds	334	209	112
3. Other Food articles	226	214	114
4. Textiles	267	236	141
5. Others	250	248	175
6. General Index	238	222	136

* Compiled by the Department of Industries and Commerce, Mysore.

WORKING CLASS COST OF LIVING.

Months.	Bombay (Base: Year ending June, 1934—100). 1941-42 (1)	1942-43 (2)	% change (1)	Ahmedabad (Base: Year ending July, 1927—100). 1941-42 (1)	1942-43. (2)	% change (1)	Cawnpore (Base: August 1939=100). 1941-42. (1)	1942-43. (2)	% change
April	121	132	+14	81	99	+22	107	149	+39
May	122	142	+16	82	102	+24	108	155	+44
June	122	152	+25	83	111	+34	114	175	+54
July	126	168	+33	88	117	+33	126	190	+51
August	131	168	+28	92	123	+34	130	203	+56
September	129	170	+32	92	117	+27	133	202	+52
October	125	172	+38	92	121	+32	134	206	+54
November	126	178	+41	94	137	+46	143	224	+57
December	129	188	+46	99	149	+51	151	224	+48
January	137	203	+49	95	173		145	225	+55
February	135	205	+52	94	165		144	234	+62
March	137	208	+52	96	173		150	246	+64

Months.	Jamshedpur (Base: five years preceding 1914=100) 1941-42. (1)	1942.43. (2)	% change	Madras (Base: Year ending June 1936=100) 1941-42. (1)	1942-43. (2)	% change	Lahore (Base: 1931-35=100) 194142. (1)	1942-43. (2)	% change
April	121	146	+21	109	119	+9	144	178	+24
May	125	165	+32	108	121	+12	135	186	+38
June	132	192	+45	109	128	+17	131	194	+48
July	141	202	+43	113	133	+18	137	199	+45
August	145	223	+54	115	137	+19	144	212	+47
September ..	148	229	+55	115	146	+27	150	220	+47
October	152	244	+61	115	152	+32	160	223	+39
November ..	149	242	+62	118	156	+32	172	229	+33
December ..	149	226	+52	121	158	+31	172	302	+76
January	144			117			172		
February	138			115			176		
March	140			115			174		

ALL-INDIA CROP FORECASTS

(FINAL)

Crops	AREA (1) 1942-43	(2) 1941-42	(3) % of (1) Over (2)	OUT-TURN (1) 1942-43	(2) 1941-42	(3) % of (1) over (2)
	Acres	Acres		Tons	Tons	
Groundnut ..	7,431,000	7,070,000	105	2,714,000	2,586,000	104
Castorseed ..	1,352.000	958.000	141	147.000	91.000	162
Sugarcane ..	3,590.000	3,515.000	102	5.692.000	4,371,000	130
Rice ..	74.919 000	73.579.000	102	24,533,000	25,351.000	97
Rape and Mustard	5.784.000	6.204.000	93	1,043.000	1,089,000	96
Linseed ..	3.408 000	3.348 000	102	411 000	361.000	114
Cotton ..	18,812,000	24,151,000	78	4,554,000	6,127,000	74

PRICES OF PRINCIPAL COMMODITIES

Commodities	Grade.	Market.	Unit.	This week.* Rs.	Pre-war. Rs.
Cement.	Indian "Swastika."	Calcutta.	per ton, f.o.r.	60 0 0	
Cotton Piecegoods.	Grey Domestics 35" × 40 yds. × 12 lbs.	Bombay.	per lb.	2 8 0	0 7 0
" "	Grey Dhoties 5/8" P.B. 44" × 10 yds. × 1-11/16 lbs.	"	"	4 9 0	
Hides.	Arsenic (Cows.) Agras North-Western.	Calcutta.	per 20 lbs.	9 8 0 to 10 8 0	7 8 0 to 8 8 0
Skins	Tanned Sheep.	Madras.	per lb.	1 14 6 to 2 3 6	1 3 6 to 1 9 0
"	Raw Goat (Good Quality).	Calcutta.	per 100 pieces.	110 0 0 to 130 0 0	100 0 0 to 115 0 0
Iron and Steel:					
Galvanized Corrugated Sheets.	24 Gauge, Tat. I.S.D. Prime Quality.	"	per cwt.	21 8 0	12 8 0 to 13 4 0
Mild Steel Bars and Rounds.	Tata B.S.S.	"	"	15 0 0	9 0 0 to 9 7 0
Mild Steel Joists.	"	"	"	13 8 0	9 0 0 to 10 0 0
Pig Iron.	Foundry No. 1.	"	per ton f.o.r.	94 0 0	89 0 0
Jute	Raw-Firsts.	"	per bale of 400 lbs.	90 0 0	41 8 0
"	B. Twills, 2¼ lbs. 44×26½, 6×8	"	per 100 bags.	69 8 0 (Ready)	28 13 0 (Ready)
Copra.	Fair average quality.	Cochin.	per candy of 654 lbs.	155 0 0	43 8 0
Groundnuts.	Machine decorticated.	Madras.	per candy of 500 lbs.	83 13 0	29 0 0
Linseed.	Bold.	Bombay.	per cwt.	16 5 0	7 2 6 (Ready)
"	Small grain.	Calcutta.	per Ind. md.	12 0 0	6 13 6 (Ready)
Rapeseed.	Toria, 9% admixture.	Karachi.	per candy of 656 lbs.	89 0 0	36 12 0
Castor Oil.	No. 1 Fine Pale.	Calcutta.	per md., f.o.b.	54 0 0	13 12 0
Coconut Oil.	Fair average quality.	Cochin.	per candy of 654 lbs.	233 8 0 (Ready)	63 12 0 (Ready)
Groundnut Oil		Bombay.	per 28 lbs.	13 8 0 to 13 12 0	2 8 0 to 3 4 0
Kerosene Oil	(Superior).	Calcutta.	per 2 tins.	10 11 6*	5 6 6
Petrol.†	ex-pump.	"	per Imp. gal.	1 15 6	1 3 0
Salt.	Aden Fine ex-Golah.	"	per 100 mds.	360 0 0 to 380 0 0	
Shellac.	T.N.	"	per B. md.	64 0 0	14 0 0
Sugar.‡	Marhourah Crystal No. 1.	Cawnpore	per md.	14 8 6	9 15 0
Tea.		Calcutta.	per lb.	0 10 1	0 4 4
Wheat.	White Punjab, 2% barley, 1½% dirt.	Lyallpur.	per md., f.o.r.	10 8 0	2 5 3
Rice (not in husk).	Seeta, No. 1.	Calcutta.	per B. md.	**	4 14 0

**Indian Trade Journal*, June 24.

*Maximum controlled price.
†Retail.
‡Factory Delivery basis.
**Not available.

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Wanted a Food Policy

THE Food Conference in Delhi opened its session *in camera* on Monday last. It will be attended by delegates and experts from all over India. The fact that the Viceroy himself addressed the Conference only emphasizes the gravity of the situation over which the Conference will be deliberating.

For, let there be no mistake about the nature and magnitude of the crisis with which we are confronted today. The food policy which the Government of India has been following has been a complete fiasco, and the machinery for the distribution of foodstuff is today thoroughly out of gear. Reports continue to pour in of the prevalence of extreme privations, malnutrition and sheer starvation throughout the country, and there are strong evidences to apprehend that if this state of affairs continues for any length of time, it will leave a permanent deleterious mark on the health and vitality of the nation, thus impairing our power of resistance to any possible outbreak of epidemics. We may recall that towards the close of the last war, when the situation had not deteriorated to a similar extent as now, the influenza epidemic took a toll of 12 or 13 millions in a single year. We cannot be too much impressed with the gravity of our food situaton today.

It would not indeed be an exaggeration to say that the Central Government has had no food policy at all. The actions taken so far do not add up to more than a series of day-to-day expediencies and make-shift orders; and the spectacle of the Government still undecided after four years of war as to the relative merits of the free market and State control—now controlling, now de-controlling—would have been comic if it was not so tragic in its consequences.

The Governments of Britain and the United States had profited by the experience of the last war and had evolved a co-ordinated food policy from the start. The machinery of rationing was ready on the first day of the war and a well-planned food production drive was given. As a result acreage in Great Britain increased by about 50 per cent., and even in the United States, which is normally a surplus country in foodstuffs, production was up by 12 per cent.

In contrast, the Government of India proceeded with a measure of complacency and naive over-simplifications which nearly assumed away the problem. They never realized the nature and magnitude of the impending crisis until it was full on us; and then they improvised and vacillated. India as a whole had never been self-sufficient in the matter of foodstuffs taken as whole. She was deficit in rice and barely self-sufficient in wheat at pre-war standards of consumption. The growth of food production was not keeping pace with the growth of our population. Without realizing the tenuousness of our food position, overseas commitments were undertaken. In India, where a great mass of the people are normally underfed, the demand for foodstuff is not inelastic, and increase in purchasing power inside the country has had a Multiplier effect on the demand for foodstuffs from the fortunately placed sections of the people.

The foreign troops stationed here have to be fed, and Indian troops, too, are much better fed now than they had been in peace-time. There have been other direct and indirect demands on our stock of food also. And these together with demand for hoarding by producers, middlemen, consumers or speculators, from motives of either fear or hope, have collaborated to knock the bottom off our already precarious food economy.

The situation demanded an intensive drive for food production together with a comprehensive scheme of rationing to distribute equitably the burden of sacrifice. The "Grow More Food" campaign was officially taken up late and when taken up was no more than an essay in publicity and dramatization. The quickest way of increasing food supply is by arranging for the production of or making available inorganic manure which acts upon the plant immediately and with quick result, extend irrigation facilities and render practical help to the farmers otherwise. But as in the field of industry, so in agriculture, the Government failed to take measure of the impending crisis and did not bestir themselves to supply agricultural machinery, fertilizers and seeds to the farmer. We have to remember that our peace-time consumption of fertilizer was 1 lakh tons as against the domestic production of 20,000 tons. But illiterate farmers were advised to "grow more food," by means of posters and advertisements in urban newspapers. And when after a spate of optimistic statements, the food production "drive" failed to show results, the Government looked on with an air of injured innocence.

But even now the Government are harping on our "good statistical position," and the Secretary of State informed us only a week back that "there is no overall shortage of foodgrains while India has harvested a bumper crop of wheat this spring. There is, however, grave maldistribution for which the responsibility is shared by all parties, from the cultivator upwards."

But apportionment of the blame does not carry us forward and optimism based on the village chowkidar's report is not necessarily well-grounded. We have still to contend with the possible failure or deficiency of the monsoon and the menacing reports about the locust infestation as far to the east as Bihar do not add to the easiness of mind.

If the Government's so-called food production drive has been a flop, its control policy has been fickle and misconceived. It is an elementary and well recognized principle that price control without control over supply is an impossibility, but the Government's idea was to achieve the impossible and there was lacking a co-ordinated central plan on an all-India basis with which the Provincial and State Governments would co-operate. The Central Government moved from expediency to expediency—now decontrolling wheat in deference to the wishes of the Punjab Government, now, alarmed with the critical position in Bengal, stampeding into "freeing" the Eastern Zone without even consulting the relevant Provincial Governments. And so today all the Provincial Governments are at loggerheads with one another and with the Central Government. Always shy of the only sure weapon of individual rationing, they toyed with the idea of regional rationing. The ill-fated Wood scheme with its "seven-point, twelve-month plan" and mythical "target figures" now lies completely in ruins. In spite of Major-General Wood's affirmation that foodgrains worth some Rs. 100 crores are moving from surplus to deficit areas, only token "loans" of foodgrains have actually moved.

With the failure of the Government control plans, the cry has been raised in some quarters for a complete retreat by the Government and for leaving the matter to the forces of the market. But neither theoretical nor practical considerations suggest that such decontrol would improve the situation. When supply is very short and the market is dominated by extremely adverse monetary factors, it is vain to hope that the market forces of demand and supply will be able to bring succour and relief. At best they can lead to a new, but no more equitable, distribution of privation. Since the abolition of the wheat price control and ceiling price system, price of this staple food-grain has not fallen in any appreciable manner. It is more than five weeks since the Eastern Zone has been restored to free trade and herculean efforts have been made to secure imports from other provinces. But it has as yet made little impression on the food situation.

The truth is, it is not control which has failed, but vacillating half-measures and desultory attempts at partial control, which by their very nature are foredoomed to failure. The Government have had no comprehensive food policy but have been buffeted about by sheer weight of events from half-measure to half-measure, progressing along a vicious spiral of gathering crisis. But now the seriousness of the food situation has reached such a dimension as will brook no delay and no half-measures.

The following points may be made:—

(1) The Government must decide upon a bold and drastic food policy here and now. A plan may be rough and inequitable to a minority in the details of its operation, but its saving quality would be the firmness and relentlessness with which it is executed.

(2) The Government must give up the fixed notion that there is nothing wrong with the aggregate supply position. Supplies must be procured from overseas to break the resistance of the market. It should be the Allied responsibility to supply food as well as munitions to all troops stationed in India.

(3) Government must give a really effective food production drive and direct the proper distribution of agricultural machinery, fertilizer, seeds, instructions, etc., to the farmer and arrange for extension of irrigation facilities as quickly as practicable. Import of machinery should be allowed to augment the domestic production of fertilizers.

(4) Vigorous drive for unearthing of hoards would be necessary. Public co-operation should be sought and a network of anti-hoarding committees organized.

(5) Immediate extension of rationing to all towns and effective relief parties for rural areas. Rationing is to be extended at the earliest to the worst affected rural areas.

(6) The control should be comprehensive and on an all-India plan, all Provincial Governments being obliged to fall in line.

Nothing short of such comprehensive measures, executed with vigour and ruthlessness, can hope to tackle the situation which is already desperate and nearly out of control. The Delhi Food Conference must be imbued with a living sense of the gravity of our food crisis and outline a comprehensive food policy. It must give a lead which will catch the imagination of the public by the boldness of its sweep and conception. The public expects this and nothing short of this will satisfy it. The Controller must control or abdicate. The days of experimenting or pussy-footing with half-measures are over, for the crisis is on us.

British and U. S. Currency Plans

THE full text of the British and U.S. plans of currency and exchange mechanism, substantially reproduced elsewhere in this issue, has now been made available by the Government of India and it affords us an opportunity to re-examine them in the light of the fuller knowledge of the details of the plans. In many respects the earlier impression of their points of agreement and differences is only reinforced and confirmed; but closer study brings to light a much greater difference in their general framework and in their objectives than seemed to exist when only their broad outlines were available to us. There is no doubt that the British plan now emerges in every respect as superior to the U.S. plan, precisely because it has more limited aims and ambitions, involves less surrender of national economic and financial freedom, seeks no excessive interference with national economic policies and withal, aims at a truly international monetary mechanism enabling the smooth flow of foreign trde and easy settlement of international obligations. Its structure is simple and its simplicity is genuine, not deceptive. The U.S. plan is much more ambitious; it contemplates nothing less than a super-national Central Bank—an International Central Bank clothed with ample authority and armed with great financial resources with powers of interfering in national economic policies through its open market operations of buying and selling the currencies of all member countries. The ideal of not merely securing the smooth flow of foreign trade and of short-term capital between countries but also preventing disequilibrium in the international balance of payments is undoubtedly one worthy of support and of sacrifice of national freedom. But in the way in which the ideal is sought to be achieved, the U.S. plan is more rigid, calls for undue sacrifice of national freedom and puts great power in the hands of the International Authority; its composition and ability to manage become therefore matters of great moment. Under the U.S. plan, no country will be able to plan its own schemes of economic development unless it is approved and supported by the international authority; nor can it control foreign exchanges with a view to using them in the best possible manner. The British plan is much more flexible; it permits exchange control within limits and does not seek to interfere with internal national policies. The texture and quality of the two plans, despite their identity of objectives, are very different. The world will not be ready to accept the far-reaching nature of the U.S. plan when it can have nearly all its aims fulfilled under the more modest and severely practical British plan.

Before elaborating the implications of these differences, let us underline and emphasize the common aims and purposes of both the plans so that we may the more easily understand and appreciate the differences. Their broad purpose is to facilitate the free flow of foreign trade by removing the hindrances of bilateral agreements, exchange controls, multiple currency devices and discriminatory exchanges and by providing an international medium of currency to meet their liabilities on international account. The British plan seeks to achieve this by three methods: (a) by providing an international medium of currency widely acceptable, namely, the bancor whose supply will not be determined in an unpredictable and irrelevant manner as in the case of gold by the technical progress of the gold industry; (b) by asking all member countries to keep their entire foreign balances in bancor, so that the credits of some may be available to meet the debits of others; and (c) by allowing credit facilities of a limited amount to a country which requires them for meeting its liabilities. Under the U.S. plan, the international unit is Unitas and member countries are also assured of foreign exchanges, albeit under severer conditions and restrictions than in the British scheme, to meet their liabilities on account of their current transactions. The British plan has no special funds for the purpose; it does not need any because if, as provided, no credits can be removed outside the clearing system but only transferred within it, the clearing union can make what advances it wishes to any of its members with the assurance that the proceeds can only be transferred to the clearing account of another. The beautiful simplicity of this idea, which in the international sphere is an extension of the principle of centralization of reserves in the national banking system, is its strongest point.

Both the plans are exclusively currency plans; the agencies needed to provide capital for post-war reconstruction and relief, for long-term development and to promote stability in the prices of primary commodities are to be set up separately. In the words of the U.S. plan, "There is a strong temptation to embrace within a single international agency the responsibility for dealing with all international economic problems. We believe however that international economic institutions can operate more effectively if they are not burdened with important but extraneous duties for which they have not been devised and for which they are unsuited." Both plans aim at fixing the rates of exchange of all member countries' currencies and preventing competitive exchange depreciation. Under both schemes no country may alter the value of its currency without the permission of the Board or Central Authority. But the British scheme is more sympathetic to appeals for devaluation and indeed in certain circumstances, *e.g.*, a possible continuance of an adverse balance would advocate a change in the value of the country's currency. Both plans again impose restrictions on countries which run into debit on international current account and would require certain measures to be adopted, *e.g.*, devaluation, control of the outward movements of capital and outright surrender of gold or other liquid reserves under the British plan. In the U.S. plan, the deficit country will have to tender special deposits, submit to restrictions on the sale of the devisen (foreign exchange) it holds and pay a charge of 1 per cent. payable in gold on its borrowings. Both the schemes and more particularly the British, break new ground in recognizing that the creditor equally with the debtor may be responsible for a want of balance and in imposing certain obligations on the creditor country. The creditor country should not take away its external balances from the clearing union and if its credits exceed half its quota it will have to consider under the British plan suggestions for expansion of domestic credit, appreciation of its currency, reduction of tariffs and granting of loans to other countries. Under the U.S. plan the central authority or the Fund has the duty of making recommendations to increase the supply of such scarce currency so as to make it available to other countries which need it.

Neither the British nor the American plan envisages more than providing for short-term financial facilities to meet current obligations. In the circumstances the powers taken by the U.S. Stabilization Fund seem to be unwarranted unless the idea is to control the investment policies of member countries. The fact that the Fund can issue its own obligations, discount and sell them in member countries shows that it is its intention. This is a radical and far reaching innova-

tion, and will have the effect of interfering actively and powerfully in domestic business conditions. However useful and desirable such powers may be if the object be to control slumps and booms it is doubtful if countries are ready for such a big and novel step.

But assuming that it is desirable to clothe the central authority with such powers, the question of management assumes utmost importance. The British plan gives voting rights according to each country's quota—itself being based on the relative magnitude of its foreign trade. Britain will undoubtedly enjoy large voting rights, if that be the basis. Countries like India, China and Russia and even U.S.A. will not have rights in proportion to their importance judged by other tests. But the degree of voting power in the general pattern of the British plan is not of fundamental importance. In fairness to the sponsors of the scheme it should be stated that even if a country does not have voting power commensurate with what it regards to be its own importance, no serious danger will arise as the action of the clearing union will never be such as to affect adversely its own interests. Under the U.S. plan of course where the Fund has great powers of interference, the degree of voting strength which each member country will enjoy is a matter of moment. If the British scheme incidentally gives weightage to Britain, the U.S. plan does the same for America. The quota to be determined by an agreed formula is to be based on three important factors, the weight of each being left for further discussion. The three are gold and foreign exchange holdings, magnitude of the fluctuations in balance of international payments and national income. Let us see where U.S. stands in respect of the above factors. Out of 34,000 million dollars of gold reserves in the world, U.S. has 23,000 millions, United Kingdom 3,000 millions, France 2,000 millions, India 400 millions and other countries with the exception of Russia and S. Africa inappreciable amounts. On the basis of national income, out of 254 milliard international units of income for the world in 1925-34, U.S. has 66, U.K. 22, Russia 17.5, China 23 and India 15. Thus U.S. will enjoy under these tests a weightage which will give her predominant power.

Considerations like the above may inspire fear in the minds of smaller nations that their interests might be injuriously affected. So far as India is concerned, there are special reasons why she cannot accept the principle or the detail of the American plan. The acid test of a sound scheme so far as we are concerned is whether it would hinder India in her policy of rapid economic development—to achieve which she must have freedom to use the foreign balances and foreign exchange which are and may become available in the best manner possible. National exchange control will be the sheet anchor of India's economic planning, for without it our whole development will be at the mercy of Washington or London. The U.S. plan frankly denies this power to every country. "All of a country's currency holdings should be free from any restrictions as to their use." Further each country has to bind itself "to abandon all restrictions and controls over foreign exchange transactions and not to impose any additional restrictions without the approval of the Fund." These conditions are impossible of acceptance by India.

Equally unacceptable is the entire device of controlling the 'abnormal war balances' as they are called. Our sterling assets accumulated in Britain will be regarded as abnormal war balances. If Britain agrees to pay us at once, well and good. Otherwise the international plan will come into operation. This provides for our getting back these funds only if we agree to sell them in the first instance to the Fund and take back not more than 40 per cent., not at once but spread over 20 years at the rate of 2 per cent. each year after an initial delay of 3 years. At the end of 23 years the whole of it may be got back. But during these 23 years the country having these foreign balances cannot ask for foreign exchange but only local currency. "Its request will not be granted unless the country needs the foreign exchange for the purpose of meeting an adverse balance of payments not arising from the acquisition of gold, the accumulation of foreign balances or other capital transactions." One has only to set these proposals down to condemn them. The British scheme is fortunately more merciful. It points to the risks to which a country not being itself in a creditor position is exposed if it has to redeem the balances held by other countries in international money but recognizes equally clearly the desirability of enabling those countries which own these balances to regard them as liquid. It therefore suggests that some special arrangement should be devised by which such balances may be regarded as liquid by the countries that own them while there would be no corresponding strain on the bancor resources of the debtor country. The future of our sterling balances is indeed very dubious, to say the least.

There are other aspects of the currency plans on which something should be said, but they may be reserved for discussion at a later stage.

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The Week's Notes

THE LATE MR. N. S. SUBBA RAO

We deeply regret to record the death, on the 29th June in Bangalore, of *Rajakaryapravina* Mr. N. S. Subba Rao, M.A. (Cantab.), Bar-at-Law, Head of the Department of Economics in the Allahabad University and formerly Vice-Chancellor of the Mysore University, at the early age of 58. Mr. Subba Rao had evinced a keen interest in the *Eastern Economist* and was to have contributed shortly an article on Alfred Marshall —whose student he was at St. John's College, Cambridge—to its columns. His premature demise is all the sadder for us as only the day before his death we had a letter from him in which he hoped to send up his article as soon as he left the sick bed. But fate willed otherwise.

The late Mr. Subba Rao had a varied and distinguished career. As an economist, he was once described by *The Economic Journal* as "a strict Marshallian of the orthodox sect." He was a member of the Textile Tariff Board of 1926-27 and President of the Indian Economic Conference in 1929. As an educationist, he was Director of Public Instruction in Mysore, President of the All-India Educational Conference and Chairman of the Inter-University Board for a number of years.

The late Mr. Subba Rao delivered the Sir William Meyer Lectures to the Madras University some years ago, which have since been published in the form of a book entitled *Some Aspects of Economic Planning*. More recently he also delivered the Kikabhai Premchand Lectures to the Delhi University on "Rural Reconstruction."

INFLATION AND PRODUCTION

In his presidential address to the quarterly general meeting of the Indian Chamber of Commerce, Calcutta, Mr. D. Khaitan drew pointed attention to some of the currency and financial problems that have arisen out of the exigencies of war. The first of these is inflation, and Mr. Khaitan's argument takes the line of the counter-explanation that was offered some time ago in reply to the original expansionist theory. This counter-explanation says, in effect, that "currency expansion" is only an optical illusion; that, actually, it is the availability of goods that is dwindling and not the volume of currency that is expanding. "I believe that the rise in prices," he says, "is due more to scarcity of supplies of essential articles than to any indiscriminate expansion of currency..... Currency withdrawal will hardly serve to bring down the prices when the goods are not available at all." Thus he suggested that the present situation is better met from the production end rather than the currency end. He characterizes the latter approach as "borrowing foreign methods of combating an imaginary inflationary spiral" and as one proceeding "more or less on academic lines." Though there is nothing wrong or undesirable in making proposals for solution based on study from the academic viewpoint, nor in borrowing foreign methods, provided the means are suitable for our country, Mr. Khaitan's suggestion of increasing production is obviously a partial cure and so certainly one to which all parties to the present unfortunate price situation in the country should immediately apply themselves. As to the ways by which this increase in production can be achieved, Mr. Khaitan himself is aware that "no plant and machinery for production of goods for civilian consumption are easily available." So perhaps the solution lies midway between the "academic" and the "realistic" interpretations of the situation—*i.e.*, in increasing output to a level at which military demands will not encroach upon normal civilian requirements, coupled with a modification of the method of financing Allied purchases in India so as to pay a much greater proportion of our dues in capital goods, and a scheme of compulsory savings which, however, should not be detrimental to new enterprise.

Mr. Khaitan also discusses the E.P.T. and is quite logical when he questions the propriety of such a tax from a Government which frankly refuses to recognize that the prevailing high prices are due to inflationary tendencies. As to the restrictions imposed by the Government on the employment of new industrial capital, Mr. Khaitan believes that "the danger of growth of mushroom companies is entirely non-existent and imaginary" in the absence of any tangible data about such doubtful floatations. At a moment when the maximum increase in industrial activity is imperative, it is only to be hoped that the Government will exercise proper discrimination in dealing with applications for new capital issues.

CIVIL AVIATION

If we keep in mind the far-reaching technical strides that aircraft production has taken in recent years, it will not be difficult to imagine a post-war world in which internal and inter-continental civil aviations will be as common as railway and steamship transportations. Civil aviation on the scale of the latter can be said to complete the "shrinkage of the world" that is due to means of physical transport. Reports say that it is now settled to hold an Imperial Air Conference to collaborate on matters of empire air transport. In recent debates in the House of Commons, Sir Archibald Sinclair, the Air Minister, stated that the problems of post-war air transport were already the subject of preliminary consultations with the Dominions and India, and Sir William Jowitt added that these consultations were being held with a view to exploring possibilities of evolving a "common" policy.

India has had considerable experience of Imperial Conferences and "common" policies in the past. India's representatives at such conferences are invariably

hand-picked by Whitehall and her representation has meant nothing more than an additional vote for Britain. So if the Indian representation does not include the accredited representatives of the Indian public in general and of the commercial community in particular, the danger of Indian interests being bartered away will be very real. As to the "common" policies, they have, in the past, been common not to British and Indian interests, but to British interests at home and in India. The air prospects that future holds for India cannot be exaggerated. A vast sub-continent with important industrial and cultural centres all over can quicken its pace of all-round progress with a network of internal air transport, and situated as India is on the great commercial route between Europe and the Far East, the importance of her geographical position in any system of inter-continental airways is obvious. Hence it is necessary from now on to guard against foreign corporations getting a controlling hold on the enterprise in India. It might be recalled that the Government of India's agreement with the Indian Trans-Continental Airways vested controlling authority in the Imperial Airways. If it is found that Indian enterprise is not able to stand on its own legs at the beginning, it might have to be subsidized. A precedent has already been set for subsidizing airways in the case of the Indian Trans-Continental Airways which has received at more than Rs. 20 lakhs per annum by way of direct and indirect subsidies. Finally in any scheme of inter-continental air transport, involving agreements with foreign countries, India should not be treated as just an appendage to Great Britain, and her territory made use of as a thoroughfare controlled by Britain. Any reciprocal advantages accruing to us out of our allowing passage to foreign services over India should be actually enjoyed by us, and not by Britain or British interests in India on our behalf.

We are glad that the Federation of Indian Chambers of Commerce and Industry have taken up this important matter. In a communication they have addressed to the Government of India today they have drawn the latter's attention to most of the above issues involved in the matter. In addition, they point out the need for associating representatives of Indian industry and commerce with the Special Communications and Public Works Department Committee which is understood to be considering the question already, and which is to prepare a blue-print for Indian Civil Aviation Department. They also point out that adequate facilities should be provided in India itself for the training of Indians as pilots in all branches of aviation.

CLOTH PRICES

At the inaugural meeting of the Textile Control Board held in Bombay on June 28, Mr. M. S. A. Hydari spoke of a "substantial" reduction in prices as the objective of the control scheme, and of "sacrifice" on the part of the industry, and Mr. K. M. D. Thackersey, the Chairman of the Board, announced his belief that the prices of cloth and yarn would come down by at least 25 per cent. and "possibly range between 30 and 40 per cent. below what they have been during the last two or three months." Now, during the last two or three months, cloth prices have been, particularly in the case of certain essentials like dhoties, saris and plain shirtings, at least two to three hundred per cent. higher than the peace-time prices. For example, dhoties selling at about Rs. 4 a pair in peace time have been selling now at about Rs. 12 a pair. The working of the control scheme would make it available, according to Mr. Thackersey, at about Rs. 7-4 a pair at the cheapest. Nobody will deny that from Rs. 12 to Rs. 7-4 is a "substantial" relief. But Mr. Thackersey went on: "On a basis of the above price levels, I do not think anyone will have reason to complain." While no doubt a reduction of 40 per cent. is welcome, there is no justification for complacency on the part of the mill industry as even at the reduced prices the burden on the poor will be very heavy. For essential articles of clothing used by the poorer and lower middle classes, anything above a 25 per cent. excess over the peace-time prices is very difficult to bear. (Mr. Thackersey himself said that one of the main objectives of the Control Board was to supply cloth at reasonable prices to the "masses" of the country). We know that manufacturing costs have gone up enormously. But then the "reasonable" price of the manufacturer is never likely to become the "reasonable" price of the masses for the duration of the war. And the reconciliation of these two standards will be the really important task before the Control Board. It is from this point of view that we believe Mr. Hydari's reference to sacrifice on the part of the industry to be relevant.

NEW INDUSTRIES IN IRAN

A news item flashed out by *Reuter* last week ran to the effect that "with the assistance of British and American experts a new plant for the production of chemicals has been erected in Persia which is saving the U.S.A. shipping space now and will be of lasting benefit to Persia and the Middle East after the war." Unfortunately, in India the Government has been following a misguided and short-sighted policy and withholding permission to import machinery, etc., on the ground of scarcity of shipping space. This check on the rapid expansion of India's industrial war-effort has prevented India from being the "arsenal of the East" on a scale commensurate with her true potentiality and has thus placed an enormous avoidable strain on the shipping position of the Allies. The height of ridiculousness was reached when proposals for creating a shipbuilding industry in India received cold reception from the authorities. In the course of a few years, there has been a considerable expansion of industrial capacity in Canada, South Africa and Australia; but in India alone the growth of industrial war-effort has been retarded by the blanket excuse of shipping shortage and the difficulty of importing.

The effect of this short-sighted policy has had no less disastrous domestic consequences. The shutting out of imports had required the filling up of the monetary vacuum in India by a mass of currency notes as

the counterpart of our accumulating sterling assets which are, for all intents and purposes, frozen for the duration of the war. This overpowering influx of money into our economy has made all efforts at price control a losing battle from the start. If machinery, fertilizers and other essentials for industrial and agricultural production could have been imported, we would not be facing the serious crisis in food and other civilian consumption goods today. It is not India alone that has suffered from such a short-sighted policy on the part of the authorities who have tended to regard India as making her proper contribution to economic war-effort only if she fulfilled her envisaged role of supplier of raw materials and simple manufactures. Generally speaking, Middle Eastern countries were also condemned to play the same role. It is, therefore, of interest to know that at last a flourishing chemical industry has been established in Persia as part of her war effort, and it is refreshing to learn that the contribution this has made towards the partial easing of the shipping positon has been acknowledged.

A LONG-TERM FOOD POLICY

At a time when the country is in the grip of a serious food crisis and near-famine conditions prevail in many parts of the country, we are naturally preoccupied with short-term measures to stave off the immediate peril, and the question of evolving a long-term food policy may appear somewhat remote and academic. Yet it would be tragic if even the magnitude of the present food crisis fails to open our eyes to the extreme precariousness of the foundation of our food economy. We are glad to note, therefore, that the Central Government, in the midst of its preoccupation with the short-term problem, has decided to appoint a committee of officials and non-officials to prepare a long-range food policy. In the face of the rapid growth of our population and the heavy and increasing pressure on the soil, our food position has been steadily deteriorating recently and the supply of food has been unable to keep pace with the growth of our population. India, indeed makes, a very poor show judged by the nutritional standards set by dieticians, but even on the basis of a moderate standard, it has been calculated that we are deficient in food supply for about 63 million persons. The "Grow More Food" campaign, intended originally only as a war-measure, must be taken over into our peace economy and a well-concerted plan formulated for the progressive improvement of our food economy. There is still scope for extension of acreage, but our yield per acre is nearly the lowest in the world and there can be no doubt that our hope must lie mainly in intensive cultivation and scientific farming. The problem, of course, has to be faced primarily from the economic standpoint; but in dealing with an ignorant peasantry surrounded by a slow-changing, if not fossilized, social structure, we shall also be confronted with most complex sociological problems. Indeed, any long-range food policy becomes intelligible only as an integral part of a general social and economic policy. The terms of reference of the Committee are naturally limited in scope and it is understood that they will have to report by next month. Nevertheless, the Committee can do most useful preliminary work if they bear in mind the broader issues and strive to bring to a focus the highlights of our deteriorating food economy and indicate the long-term trends as well as the future possibilities in this regard.

WANTED REVISION OF PATENT L AWS

Industrial development in India at the rate at which we should desire it, cannot be achieved without a considerable modification of the present system of patent laws. Many of the industries are covered by the patents of foreign countries; the development of heavy engineering, electrical machinery and several other industries will all be hampered unless we are able to buy out the patent rights from these countries or unless a modification on reasonable and rational lines is achieved. The present moment gives us an opportunity to consider the matter in all its aspects. We have the right to disown the patents of enemy countries to which we are under no reciprocal obligation. The British dyestuff industry owed much of its development to the confiscation in war-time of the German patents which covered the chemical industries. India can follow the same example. Besides the whole matter of patent laws must be examined by an Expert Committee with a view to finding out what modifications should be secured by reciprocal and co-operative action. The present laws governing patents are archaic, irrational and sure to hinder progress and should therefore be altered. The duration of a patent right must be strictly limited. It should be also a condition of the establishment of foreign companies in India, that they should have, besides Indian capital and Indian representation on the board of management, arrangements for the training of technicians in the industry. We suggest that the Government of India should appoint a small expert committee to go into the whole matter so as to enable the Government to take immediate action. We would also suggest that the Federation of Indian Chambers of Commerce should lose no time in tackling this problem.

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Changes in Central Tax Revenue

(Contributed)

IN the last four years certain striking changes have taken place in the relative importance of the main sources of central tax revenue and it may be useful to analyse them not merely to examine whether they have led to a more equitable distribution of the burden of taxation, but also how far they represent a permanent readjustment of the financial system. The causes which brought about this transformation are to be sought for in the turns and limitations to India's foreign trade, and the emergence of new incomes arising from war which the necessities of war finance could tax.

The following table exhibits the yield from the main heads of revenue and its percentage to the total tax revenue of the Central Government for the period from 1937-38 onwards:—

Year	Total Gross Tax Revenue	Income & Corporation Taxes, including E.P.T.	Percentage of 2 to 1	Customs duties	Percentage of 4 to 1	Excise duties	Percentage of 6 to 1
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
1937-38	7455	1458	19.6	4311	47.8	766	10.1
38-39	7390	1578	21.4	4051	54.8	866	8.5
39-40	8067	1658	20.5	4588	56.9	652	12.4
40-41	7714	2177	28.2	3730	48.4	949	8.1
41-42	9762	3667	37.6	3789	38.7	1315	7.4
42-43 (B)	11360	5562	48.9	3535	31.1	1265	9.0
42-43 (R)	12242	6710	54.8	3100	25.3	1268	9.7
43-44 (B)	15596	8990	57.6	3000	19.2	2542	6.1

Customs

The yield from customs duties had been the most important tax source of the Central Government. Of this, the yield from the export duties on jute, rice, raw hides and skins was always of negligible account, and in this period also it remains so, as may be seen from the fact that it has fallen from Rs. 443.67 lakhs in 1937-38 to Rs. 257.00 lakhs in the latest budget.

It will be seen that in the period under review the yield from import duties has progressively fallen not merely in amount, but in its proportion to the central tax revenue from 57.8 per cent. in 1937-38 to 19.2 per cent. in the budget for 1943-44. The decline in the amount and importance of the yield from customs duties had been in evidence even in the decade from 1927-28 to 1937-38 under the double influence of the policy of discriminating protection and high revenue duties on imports levied in depression and this was reflected in the decline of the imports of manufactured consumption goods and the increase of the imports of capital goods and raw materials. With the growth of output, under the walls of protection of the sugar, matches, iron and steel and cotton piecegoods, the fall in their imports was so steep that in the year 1936-37 they were less than the yield from the import duties in 1927-28. From purely revenue point of view the replacement of consumers' goods by imports of machinery and plants was not equally productive not merely on account of reduced import values, but of lower duties.

The fall in the yield from import duties fully reflects the quickly changing fortunes of foreign trade in the different stages of the war. With the progressive spreading of the conflict from the continent to the rest of the world, including the Far East, and the elimination of all trade with the enemy countries, with the increasing difficulties of the shipping situation and the conscious adoption at a fairly early stage of import control designed to eliminate unnecessary imports, together with the inability of Allied nations to export to India as much as before, there has been witnessed in the last four years a steep decline in imports, accounting for the fall in the yield.

It is interesting to analyse the yield from protective and revenue duties separately and also to study the yield from certain individual items of imports. The figures below give the yield from revenue and protective duties:—

(In lakhs of Rupees)

	Revenue Duties	Protective Duties
1937-38 ..	3322.50	899.04
1938-39 ..	3166.15	813.98
1939-40 ..	3419.39	1122.91
1940-41 ..	3122.43	633.23
1941-42 ..	3431.42	319.46
1942-43 (B) ..	3322.75	207.25
1942-43 (R) ..	3002.03	76.97
1943-44 (B) ..	2942.34	55.66

It will be seen that the greater part of the fall is accounted for by the protective duties, whose yield has amost reached vanishing point. The most important items to record decline are all varieties of cotton fabrics, both of British and non-British manufacture, artificial silk fabrics, silk fabrics and raw silk, as may be seen from below:—

(In lakhs of Rupees)

	Cotton fabrics of British manufacture	Cotton fabrics of non-British manufacture	Artificial silk fabrics	Silk fabrics	Raw Silk
1937-38 ..	130.58	220.31	170.33	59.87	38.90
38-39 ..	94.96	264.98	94.78	55.23	29.38
39-40 ..	64.09	287.82	107.98	30.82	30.39
40-41 ..	27.23	240.97	125.79	29.55	30.12
41-42 ..	20.72	79.53	75.25	17.58	23.42
42-43 (B) ..	21.25	36.00	18.25	14.75	19.25
42-43 (R) ..	14.80	3.92	11.70	3.15	.91
43-44 (B) ..	15.00	4.37	4.90	1.10	0.5

The textile and silk imports account for the major fall. In the decade ending 1936-37 the internal manufacture of the bulk of the cotton piecegoods needed for the country had not brought about a steep fall of the yield from duties on cotton goods because the costlier and finer varieties of goods bore a heavier burden and contributed to the revenue. The war has cut off all British and foreign imports and therefore the revenue also. Among the new duties recently imposed the surcharge of one-fifth over the schedule of customs import duties imposed in 1942, which would in normal times have been regarded as undesirable in its effects on industry may perhaps be justified now on the ground that it would check imports no more than they would have been checked by other factors and that there was consequently no point in losing the revenue. The increase of the duty on artificial silk yarn and thread from 3 as. to 5 as. per lb. in 1941 is expected to yield practically nothing in the latest budget estimate due to the virtual cessation of imports. Among the other items, the yield from motor-cars, cycles, etc., has fallen from Rs. 168 lakhs to Rs. 20 lakhs, that from machinery from Rs. 216 lakhs to Rs. 153 lakhs and yarn and textile fabrics from Rs. 131 lakhs to Rs. 30 lakhs. Tobacco, spirits and liqueurs, and motor spirit show an increase.

How far does the fall in the yield from customs duties represent a permanent tendency? It might be argued, for example, that the resumption of imports after war will restore the yield. But there are other causes to point to the contrary. The level of import trade after the war may not go up very much unless a planned policy of industrialization implying large capital imports is carried out, and in the latter case, the increase in the imports of capital goods is unlikely to bring in more revenue for the simple reason that they will not be subject to heavy duty and that the present surcharge will be abolished. Moreover as during the last war and in slump, the cutting off of imports has enabled a number of industries to grow up internally now, and this will impede the resumption of pre-war imports both because a good element of self-sufficiency will have been reached and necessary protective duties will be imposed. In the latter case, in proportion to the effectiveness of protection, the yield will fall as in the case of sugar. There is thus reason to conclude that customs duties may have suffered a permanent decline in importance.

Direct Taxes

Perhaps the most satisfactory feature of the whole era is the striking rise to the first place of the income and the E.P.T. taxes. Their contribution has risen from 19.6% in 1937-38 to 57.6% as estimated in the latest budget. As concerns the E.P.T., the principle underlying it is, as the Finance Member stated, that in raising the additional revenue to meet the cost of the war recourse should at first be had to the taxation of those to whom the war has brought additional profits, and on this unexceptionable principle, the tax and the compulsory deposit laid down in the recent ordinance tend to correct the excessive regression in the tax system which has been its characteristic through history, although the restoration of the compulsory deposit with an additional equivalent amount after the war is likely to lead to financial troubles.

The E.P.T. is bound to vanish after the war, and with it the major element of the corrective for regression. The lower levels of incomes which have been taxed now are likely to be freed of their burden after the war. The higher levels have been fairly steeply taxed, and there does not appear to be great scope for further progression. But the difficult question is whether the yield from income tax can be sustained. The likely cause of its decline after the war, namely, the deflation of activity and incomes may be expected to be ensured against by State policy. Even if this be not done and some decline occurs, the fall may not be appreciable, seeing that much of this is built on industrial production, which during slump showed only growth in the past, and is likely to do so in future also. But the maintenance of the present level of yield from income taxation or its limited growth will not make for such reduction in the regressiveness of the tax system which from the social point of view may be desirable.

Excise Duties

The development of central excise duties into a major head of revenue has been one of the important fiscal features of recent years. It will be seen from the above table that though the yield under this head has risen to the high figure of Rs. 25.42 crores in the latest budget estimate, its relative importance to the total tax revenue has declined from 10.1 per cent. to 6.1 per cent. due to the greater growth of the total revenues. The loss of revenue from import duties had to be replaced by other duties, and the sugar and the matches excise duties imposed for revenue were very productive even before the war. The main component of the central excise revenue is sugar, and its yield has risen from Rs. 3.33 crores to 6.25 crores in the latest budget. The duty was raised from Rs. 2 to Rs. 3 per cwt. in 1940. The duty on motor spirit is expected to yield Rs. 240 lakhs this year, the duty having been raised to 12 as. per gallon in 1940. The new excise duty of 10 per cent. ad valorem on pneumatic tyres and tubes imposed in the budget for 1941-42 yielded Rs. 35 lakhs in that year and is expected to yield Rs. 55 lakhs now. The yield from this source of revenue is dependent on the volume of internal production and most of the duties being specific and not ad valorem, the yield is not likely to suffer from fall of prices. The taxes imposed under war emergency are certain to be retained as permanent additions to the system. In fact the growth of domestic industries and the replacement of imports will make the excise duty an increasingly important source of revenue in the future also. This, while productive from the purely revenue point of view, adds to the regressiveness of the tax structure, and the poor consumer is made to pay by way of higher prices either through import duties at the protective stage or through excise thereafter.

While at first sight it might appear that the rise to the first place of the income and corporation taxes including the E.P.T. has made for radical progression in the tax system, there are certain weighty considerations which detract from the validity of this inference. In the first place while the increased taxation of big incomes and profits is good so far as it goes, the enormouse rise in the prices of necessities of life and the scarcity imposed on the country render the benefits of a more equitable tax burden highly illusory. In the second place despite the virtual disappearance of the yield from protective import duties, the revenue duties are now yielding Rs. 30 crores. Most of this coming from machinery, plants and other capital goods, forms part of industrial costs and adds to the burden on the consumer. The regressiveness is still further worsened by the fact that the luxury imports like finer textile goods, artificial silk, and silk goods and yarn have practically disappeared, giving no revenue. In the third place the higher and newly imposed excise duties are an obvious cause of regression. In the fourth place, the greater contribution of the commercial departments to the total net revenues of the Government apparently not reckoned as tax yield is in reality taxation for postal and railway services, making for regression. Its importance can be seen from the in-

creased railway and postal rates, and the augmented contribution of railways to the general revenues. Below are given the figures of the contribution from commercial departments and its percentage to the total net central revenue:—

	Yield (In lakhs of rupees)	Percentage of total net revenue
1937-38	325	4.0
38-39	147	1.8
39-40	514	5.8
40-41	1334	13.6
42-43 (B) ..	2428	16.8
42-43 (R) ..	2564	15.1
42-43	2564	15.1
43-44 (B) ..	3540	16.8

The contribution of the railways to the general revenues has grown due to the increased railway earnings and more recently to the suspension of the railway convention enabling an ad hoc allocation of surpluses. It is inevitable that after the war there should be a decline in railway revenues because of the purely war-time nature of the present traffic, and it is quite probable that the contemplated revision of the railway convention will give greater financial power and freedom for the railways and lesser revenue for the Government, in which case one of the main sources of revenue now will have become relatively unimportant after the war, leaving the Government to look out for alternative tax sources.

Thus the revenue position after the war seems not very rosy, seeing that the customs have declined in importance, the E.P.T. is bound to go, the income tax is not likely to grow in a striking degree, the commercial undertaking will be yielding less and that the fruitful central excise cannot make up for all this short fall. But it is not so certain either. Though the yield from customs might decline, the fall in direct taxes might restore to customs duties some of their pre-war importance. Moreover declining items will be at least partially offset by rising ones, as the shift in the nature of import trade before the war shows. Finally there is bound to be a considerable reduction in the defence expenditure after the war, and this means that a worse revenue position would not be so unsettling in its budgetary effect as it otherwise might be.

A purely fiscal analysis of this kind is of extremely limited value in comparison with the fundamental changes which the war has caused in price levels, foreign trade, debt position, internal production and distribution of the national dividend. As an engine of social progress and as a corrective to the inequalities of income and wealth, wartime changes in taxation have had negligible effect compared to the other factors mentioned above. The task of the future finance member (or minister as we may hope) will be so to shape these larger policies that the resulting growth of national income will make the tax weapon the pace-maker and tempo-setter of the economic system that it has been in all economically advanced countries, but has failed to be in India so far.



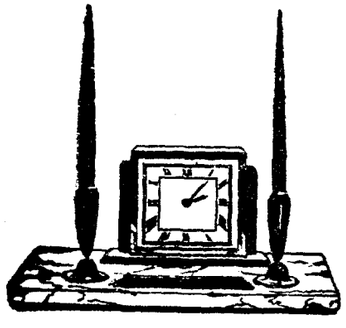
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The World Abroad

The Soviet Home Front*

(Contributed)

ALIKE in peace and war the Soviet Union has been a legendary land. During the twenty years between the Revolution and the present war the world marvelled at the constructive statesmanship of the Bolsheviks, and in the present war it is marvelling at their destructive heroism. Thoroughness has been the core of both. Their achievements in peace and war are putting the cold cynicism of a prejudiced world to shame. When Germany attacked Russia in June, 1941, the latter was doing the fourth year of the Third Five-Year Plan (1938-1942). Judging from the extent to which the groundwork of the Five-Year Plans has stood the economic strain of a total war, it is evident that the Soviet planners throughout counted a conflict with some capitalist power or the other as being probable, if not inevitable. Without going into this aspect of the matter here let us see how the country's productive frame stood on the eve of the war. As in India agriculture is Russia's major economy and two-thirds of the population lives by the land. About 250,000 collective farms cover the activity of the agriculturists. All but 7,000 of these farms have secured a formal right to the *use* of their respective lands by invoking Article 8 of the Constitution of 1936. The 6,500 machine tractor stations that are in existence are an indication of the progress of the mechanization of agriculture. In the sphere of indstry, between 1913 and 1940, the production of electric power was increased by 20 times, that of oil by 7 times, and those of coal and steel by 6 and 4½ times respectively. It may be interesting to note that in addition to expansion of units and improvements in production technique, the encouragement of individual incentive has also been made use of, without prejudice to the collective principle, to accelerate production. The total annual wages which stood at roughly 10,000 million roubles in 1928 swelled to 175,000 million roubles by 1941. But with all this Russia still suffered from low per capita productivity with the consequent comparatively low standard of living. However, these did not represent any suppression of production, but only the transitional difficulties involved in central planning.

On the outbreak of the war some of the leading industries were shifted from the threatened west to the Leningrad and Moscow districts with remarkable rapidity and order. Heavy industries such as armaments, aeroplane and machine tool factories, and light industries such as textiles and footwear all took shelter around the Urals and Siberia. In fact Kiev and Kharkov themselves moved across. In this process the efficient railway transport system expanded under the Third Five-Year Plan was of decisive help. In the reception areas, some of them non-industrialized before, local labour was, and is, being trained and new industrial suburbs are being built. Production was restarted in the new area in many cases within a month of evacuation. While regional decentralization in industry during peace time made this evacuation a success, inter-regional co-ordination which is now being forged, breaking through the bureaucratic frigidities, is speeding up production on an emergency basis. The industrial co-operatives, who produced only "supplementary" consumers' goods in peace time, the railway workshops and the scientific research institutions are all mobilized to maintain and increase war production. The mobilization of the last-named might well serve as a pointer to highbrows elsewhere.

Invasion and enemy occupation seriously jeopardized the Russian agricultural and pasture industries. The areas occupied by Germany during the first year of the war meant a deletion of 30 per cent. in the total production of grain and other cereals. "In livestock the position is still more serious: 32 per cent. of all cattle, 56 per cent. of pigs and 18 per cent. of sheep and goats were in the occupied regions, and the consequent losses in milk, eggs, meat, and vegetable oils amount to something like 30 per cent. In addition, the bulk of the sugar production and a considerable proportion of tobacco supplies were lost." Of the mechanical appliances, which are very essential to Soviet agriculture, "33 per cent. of the tractors, 38 per cent. of the lorries and 39 per cent. of the horses" were in the lost territories. Soviet agriculture has thus been forced, though temporarily, to take what the Soviets would consider to be the retrograde step of employing animals for the locomotion of agricultural machinery.

On the food front the bigger cities have gone on ration. Rationing was introduced in Moscow within a few days of the outbreak of hostilities. It is interesting to note that consumers are divided into four categories: (1) Industrial and technical workers. (2) Clerical workers. (3) Non-workers. (4) Children under twelve. Categories 3 and 4 receive from 50 per cent. to 80 per cent. of the rations of category 1. The rations are equivalent to 3,000 calories per day. Bread, sugar, fish, cereals, including flour, meat and fats are the rationed articles. The ration for bread is according to daily requirement and for the other articles according to monthly requirement. Industrial workers receive just under two pounds of bread every day and clerical workers just over one pound. Of the monthly rations, sugar is about three and a quarter pounds, fish about two and a quarter pounds, cereals and meat four and a half pounds, and fats just under two pounds. Expectant and nursing mothers receive additional rations of butter, sugar, cereals and milk. However, the Soviet Union is faced with serious deficiency in vegetable fats and with inefficiency in the exploitation of fisheries. Clothes are rationed on a coupon basis. "Each person has 200 coupons per year." To give an idea of what these will buy, it may be mentioned that "a man's suit requires 80 coupons if it is wool, and 45 coupons if it is cotton."

In upholding the morale of the working class, the Trade Union movement in Russia faces and resolves problems of industrial relations in a manner more enlightened and responsible than in the capitalist democracies. Of course, the nature of economic and social organization in the Union is itself conducive to such behaviour on the part of the working

*Based on *The Soviet Home Front* by N. Barou, London, The Fabian Society, 1943.

class, while in the capitalist democracies considerable parts of time and energy have still to be reserved for problems arising out of class conflict. But even people who in peace time have made a plan and the task of its fulfilment their own might find the problems of total war, thrown up in quick succession, a heavy strain on their economic devotion and resourcefulness. The Soviet Trade Union movement has made "production" the supreme aim of the home front. Thus the war effort behind the lines is as determined and methodical as it is on the battlefield. But the real handicap arises from the economic isolation Russia allowed itself—perhaps was compelled to—during peace times. The Union now finds itself invited to make its debut to international economic collaboration for which its system is not quite suited. On the extent to which it can answer this call will probably depend the fructification of its present effort on the home front in the remaining years of the war.

Currency In Occupied China

Japan has adopted different financial and currency policies in the various parts of occupied China. The first invasion bank was created by the Japanese in China in October, 1934, two months after Japanese troops penetarted Kalgan, former capital of Chahar province. Capitalized at $1,000,000, the bank was jointly operated by the "Central Bank of Manchukuo" and the puppet regime in Southern Chahar for the purpose of extending the bogus notes of the "Central Bank of Manchukuo." It was reorganized into the present "Mengkiang Bank" and was placed under the control of the puppet "Mengkiang Government" upon the latter's inauguration after the outbreak of the war in 1937. Its capital was then increased to $12,000,0000, and later increased to $60,000,000. Recent reports indicate that the capital has been increased to $150,000,000. The "Mengkiang Bank" has been issuing bogus notes, but has so far failed to curtail the circulation of the Chinese legal tender.

Not satisfied with issuing bogus money alone, the Japanese have seized a number of native banks in Chahar, Shasi and Suiyuan and reorganized them into three industrial banks. The so-called "Southern Chahar Industrial Bank" was formed by 13 native banks in Kalgan and Suanhwa (Southern Chahar) with a capital of $1,000,000, of which $500,000 came from the "Mengkiang Bank." The "Northern Shansi Industrial Bank" was reorganized from 13 native banks in Tatung, railway city in Northern Shansi. It is also capitalized at $1,000,000, a half of the amount being appropriated by the "Mengkiang Bank." The third is the "Mongolian Industrial Bank." Capitalized at $1,000,000, the bank was reorganized from 18 native banks in Kweisui, Fengchen, Tsining, and Paotow (all railway cities in the Inner Mongolian province of Suiyan).

The situation has been more complicated in North China than in Inner Mongolia. It was not until 1938 that the Japanese ordered their puppets to organize the "China Federal Reserve Bank." Capitalized at $23,000,000, the puppet bank was created for drawing the reserves from all existing banks in North China and issuing new notes. The first measure adopted by the Japanese after the inauguration of the bank was to prohibit the use of legal tender. The order had to be compensated, however, by depreciating the value of the "FRB" notes because the people preferred the use of legal tender.

The Japanese have ordered the reopening of those Shanghai banks closed after the outbreak of the Pacific war and the resultant complete occupation of the port city by the Japanese. As a result, there are now 194 Chinese banks in Shanghai. Ninety-three of them have their headquarters there. An overwhelming majority of 123 are commercial banks, engaged in sheer speculation undertakings. Most of these banks are capitalized at around $1,000,000. The largest ones are capitalized at about $2,000,000. Both coins and paper currency formerly belonging to these banks were taken away by the Japanese in exchange or "CRB" notes.—*China Information Committee, Daily Bulletin, June 19, 1943.*

"DEPARTMENT OF COMMERCE IMPORT TRADE CONTROL"

Holders of "Essentiality" or "Essentiality Quota" import licences issued under Notifications Nos. 56-ITC|41 and 22-ITC|42 and covering shipments in the period January-June, 1943, from:—

The United Kingdom,
North America,
Australasia,
South Africa, and
East Africa

are informed that, where shipment is not made against the licences within that period, the licences will stand automatically revalidated to cover shipments made in the period July-December, 1943.

2. "Prepayment" licences valid for shipments from:—

The United Kingdom,
North America and
Australia

up to the 30th June, 1943, will, however, expire on that date and will not be revalidated.

3. "Prepayment" licences covering shipments from:—

South Africa,
East Africa, and
New Zealand

up to the 30th June, 1943, will, however, be automatically extended to cover shipments made up to the 31st December, 1943.

4. In the case of licences which are automatically revalidated it will be unnecessary to return the licences to the issuing authorities for formal revalidation.

5. The above does not apply to import licences issued under Notification No. 25-ITC|40 or the Machine Tool Control Order.

Post-War Planning Section

II

Occupational Planning

IN the article on "Capital Requirements of an Economic Plan" last week, it was stated that statistical inquiries have established a definite ratio between the stock of national capital and the national income of a country, and that the rate of growth of national income in any economic plan is a function of the rate of growth of capital formation. Thus for India the ratio is estimated at 2 in the sense that to bring about a definite increase of national income twice the amount of capital will have to be invested. In the present article, it is proposed to examine what should be the nature of the occupational distribution of the population which will conduce most effectively to secure the increase of national output planned for, having regard both to the rate of growth of population and the existing occupational distribution.

Studying the economic progress of different countries in this aspect, Mr. Colin Clark finds a very firmly established generalization that a high average level of real income per head is always associated with a high proportion of the working population engaged in secondary and tertiary industries; and that the main dynamic of economic advance has been rising income per head in either secondary or tertiary industry, often in both, and the transfer of population away from primary industry, which is the least productive sector of the economy in every country. Primary industries are defined as agriculture, forestry and fishing; secondary industries as manufacturing, mining and building; and tertiary industries as including commerce, transport, services and other economic activities. In the U.S.A., Canada, Great Britain, Australia and New Zealand, nearly half of the working population is engaged in tertiary industries and in other European countries and Argentine between 33 and 40 per cent. Low real income per head is always associated with a low proportion of the working population engaged in tertiary production and a very high proportion employed in primary production as in China and India. The following table of figures of per capita income and the occupational distribution of the population in a number of countries affords evidence for the above generalization:—

	Average Real income per head* 1925-34	Primary	Secondary	Tertiary
U.S.A.	1368	19.3	31.1	49.6
Canada	1337	34.5	23.2	42.3
Great Britain	1069	6.4	43.9	49.7
Australia	980	24.4	29.4	46.2
France	689	25.0	39.7	35.3
Germany	649	24.3	38.5	37.2
Japan	353	50.3	19.5	30.2
U.S.S.R.	285	74.1	15.4	10.5
India	110	62.4	14.4	23.2

[* expressed in international units, an I-U being the amount of goods and services which could be purchased in the U.S.A. over the average of the decade 1925-34 or an amount interchangeable with them.]

Unlike in the case of capital investment where a fairly reasonably satisfactory ratio is obtainable between the rate of capital formation and the resulting growth of national income, there is not the same uniformity of correlation between the rate of growth of real income per head on the one hand and the rate of growth of secondary and tertiary employment or of the decline of primary employment on the other. The coefficient of correlation varies widely as between countries. But of the broad validity of the generalization itself there seems little doubt.

But what is the causal nexus in this historical association of the growth of real income per head with the rise of secondary and tertiary and fall of primary employments? As incomes increase, the demand for distributive and other services increases more than the demand for primary products, and the services being non-transportable must be provided by the workers within the country. In other words, the income elasticity of demand for most of the staple foodstuffs is very low, while that for clothing, furniture and other luxury articles is very high. Income elasticity of demand for a commodity will measure the additional amount a country would spend on that commodity as its income rises, and it is the governing factor in the shifting of population from primary to secondary and tertiary occupations.

Investigation of the productivity per head on the primary industries of different countries shows that on the basis of each country's average output per head in the primary industries, New Zealand would occupy only 6.4 per cent. of her labour force to supplying its entire population with a scientifically arrived at optimum diet, Australia would occupy 9.7 per cent. of her labour force, and that in Japan, Russia, India and China the attainment of the optimum at the present per capita output would require more than their entire labour force in each case. That these countries have an industrial population shows that food consumption is below the optimum, while the excess in the more prosperous countries shows consumption above the optimum or export of the surplus. It is the release of man-power from agriculture which goes with the growth of secondary and tertiary employments with higher per capita output.

For our purpose the crucial question is this: If the rise in real income per head and the transfer of labour away from primary industries are so firmly associated, is the converse of the proportion true, *viz.*, to bring about a rise in real income per head it is

necessary to draw off labour from primary industries At first sight it would appear that the case of Russia proves that it is not necessary. Russia, for instance, achieved an increase of its national income by 27,200 million roubles by construction of capital of the value of 50,502 million roubles in the four years from 1928 to 1932, and again by 50,200 million roubles by means of capital investment of 110 milliard roubles in the next five years. This doubling of the national income by a high rate of capital formation had not brought about a decline in the proportion of the population employed in agriculture. Between 1928 and 1934 about 18 million workers were transferred to urban employment and yet the percentage of rural population remained at 73.5 per cent., showing that the pace of industrialization had just kept pace with the natural increase of the population. But this shows not that a high rate of increase of of per capita income does not require the drawing off of labour from primary employment, but that even the pace in industrialization could only just absorb the rapid growth of population and that all industrialization achieved was to maintain this increase in population without a decline in their standard of living but rather with some increase in it.

This leads us to another consideration. The statistical significance of the changes in the proportion of population employed in the three kinds of industries is real where the absolute figures of population and the rate of growth are low as in the case of Australia or New Zealand, but very different where as in Russia, India and China larger magnitudes are concerned. The transfer of a percentage of a small population with even a higher rate of increase from one industry to a different industry is much easier than an equal transfer in the case of a huge population in view of the greater strain on organization. Equally a higher per capita output with a smaller population is much easier than for a huge population, other things being equal.

We may now turn to a consideration of the trends of occupational distribution of the population in India and the transfers in it which would be involved in putting through an economic plan. Official studies of this subject are never tired of stressing the inherent limitations of a decennial census and of the frequent changes in the basis of classification which vitiate their value for any comparative study and as basis for social policy, and our conclusions have necessarily to be tentative. The following table gives the data on the subject:—

(In lakhs)

	1911	1921	1931
Total workers ..	1489.0	1464.0	1469.0
Production of Raw Materials ..	1065.0	1061.0	1035.0
Industry ..	175.2	157.3	153.5
Transport ..	24.0	19.7	23.4
Trade ..	81.1	80.5	79.1
Domestic Service ..	27.0	25.0	39.0
Insufficiently Described Occupations ..	51.0	60.0	78.0

Distribution of population in 1931

Employments	per cent.
Primary	62.4
Secondary	14.4
Tertiary	23.2

The inference that may be drawn from these figures is that the percentage of population dependent on agriculture has remained the same if it has not increased, and that the proportion of industrial workers has declined, though it is subject to qualification. It creates a strong presumption that the level of per capita income over the last thirty years has at best remained stationary and perhaps has declined.

Assuming the data of present occupational distribution to be reliable basis of policy, it remains to consider the right degree of capital intensification in different industries which would achieve the growth of national income without causing technological unemployment. It is at this stage that the conflict between the employment of the huge labour force and the introduction of machinery arises. Thus of the population engaged in secondary industries now, only about 2 million workers are engaged in organized factory industries, and the greater part is employed in the unorganized industries having very little capital equipment and working on crude methods. Thus, according to the Hand-Loom Fact-finding Committee, the handloom industry is engaging 2.4 million workers and 3.6 million auxiliary workers who assist the weavers, thus providing employment to 6 million workers and supporting in total 10 million persons including the dependants of the workers. On the other hand, the cotton mill industry which produces 61% of the cloth consumed in the country employs only 430,165 workers, *i.e.*, only a seventh of the total number of workers in the cotton textile industry, and the mill industry employs a considerable number of its workers for producing yarn for handlooms. The rapid growth of domestic mill output in recent years has taken place largely at the expense of the handlooms, thereby reducing the real earnings of weavers, who had no alternative occupation to change over to. That a similar situation of technological unemployment over a wide range of unorganized industries has risen as the result of the growth of the mill industry is evident from the findings of the Bombay Economic and Industrial Survey Committee in 1938. Unemployment and depression of per capita earnings are the outcome.

Even in the distributive and other tertiary industries, whose high per capita productivity is responsible, according to Mr. Clark, for high real incomes of advanced countries, there is in India a lot of what Joan Robinson called 'disguised' unemployment, a state of affairs in which the worker falls back upon an unproductive occupation for want of any better. Abundant evidence for this view is to be found in the reports on the marketing of agricultural commodities in India. In the marketing of every commodity the spread between the price paid to the grower and that paid by the final consumer is very wide to the injury of the grower, and one of the fruitful methods of enhancing the income of the grower is to rationalize the distributive trade by eliminating some at least of the swarm of intermediaries who render no other service except to give a push to the commodity. These findings do not reflect high productivity in tertiary occupations. The position in agriculture is still worse in view of the absence of any advanced capital equipment and the low per capita output.

In such circumstances the aim of capital construction must be to bring about at once over the whole range of productive effort a higher per capita output per head than would be obtainable on primitive technique and low capital equipment, and also to secure

the employment of a greater proportion of labour per unit of output than would be possible in a highly mechanized industry. Under conditions of relative scarcity of capital and abundance of labour, the adoption of labour-using and capital-economizing methods would secure the adaptation of scarce means to unlimited ends or to the combination of the productive factors in proper proportions. It is the task of industrial technique to reconcile this conflict between full employment and higher per capita output. The Planning Commission will visualize an occupational planning which will give the optimum distribution of labour power as between cottage industries and handicraft industries with low capital-intensity and modern industries with increasingly higher capital intensity. We shall not secure the maximum economy in the use of our capital resources or get the maximum output if we use very advanced technological processes requiring costly machineries, while simultaneously there is a large fund of unemployed labour power. Occupational planning must have in view the optimum utilization of our scarce capital resources and relatively abundant labour power. Theoretically it might be posited that capital can be economized and technological unemployment can be overcome by working the capital equipment more intensively by double and even triple shifts whenever possible. But there are only 24 hours in the day, and there are obvious limitations to this method where the machine is already heavily used. Moreover if the intensity of use of any machine is doubled for this purpose, its life will be curtailed very heavily and its replacement would be equivalent to the duplication sought to be avoided as the solvent of unemployment.

The difficulties of this problem will be clearer if we consider also the rate of growth of population of our country:—

	Persons	Variation	Percentage variation
1891	279,446,248		
1901	283,872,359	+4,426,111	
1911	303,012,598	+19,140,239	+6.7
1921	305,693,063	+2,680,465	+0.9
1931	338,119,154	+32,426,091	+10.6
1941	388,997,955	+50,878,801	+15.0

Assuming the proportion of workers to the total population to be 40 to 45 per hundred and assuming that an annual growth of 5 million persons will be maintained, it will be seen that an occupational plan must, to prevent further pressure on land, draw into manufacture and other trades at least 2 million workers per year. If the object is to reduce the proportion of the population working on land, the task is still more formidable.

But that task has to be faced, if our objective to double the national income in five or ten years is to be achieved. It may be difficult to alter radically the existing pattern of occupational distribution without social stress, as already large masses of the population have settled themselves in certain occupations and it would be both difficult and undesirable to uproot them. But we have to deal primarily with the new entrants into occupations and in our country where the rate of growth of population is considerable they afford a most sure means of bringing about the desired distribution. Even the more limited objective of keeping the present proportions as between primary and secondary and tertiary employments would require a high rate of industrialization. But where as in our plan we envisage a rapid increase in the per capita income, a more rapid change in occupational distribution would seem to be called for.

The Tata Iron and Steel Company, Limited.

NOTICE

The THIRTY-SIXTH ORDINARY GENERAL MEETING of the Shareholders of THE TATA IRON & STEEL COMPANY, LIMITED, will be held on Wednesday, the 28th July, 1943, at 4-30 p.m. (S. T.), at the Registered Office, Bombay House, 24, Bruce Street, Fort, Bombay, to transact the following business:—

1. To receive and adopt the Directors' Report and Audited Profit and Loss Account and Balance Sheet for the year ended 31st March, 1943, and to declare Dividends on First Preference, Second Preference, Ordinary and Deferred Shares.
2. To elect a Director in place of Mr. J. R. D. Tata, who retires by rotation and is eligible for re-election.
3. To elect a Director in place of Sir M. Visvesvaraya, K.C.I.E., who retires by rotation and is eligible for re-election.
4. To elect a Director in place of Sir Chunilal V. Mehta, K.C.S.I., who retires by rotation and is eligible for re-election.
5. To elect a Director in place of Mr. Fazal Ibrahim Rahimtoola, C.I.E., who retires by rotation and is eligible for re-election.
6. To appoint Auditors for the current year and to fix their remuneration.

The Transfer Books of the Company will be closed from Saturday, the 3rd July, 1943, to Saturday, the 31st July, 1943, both days inclusive.

By Order of the Directors,
TATA SONS, LIMITED, MANAGING AGENTS,
A. R. DALAL,
DIRECTOR.

BOMBAY, 3rd July, 1943.

NOTE:—If Dividends on Shares as recommended by the Directors are passed at the Meeting, the payments will be made to those shareholders whose names are on the Company's Register on the 28th July, 1943. The payments will be made on and after the 17th August, 1943.

FROM THE PROVINCIAL ANGLE

Madras Letter

SCARCITY AND HIGH PRICES OF FOODSTUFFS—CORPORATION'S GRAVE CONCERN—TRANSPORT DIFFICULTIES.

(From Our Correspondent)

MADRAS, July 3.

THE Madras Corporation as the custodian of the health and well-being of the citizens of Madras naturally took up the question of food supplies to the City this week. The Council of the Corporation was specially summoned to discuss this question in the form of a special resolution given notice of by several members. The discussion lasted two and a half hours at the end of which a resolution was passed expressing "grave concern at the scarcity and high price of rice and other foodstuffs in the City" and requesting "the Government to take very urgent and effective measures to relieve the distress and ensure sufficient supplies at moderate prices". The discussion itself though not very illuminating reflected some of the complaints heard on all sides. It was made out that the system of control was at the back of the present trouble and therefore removal of the restrictions which prevented a free flow of rice and other commodities into the City was urged. In the meantime, it has been impressed upon the authorities that they should be very vigilant in view of the heavy demand for foodstuffs at the beginning of the month. The distribution of cards to the public under the system initiated by the Collector of Madras a fortnight ago has not been completed and it may take some days more. It has now been proposed to increase the number of retail dealers to 400 in the City. A few depots in localities where poor people live are to be opened where rice will be sold between the hours of 6 and 10 p.m.

Poor Quality of Foodstuffs

Complaints are now heard about the quality of rice supplied to the people. It is stated that the Railway and other big institutions are able to supply to their employees better rice at a cheaper rate. There seems to be also an aversion to the less polished rice by all classes of people. The middle and upper classes, used to Nellore rice for years past, are suffering great hardship due to inadequate stocks of this variety. But officials say that the people must at times out of necessity go without the rice they 'want' and eat what they get due to the difficulties of transport. Reports from the producing districts indicate that the grain purchasing officers are not having an easy time in getting supplies as the prices offered are reported to be unremunerative from the agriculturists' point of view. It is stated that the officers had to administer mild threats that commandeering might be resorted to. At a conference of the agriculturists held at Trichy, resolutions were passed to the effect that the right of the Government to commandeer foodgrains should be used with great care, that a fair proportion of at least 50 per cent. of the total yield should be allowed to the producer and that a fair price should be paid for the grains commandeered.

Application For Permits

A very large number of applications for permits to obtain rice for personal consumption from persons owning lands in the Tanjore district but residing outside the Madras Presidency has been received by the Collector of the District. According to the rules now in force, these permits can be granted to only those residing within the Presidency. But once the concession is given to those living outside the District but within the Presidency, there cannot be any valid reason as to why any invidious distinction should be made between those living within and outside the Presidency. This certainly constitutes a great injustice and in fairness to all concerned, the immediate modification of the rules is urgently called for.

Transport Difficulties

The problem of food is so closely related to transport that it would not be out of place to mention a few remarks made by Sir Hugh Hood, Adviser to H.E. the Governor at a public meeting here. He said that the fighting forces must have necessarily the first call on transport and that nothing must be done to impede their work. Even with the shortage of wagons and rolling stock, railways were now moving about double the quantity of foodstuffs from delta areas as they used in peacetime, which was by no means a mean achievement. Replying to the suggestion that bullock-cart transport should be organized by the Government, Sir Hood said that it would require some hundreds of carts to do the work of one railway train and the cost would also be prohibitive. They have done what is practicable by placing restrictions on transport of goods by rail over distances less than twenty-five miles which had relieved the railways to some extent by driving such traffic to the road. They have also improved water transport in the Presidency. Sir Hood, however, admitted that he was not satisfied with the present position but everyone was doing his utmost to improve matters. At the same meeting, Lt.-Col. E. Roberts of the M & S. M. Railway gave a talk on 'transport problems in wartime'. He referred to the difficulties of the railways and said that there was shortage not only of wagons but also of important materials like tin, zinc, copper and oil, not to speak of the difficulties in the transport of coal. Regarding the construction of more wagons, he said that the factories that were used in peacetime to produce them were at present engaged in manufacturing war requirements.

Petrol Rationing

The Southern India Chamber of Commerce have addressed a letter to the Madras Government drawing their attention to the serious inconvenience felt by the public in obtaining petrol and urging the need to re-examine the policy underlying petrol rationing for civilian needs. Already the tyre rationing order has added to the difficulties of the public and therefore a more generous allocation of petrol to them is requested. Though military needs are important, the Chamber points out, they could be divided into greater or lesser urgency in the matter of priority. The Chamber also regrets that the Government have not taken steps to procure industrial alcohol for admixture.

Motor-car Run on Groundnut Oil

Madras Presidency is sure to occupy a pre-eminent place in the industrial history of India during the present war period. Groundnut oil has been put to several uses including the running of diesel oil engines and as a lubricant. But a revolution has been created by using it successfully for running motor-cars. Mr. T. K. Nair, retired Chief Chemist and Metallurgist to the E. I. Railway, and his son, Mr. C. P. Nair, are responsible for this invention. These two gentlemen exhibited their efforts at Calicut before the Collector of Malabar District and the District Superintendent of Police and ran a motor-car on groundnut oil. The car covered 750 miles and was run through the streets of Calicut, much to the amazement of the citizens. The mileage secured was 35 per gallon of oil.

Control of Potatos

There seems to be no end to Government controls and no field of trade and commerce seems to be free. Now potato has come under the control of the Madras Government, probably due to military needs. An order called the Madras Potato (Dealers and Transport) Control Order has been issued to take effect immediately. The order extends to the chief potato growing areas viz., the Nilgiris District and the Kodaikanal Taluk of the Madura District and anyone to carry on business as a wholesale dealer in the areas mentioned should take out a licence under the Order. The Order states that no grower, unless he is himself a wholesale dealer, shall sell potatoes in quantities exceeding one bag of 200 lbs. at a time to any person who is not a licensee or shall keep at any time a stock of more than twenty maunds in any place. Transport to any place outside the province except under a permit from the Commissioner for Civil Supplies has been prohibited and half a maund at a time has been allowed for private consumption. Power has been taken to fix the price at which the commodity may be sold by growers or licensees. The Commissioner for Civil Supplies is to allot quotas for the requirements of the Defence Department, Supply Department, any specified province, industry or body of consumers and he will also fix the order of priority.

Bombay Letter

TEXTILE CONTROL BOARD'S MEETING—FALL OF CLOTH PRICES—IMPORTS OF SUDAN COTTON.

(From Our Correspondent)

BOMBAY, July 3.

THIS week Bombay was pre-occupied with the inauguration of the Textile Control Board which was done by Mr Hydari. The Textile Control Order is the first very comprehensive scheme of control by the Department of Industries and Civil Supplies. The main feature of the scheme is that the control is to be worked out more or less by the industry itself rather than by Government officials who may have no previous knowledge of the subject. The Board itself will not attend to the day to day work and for this purpose, it is further subdivided into a number of Committees, the most important of which is the Industries Committee which will be the Executive Committee of the whole Board. It is feared that an all-India Board like the Textile Control Board would not be a very active one and is likely to be a dilatory one. As it is, the Board is expected to meet once in two months and as members have to come from all over the country, meetings cannot be more frequent.

The first effect of the control has been a sharp reduction in the wholesale prices of piecegoods and yarn which are not yet reflected in retail prices. All the cloth produced before July 31, is to be disposed of in wholesale before October 31. As, however, this is the slack season for textiles, it has been pointed out by the cloth merchant that it would lead to further reduction in wholesale prices with the approach of the end of October. The suspicion that lingers in the mind of the public is: Who would get the advantage of this? As export trade is not affected by this order, does it mean that exporters will get the best out of this. If that happens, then India will be worse off for the control. It is reported that while the Leopard cloth broke down from Rs. 3 per pound to Rs. 2-10 per pound, grey shirtings was steady at about Rs. 2-8 per pound as compared with Rs. 2-9 a pound a week ago. The steadiness in this section is attributed to the good demand for this type of cloth in the export markets. The public feel that any control to be successful must put a definite limit on exports both on private account and by the U.K.C.C.

Another point that is mentioned in this connection is that the Government by this order are getting rid of the ordinary trade machinery at home so that the profiteer at home is eliminated. However, as far as the export trade is concerned, there is a very big profit that is being made—it is reported that profits range from 100 per cent. to 250 per cent. One wonders why exports from India should not be canalized. In this connection, it would be best if the Government were to take the public into confidence and give the people the total exports made on private account and by the U.K.C.C. and set limits to these for the future.

Fall in Textile Prices

In this connection, an important statement is made today by Mr. Krishnaraj M. D. Thackersey, Chairman of the Textile Control Board. He stated that the present fall in wholesale prices ranging between 25 and 40 per cent. from the peak levels is considered sufficient for the present. With regard to the extending of control, he stated that this would not be done just now as 20 per cent. of the mills' capacity was devoted to war orders yielding a profit of about 10 per cent. and 50 per cent. to the production of "Standard Cloth" which would be sold around cost price. He went on to state that according to the present wholesale prices, mills were expected to earn profits on the basis of the 1940-41 levels. With regard to retail prices which have not fallen, he said there would always be a time-lag. He revealed that the Export Committee of the Control Board had recommended to the Government that exports should be substantially reduced, aiming at such maximum figure as the Committee consider reasonable in the present circumstances, and proceeded that negotiations would be opened with countries like Australia, S. Africa and Egypt which have been discriminating against India.

To obviate the big price differences between the substantially reduced prices in this country and the prices prevailing in the export markets, the Committee have recommended levy of a substantial export duty on cloth and yarn for the duration of the War.

He went on to state that should there be a further fall in cloth prices, the Board would recommend to the Government for taking steps to restore confidence and normal trading.

The immediate effect of this has been that cloth prices have been steadied up and it would rather seem premature that the Chairman of the Board should have called for a halt in the fall in the wholesale prices, as the main objective of the control is to supply cloth at prices the masses can pay. The satisfaction expressed by the Chairman, Mr Thackersey, is premature as no relief has still come to the consumer in the retail market.

Cotton

The spot market was rather dull. Mills have not been actively in the market as they await their allotment of "Standard Cloth." It is expected that after the mills know what exactly they have to produce during the coming months, they would be in the market again. The main feature has been the demand for new crop Sind N.T. which has been sold in Bombay at around Rs. 740 per candy of 784 lbs. Excepting this, there has been nothing of importance in the spot market in Indian cotton.

As regards the foreign section, about 20,000 bales of new crop Sudan cotton have arrived on behalf of H.M.G. for disposal by the Government of India. A machinery has been devised to distribute the cotton through importers according to their quota and at specified prices, the feature being that all sales have to be to the mills and not to any merchants. It is generally believed that nearly 100,000 bales of Sudan cotton would be imported in this manner and that this arrangement is to remain in force for the duration of the War.

In the East Africans, new crop has begun to move in Tanganyika and the crop of what is known in the trade as "Mwanza" is estimated at 15,000 bales as against a normal crop of 35,000 to 40,000 bales.

Seeds

There is nothing of importance to report in the local market. In Linseed some business was reported at Rs. 16-2. Reports from England indicate that the Indian offers, though reduced, are still too high. Indian oilseeds are reported to be inactive. It is reported that the U.S. sources continue to purchase Brazilian castor and Plate linseed. The U.S. will be buying Argentine linseed and chartering it at the rate of 15,000 tons monthly for import into U.S.A., a certain part of which will be pur-marked for U.K.

Bombay bold groundnut has been ruling from Rs. [illegible] and the Khandesh quality about Rs. 108. The Ministry of Food are interested at £89 per ton, but their purchases so far have been very slight both in Bombay and in Kathiawar.

Bullion

Quiet conditions have prevailed in the bullion market after the closure of forward trading. Some operators still do forward trading on 12 days basis, but business is of a limited character. The closing prices of gold are:

Ready Rs. 81 12
Sovereign Rs. 57 8

The silver section received greater attention than gold during the week. In the first part of the week, market was steady but afterwards gave way on selling pressure from Kathiawar side which is due to disgorging of hoarded silver. Later on, rates steadied and the closing quotation was Rs. 121-12 for ready silver.

During the week, an interesting message was received from Teheran which some of the bullion dealers and bankers regarded significant. The message referred to selling of gold coins on behalf of the British Delegation with the object of withdrawing surplus currency. Persian authorities were also reported to be selling bar silver. The British Delegation is reported to have delivered about 26,000 oz., of fine gold which it obtained from South Africa to the National Bank, receiving, in exchange for gold coins equivalent to about 100,000 sovereigns. Does this presage some similar action in India? Possibly, no, because the quantity that may suffice for Persia would not be of any practical value in a big country like India. It is understood that the British Government is holding on behalf of the British Exchange Equalization Fund gold stocks in India which it had bought sometime before and after the outbreak of the War. The bulk of this gold, it is gathered, has been bought at rates varying between Rs. 34 and 40 and some quarters suggest that the British Government could re-sell a part of its gold stocks in India at considerable profit and thereby reduce sterling obligations to this country.

Rationing

Another pre-occupation with Bombay has been the food problem. It has been repeatedly stated by the Government, and now during the week, by the Secretary of State for India, that there is no shortage of foodgrains in India, and all blame is attached to grave maldistribution as the cause of scarcity in India. As regards the bungle that is made in the food control policy, it is now evident that serious differences of opinion have arisen between the Government of India and certain Provincial Governments. The Government of India rushed with what is known as the "Wood plan" without considering all its implications. They have now found this plan impracticable and even untenable and what they now suggest is to completely decontrol foodgrains in all Provinces except the Punjab and Sind. The idea in leaving these two Provinces apart is that these two producing and surplus provinces are not prepared to de-control. The solution by the Central Government seems to be to leave the deficit provinces to go on as best or as badly as they can, so that no blame can be attached to their policies which have been the subject of very severe criticism both in India and abroad. The general opinion in this connection is that the Government of India having once undertaken control, cannot now escape from the logic of its consequences and they must discharge their responsibilities to the deficit Provinces and supply them with foodgrains. In this connection, the Government of India are convening a Food Conference which is to meet sometime next week in Delhi.

Money And Stock Markets

Prices were well maintained during the course of the week. Textiles closed steady. The Government of India have decided to limit the maximum dividend on the shares of the Reserve Bank of India to 4 per cent. It is rumoured that some further control may be in the offing and that there may be a check on banks' advances against shares.

Quiet conditions continue to prevail in the money market. The recent loans floated by the Central Government have absorbed the floating funds in the short-term money market to a certain extent. The effect is reflected in the tender amounts to the Government of India's three months' Treasury Bills, where offerings have been somewhat less than the previous week. Brisk activity was evident in the gild-edged securities. The Reserve Bank of India raised its selling price of 3½% rupee paper from Rs. 94 to Rs. 94-8 and it is expected that it will raise it by another -|8|- shortly.

Bengal Letter

EXPANSION OF BRANCH BANKING—FOOD PROBLEM—PLEA FOR IMPORTS

(From Our Correspondent)

CALCUTTA, July 3.

To the satisfaction produced by the issue of a fourth Defence Loan at terms advantageous to the Government must be added that produced by an abundance of cash. Bank reports for the year 1942 pointed decisively to the revival of confidence and exceptional liquidity, produced in part by the fall in advances. The smaller banks in Calcutta have certainly made remarkable progress. They have, in certain cases, resorted to closure of branches to keep down expenditure, and made very useful additions to capital and reserves. It is this which makes largely for the belief that the advent of new, large banks will not impair the position of smaller banks which have in the past year lowered the rates on deposits and maintained without effort the cash position that is well above the average shown in the balance-sheets of the Big Five.

Branch Expansion of Banks

A striking feature of recent months has been the local branch expansion of some scheduled banks. The multiplication of branches, an independent clearing arrangement, and more recently, the buying and selling of shares are essential adjuncts to complete banking service The solitary bank failure of recent months has produced hardly a ripple. In fact, Bengali banks have found circumstances wholly favourable to the issue of new shares which might not find immediate acceptance with the market but certainly find buyers as dividend-earning capacity is proved in every case and payment by calls is offered in respect of new shares. The position arising from the Moneylenders' Act has been turned to advantage in recent years, and banking expansion is favoured by the stagnation of the loan offices which find their frozen assets too much for them. The limited demand for new funds is accompanied by an exercise of thrift that may leave the co-operative movement high and dry but is certainly conducive to the joint stock banks. It is noteworthy that the air-raids caused little or no strain to banks in Bengal, and the large accumulation of funds with most managing agency firms in the war period coincides with full, unclouded prosperity for the banks.

Solution for the Food Problem

The solution offered by the non-officials here is one that may not find favour with New Delhi where the views of the provinces with grain surpluses find a measure of support. The more important problem is one of developing food production within the province. The distribution of seed, the inauguration of small irrigation projects (in conjunction with district boards) and the reclamation of wastes figure in the current programme of the Ministry. The results must be visible in a few months, and much will be heard during the next few days (when the Assembly will discuss the food situation) about the "Grow More Food plans. The food conference which sat last week adopted resolutions which have influenced most speeches by others. The plea is now for large imports, and the point, made with some effect, is that the Indian Chamber objected to food exports even in May, 1942. The local problem is one of making the most of free trade facilities, and the relief expected from the adoption of other grains or roots in place of rice may also be considerable. The commercial organizations, significantly enugh, have said nothing about rationing or the stocks retained by big employers.

The Fuel Problem

While much was said about the need for development of civil aviation, little was said about the fuel situation. The fuel problem, however, is grave as proved by a telegram from the Bengal Millowners' Association. There is a real risk that cloth production plans may suffer if the mills do not get sufficient coal soon. The electricity companies get a measure of relief from the approval given to the levy of a surcharge whirh is an addition to the tax on sales of elertricity. The other relief is that promised by power holidays. The supply company can cut off supply in the interests of saving its machinery from unusual wear and tear.

Jute and Coal Shares

Rumour of power shortage explains the curious fall in jute shares. On the market's own estimate of what may come in spite of the advantages available in such markets as the U.S.A. and Argentina, they should look more attractive. The new view is not unrelated to the increase in coal prices announced by leading agency groups. The miners' wages are up. The price of coal is up. Coal shares have been rising in anticipation of the announcement and the only advantage so far retained by mills is the wider acceptance of controlled prices of jute. The formula is Rs. 19 for tops, Rs. 17 for middles and Rs. 14 for bottoms in the case of *Jat* and 8 annas less per maund for each grade in the case of district jute. Hessian prices locally are above the U.S. ceiling prices and hence the decline is more gradual than expected. Since costs are rising, the assumption is that profit margins on the big U.S. order will be smalled and the full production in the 54-hour week of Indian mills will not help to increase earnings. Jute shares, therefore, are not as enthusiastically supported as in June, and the revival will come, perhaps, in October when the bulk of the U.S. order will be dealt with.

Inadequate Conservancy Service

Calcutta has grown rapidly. The population is larger. The conservancy staff has more work to do; but lack of petrol forced the Corporation to give up afternoon cleaning from August, 1941, because of petrol rationing. The Corporation gets 10,000 gallons of petrol in place of its 18,000 gallons. Naturally, the original efficiency could not be maintained, and the overloading of refuse lorries has been no real solution. Conversion to animal transport is less easy than it appears. Anyway, the cost is put at Rs. 8 lakhs and an additional recurring charge of Rs. 1 lakh per month is a further disadvantage.

U.P. Letter

BUSY CABINET-MAKERS—RATIONING FOR URBAN POPULATION—PIECEGOODS TRADE AT CROSS ROADS.

(From Our Correspondent)

CAWNPORE, July 5.

WITH the return of Raja of Kotra to Lucknow and the impending arrival of the Governor of U.P. from the hills, speculations regarding the formation of a coalition Ministry in the United Provinces have been set at rest for a while. Meanwhile, a group of Congressmen in the U.P. is sponsoring a proposal to suspend the Congress resolution of August 8th with a view to resolving the political deadlock. Those who are responsible for this move hold that in the enforced absence of Mahatma Gandhi, the power of reviewing the situation vests with the A.-I.C.C. The resolution being used as an excuse by the Government for the indefinite continuation of the deadlock, they suggest that such members of the A.-I.C.C. as are out should suspend the resolution till such time as the A.-I.C.C. can meet formally and review the situation in the light of past events and present needs. The proposal to suspend the Congress resolution of August 8, coming as it does from many Congressmen in the U.P., should greatly strengthen the hands of the Raja of Kotra and his associates who are exploring the possibilities for the formation of a coalition Government in the U.P. It is no doubt felt in various quarters that the coalition Ministry, which may not function on any permanent basis in the face of Congress strength, would be more welcome than Advisers' regime which more often sacrifices public interests to administrative expediency.

Introduction of Rationing

Though the food situation in the province is not as bad as it is in Bihar, Bengal, Assam and Orissa, it is alarming enough to give rise to grave apprehensions. The Government of U.P. are reported to be tackling the situation with firmness and to have built up large stocks as reserves of their own and of individual districts. They are shortly going to introduce rationing in certain important towns in the U.P. to cover a population of 25 per cent. in the respective towns. It is presumed that people who draw monthly wages of Rs. 30 and below will first be incorporated in the scheme of rationing. The food-grains will be sold by the Government at controlled shops, *atta* at 3½ seers and rice at 2½ seers per rupee, presumably from the stocks built up by the Provincial Government and under their guidance by the District Magistrates. Those who obtain ration cards will also be free to get their food-grains through any channel they like at prices which are not controlled. The above scheme, it is understood, will involve the Government of U.P. in a loss of about Rs. 30 lakhs. Labour population in Cawnpore will not be very much attracted by this scheme, since the millowners through the Employers' Association of Northern India arrange for the distribution of food-grains to the labour force at much cheaper rates than the intended Government shops. The scheme, therefore, will be hailed as a boon only by the lower middle class section of the various towns in the U.P. How the scheme will work in practice is a matter which experience alone can tell.

Piecegoods Control Order

With the issue of the Cotton Piecegoods Control Order by the Government of U.P. a month ago, and the district authorities getting busy with implementing the Government order since, the market has come down in the vastly consumable piecegoods by about 25 per cent., sellers predominating. Buyers are scarce in the anticipation of further fall in prices. Meanwhile, the District Magistrates are being approached by the various cloth interests to impress upon the Government that the period of three months allowed for clearing is unreasonable and much too short of the actual period required in the normal course to allow for the process of the same passing from the mills to the retailers. To the various objections raised by the trade in respect of the Government implementing the U.P. Cotton Piecegoods Order, 1943, and the U.P. Cotton (Futures and Prohibition) Order, 1943, it is argued on behalf of the Government that the U.P. Cotton (Futures and Prohibition) Order, 1943, as originally issued, allowed existing transactions to be settled according to the terms agreed upon. But in the meantime reliable information received by the Government to the effect that dealers were entering into transactions after the promulgation of the order and were antedating them to evade the provisions of the order, imposed the obligation upon the Government to issue an amendment to the order making the then existing transactions also voidable at the option of the parties. It is an admitted fact that the price of cloth all over the province had exceeded all reasonable bounds and the Government rightly contend that they had to take such powers as would allow no more profiteering or hoarding. The latter admit that any scheme of control would involve a certain amount of inconvenience which is unavoidable. They have set up a machinery to deal expeditiously with the problems arising out of the Cotton Piecegoods Control Order.

Export of Oilseeds

With the issue of an amendment to the Oil-seeds and Oil Movement Control Order by the Government of U.P., the position of the oil-milling interests should ease considerably and that they should be able to export mustard and castor oils to the neighbouring provinces. On the representation of the oil-milling interests, the Government re-examined the order and have allowed exports of oil if the price of mustard oil was below Rs. 36 instead of Rs. 34 as previously fixed. Instead of combining oil-seeds and oil and of the markets in any given district for the purposes of interpreting the order, the Government have conceded that oil-seeds and oil markets should be taken up separately and that the exports in each centre would depend upon the price prevailing in that centre. In the meanwhile, it is presumed that the Government of U.P. are busy ascertaining from the Governments of other provinces their total requirements of oil and oilseeds, so that with their co-operation, the U.P. Government could canalize the exports of oil and oil seeds from the United Provinces on a planned basis.

Income-tax Rules

The proposed amendments to Rules 16 and 17 of the Income-tax Rules, according to which Government offices, local authorities, companies, public bodies, associations and private employers would be called upon to submit income-tax returns in respect of those employees whose minimum annual income is Rs. 1,200, have given rise to some uneasiness here and informed quarters apprehend that this is being done with a view to embrace Rs. 1,200 level within the ambit of income-tax. It is hoped that the room for any such apprehension is not well founded.

A DELHI DIARY

NEW DELHI, Thursday.

FOOD, food, food—this has been the talk throughout the week in New Delhi. The three-day conference in the Secretariat was followed by the four-hour meeting of the Viceroy's Council when important decisions were taken. The Viceroy wisely decided to make no public speech in opening the conference—the reason being that what he had to say was more by way of admonition and appeal to Provincial Governments than any message to the people. The Viceroy's appeal appears to have had good effect on the temper of the conference, for according to the information available last evening it is possible that there may be certain agreed decisions. The Government of India's case appears to be that the original price control scheme failed owing to lack of sufficient co-operation from the provinces. Similar has been the position regarding the more recent measures undertaken by the Government of India for keeping deficit areas adequately supplied and bringing down food prices to a reasonable level. I gather from talks in New Delhi that as a result of the three-day conference, the Government of India is likely to accept the view of Provincial Governments and give up its free trade scheme for the present. It follows that those orders recently passed permitting free trade in the north-eastern zone will also be withdrawn. A new Foodgrain Control Order is expected to be issued as early as possible which among other things will introduce one important new feature in the control scheme—the licensing of dealers by Provincial and other local administrations. As this has not so far been done by Provincial Governments it is expected that this will improve the administrative arrangements, for it will keep the authorities in full possession of all the facts—the names of dealers, their stocks and purchases and their sales. It is also proposed to reintroduce the price control scheme and give it a further trial with the help of these new administrative arrangements. I understand that it has also been decided to go on with the existing scheme of central purchases in the producing areas and supply to deficit areas under official control. This scheme which embodies the conclusions of the three-day conference is more or less in the nature of an experiment which will be tried for six months. In the light of experience it will be enlarged or revised after further consultation with the Provincial Governments. The seriousness of the food situation in India has attracted such wide attention in the United Kingdom and also in the United States that the Viceroy has taken the matter personally into his hands and is apparently anxious to do something before he leaves this country.

Today begins another conference—the meeting of the Food Committee which consists of seven official members and twice that number of non-officials including some economists. It is expected that by the time the Central Legislature meets the committee would have completed its preliminary stage of discussions and if possible, arrived at certain tentative conclusions. In any case the Central Legislature cannot forego its right to discuss the food question. More than one elected member has formally asked that a full day should be set apart for a debate on food questions. There is every reason to think that Sir Azizul Haque will agree to the suggestion, for in the meantime the Government of India would have announced the terms of its new Control Order and brought the licensing scheme into working in the provinces.

In his concluding speech at the Food Conference today Sir Azizul Haque asked all Provincial and State Governments to organize a vigorous anti-hoarding drive. He added that the Government of India has decided that rationing in urban areas should be taken up in a progressively increasing measure and almost immediately in order to get a firm control over the food situation. As regards financial settlement between surplus and deficit provinces the Government of India has agreed that these matters may be settled by the respective Governments direct without any intervention from the Centre. As regards control of prices the Food Member said: "The Government of India will most carefully watch the price of all food commodities in relation to the general price level and while it is not the intention to fix any statutory price ceiling at present but to continue to influence the prices through such methods and manner as are already in force they will take every possible step to bring down the general price level, to stabilize the prices of all commodities. Sumultaneously the Government of India intend that Provinces and States will be left free to take such administrative measures as they may think necessary to bring prices under control within their regions."

Nothing very definite has yet emerged from the conference of leaders called by the Overseas Member for discussing the South African question. In official circles it is considered a pity that a number of important leaders invited by the Government of India coulds not come. And as it is the Government's claim that so far as the South African question is concerned there is no difference of opinion between the Government and the people, they think that all those party leaders invited should have given the weight of their personal support to this conference. Still as Sir Purshottamdas Thakurdas, Mr. G. L. Mehta and others were present, the importance of the conference cannot be questioned. The new Overseas Member, Dr. Khare, is reported to have confined himself to a statement of the facts—particularly, the efforts made by the Government of India to postpone the Pegging measure and persuade the Union Government to try the Round Table procedure for settling outstanding issues, though these efforts failed to make the desired impression on the Smuts Government. As expected the conference has generally been in favour of withdrawing the High Commissioner and his Trade Commissioner from South Africa as a protest. The Government of India, I understand, are taking up this question immediately for consideration and will make an announcement during the coming session of the Central Legislature. As regards the Reciprocity Act passed by the Central Legislature, there appear to be certain legal difficulties in giving effect to its provisions. These will have to be gone into, and if necessary, an amending Bill will have to be introduced during the coming session. There are also a number of suggestions for economic retaliation, but as the Government of India have to consider these measures in their relation to the common war effort, very little information is available in New Delhi on the prospects of any such move in the near future.

The selection of Mr. M. S. Aney as the Government of India's representative in Ceylon has been the surprise of the week. He is being given two I.C.S. officers to assist him in his work and will be paid Rs. 2,750 a month with sumptuary and other allowances in conformity with his status.

ARGUS.

Gleanings

British Plan for an International Clearing Union

Immediately after the war all countries who have been engaged will be concerned with the pressure of relief and urgent reconstruction. Both the nature of the problem and the experience of the period between the wars suggest four main lines of approach:

1. The mechanism of currency and exchange;

2. The framework of a commercial policy regulating the conditions, for the exchange of goods tariffs, preferences, subsidies, import regulations and the like;

3. The orderly conduct of production, distribution and price of primary products so as to protect both producers and consumers from the loss and risk for which the extravagant fluctuations of market conditions have been responsible in recent times;

4. Investment, aid both medium and long term for the countries whose economic development needs assistance from outside.

All these matters will need to be handled in due course. The proposal that follows relates only to the mechanism of currency and exchange in international trading. It appears on the whole convenient to give it priority, because some general conclusions have to be reached under this head before much progress can be made with the other topics.

In preparing these proposals care has been taken to regard certain conditions, which the ground work of an international economic system to be set up after the war should satisfy, if it is to prove durable:

(i) There should be the least possible interference with internal national policies, and the plan should not wander from the international *terrain*. The authority of the Governing Board of the proposed Institution should be limited to recommendations, or at the most to imposing conditions for the more extended enjoyment of the facilities which the Institution offers.

(ii) The technique of the plan must be capable of application, irrespective of the type and principle of government and economic policy existing in the prospective member States.

(iii) The management of the Institution must be genuinely international without preponderant power of veto or enforcement to any country or group; and the rights and privileges of the smaller countries must be safeguarded.

(iv) Some qualification of the right to act at pleasure is required by any agreement or treaty between nations. But provision must be made for voiding the obligation at due notice so that nations may be more willing to go on accepting them.

(v) The plan must operate not only to the general advantage but also to the individual advantage of each of the participants, and must not require a special economic or financial sacrifice from certain countries. No participant must be asked to do or offer anything which is not to his own true long-term interest.

It must be emphasised that it is not for the Clearing Union to assume the burden of long-term lending which is the proper task of some other institution. It is also necessary for it to have means of restraining improvident borrowers. But the Clearing Union must also seek to discourage creditor countries from leaving unused large liquid balances which ought to be devoted to some positive purpose. For excessive credit balances necessarily create excessive debit balances for some other party. In recognising that the creditor as well as the debtor may be responsible for a want of balance, the proposed institution would be breaking new ground.

I—THE OBJECT OF THE PLAN

About the primary objects of an improved system of International Currency there is, to-day, a wide measure of agreement:

(*a*) We need an instrument of international currency having general acceptability between nations, so that blocked balances and bilateral clearings are unnecessary.

(*b*) We need an orderly and agreed method of determining the relative exchange values of national currency units, so that unilateral action and competitive exchange depreciations are prevented.

(*c*) We need a quantum of international currency which is not determined in an unpredictable and irrelevant manner as, for example, by the technical progress of the gold industry but is governed by the actual current requirements of world commerce, and is also capable of deliberate expansion and contraction to offset deflationary and inflationary tendencies in effective world demand.

(*d*) We need a system possessed of an internal stabilising mechanism, by which pressure is exercised on any country whose balance of payments with the rest of the world is departing from equilibrium *in either direction*.

(*e*) We need an agreed plan for starting off every country after the war with a stock of reserves appropriate to its importance in world commerce, so that without due anxiety it can set its house in order during the transitional period to full peace-time conditions.

(*f*) We need a central institution, of a purely technical and non-political character, to aid and support other international institutions concerned with the planning and regulation of the world's economic life.

(*g*) More generally, we need a means of reassurance to a troubled world, by which any country whose own affairs are conducted with due prudence is relieved of anxiety for causes which are not of its own making, concerning its ability to meet its international liabilities; and which will, therefore, make unnecessary those methods of restriction and discrimination which countries have adopted hitherto, not on their merits, but as measures of self-protection from disruptive outside forces.

2. There is also a growing measure of agreement about the general character of any solution of the problem likely to be successful. The actual details put forward below are offered, with no dogmatic intention, as the basis of discussion for criticism and improvement.

3. In one respect this particular plan will be found to be more ambitious and yet, at the same time, perhaps more workable than some of the variant versions of the same basic idea, in that it is fully international, being based on one general agreement and not on a multiplicity of bilateral arrangements.

4. The proposal is to establish a Currency Union, here designated an *International Clearing Union* based on international bank-money, called (let us say) *bancor*, fixed (but not unalterably) in terms of gold and accepted as the equivalent of gold by the British Commonwealth and the United States and all the other members of the Union for the purpose of settling international balances. The Central Banks of all member States (and also of non-members) would keep accounts with the International Clearing Union through which they would be entitled to settle their exchange balances with one another at their par value as defined in terms of bancor. Countries having a favourable balance of payments with the rest of the world as a whole would find themselves in possession of a credit account with the Clearing Union, and those having an unfavourable balance would have a debit account. Measures would be necessary (see below) to prevent the piling up of credit and debit balances without limit, and the system would have failed in the long run if it did not possess sufficient capacity for self-equilibrium to secure this.

5. The idea underlying such a Union is simple, namely, to generalise the essential principle of banking as it is exhibited within any closed system. This principle is the nesessary equality of credits and debits. If no credits can be removed outside the clearing system, but only transferred within it, the Union can never be in any difficulty as regards the honouring of cheques drawn upon it.

II—THE PROVISIONS OF THE PLAN

6. The provisions proposed (the particular proportions and other details suggested being tentative as a basis of discussion) are the following:—

(1) All the United Nations will be invited to become original members of the International Clearing Union. Other States may be invited to join subsequently. If ex-enemy States are invited to join special conditions may be applied to them.

(2) The Governing Board of the Clearing Union shall be appointed by the Governments of the several member States (as provided in (12) below); the daily business with the Union and the technical arrangements being carried out through their Central Banks or other appropriate authorities.

(3) The member States will agree between themselves the initial values of their own currencies in terms of bancor. A member State may not subsequently alter the value of its currency in terms of bancor without the permission of the Governing Board except under the conditions stated below; but during the first five years after the inception of the system the Governing Board shall give special consideration to appeals for an adjustment in the exchange value of a national currency unit on the ground of unforeseen circumstances.

(4) The value of bancor in terms of gold shall be fixed by the Governing Board. Member States shall not purchase or acquire gold, directly or indirectly, at a price in terms of their national currencies in excess of the parity which corresponds to the value of their currency in terms of bancor and to the value of bancor in terms of gold. Their sales and purchases of gold shall not be otherwise restricted.

(5) Each member State shall have assigned to it a *quota*, which shall determine the measure of its responsibility in the management of the Union and of its right to enjoy the credit facilities provided by the Union. The determination of a country's quota primarily by reference to the value of its foreign trade seems to offer the criterion most relevant to a plan which is chiefly concerned with the regulation of the foreign exchanges and of a country's international trade balance. It is, however, a matter for discussion whether the formula for fixing quotas should also take account of other factors.

(6) Member States shall agree to accept payment of currency balances, due to them from other members, by a transfer of bancor to their credit in the books of the Clearing Union. They shall be entitled, subject to the conditions set forth below, to make transfers of bancor to other members which have the effect of overdrawing their own accounts with the Union, provided that the maximum debit balances thus created do not exceed their quota. The Clearing Union may, at its discretion, charge a small commission or transfer fee in respect of transactions in its books for the purpose of meeting its current expenses or any other outgoings approved by the Governing Board.

(7) A member State shall pay to the Reserve Fund of the Clearing Union a charge of 1 per cent. per annum on the amount of its average balance in bancor, whether it is a credit or a debit balance, in excess of a quarter of its quota; and a further charge of 1 per cent. on its average balance, whether credit or debit, in excess of a half of its quota. Thus, only a country which keeps as nearly as possible in a state of international balance on the average of the year will escape this contribution. These charges are not absolutely essential to the scheme. Any member State in debit may, after consultation with the Governing Board, borrow bancor from the balances of any member State in credit on such terms as may be mutually agreed, by which means each would avoid these contributions. The Governing Board may, at its discretion, remit the charges on credit balances, and increase correspondingly those on debit balances, if in its opinion unduly expansionist conditions are impending in the world economy.

(8) (*a*) A member State may not increase its debit balance by more than a *quarter* of its quota within a year without the permission of the Governing Board. If its debit balance has exceeded a quarter of its quota on the average of at least two years, it shall be entitled to reduce the value of its currency in terms of bancor provided that the reduction shall not exceed 5 per cent. without the consent of the Governing Board; but it shall not be entitled to repeat this procedure unless the Board is satisfied that this procedure is appropriate.

(*b*) The Governing Board may require from a member State having a debit balance reaching a *half* of its quota the deposit of suitable collateral against its debit balance. Such collateral shall, at the discretion of the Governing Board, take the form of gold, foreign or domestic currency or Government bonds, within the capacity of the member State. As a condition of allowing a member State to increase its debit balance to a figure in excess of a half of its quota, the Governing Board may require all or any of the following measures:

(i) a stated reduction in the value of the member's currency, if it deems that to be the suitable remedy;

(ii) the control of outward capital transactions if not already in force; and

(iii) the outright surrender of a suitable proportion of any separate gold or other liquid reserve in reduction of its debit balance.

Furthermore, the Governing Board may recommend to the Government of the member State any internal measures affecting its domestic economy which may appear to be appropriate to restore the equilibrium of its international balance.

(c) If a member State's debit balance has exceeded *three-quarters* of its quota on the average of at least a year and is excessive in the opinion of the Governing Board in relation to the total debit balances outstanding on the books of the Clearing Union, or is increasing at an excessive rate, it may, in addition, be asked by the Governing Board to take measures to improve its posi-

tion, and, in the event of its failing to reduce its debit balance accordingly within two years, the Governing Board may declare that it is in default and no longer entitled to draw against its account except with the permission of the Governing Board.

(d) Each emmber State, on joining the system, shall agree to pay to the Clearing Union any payments due from it to a country in default towards the discharge of the latter's debit balance and to accept this arrangement in the event of falling into default itself. A member State which resigns from the Clearing Union without making approved arrangements for the discharge of any debit balance shall also be treated as in default.

(9) A member State whose credit balance has exceeded a *half* of its quota on the average of at least a year shall discuss with the Governing Board (but shall retain the ultimate decision in its own hands) what measures would be appropriate to restore the equilibrium of its international balances including—

(a) Measures for the expansion of domestic credit and domestic demand.

(b) The appreciation of its local currency in terms of bancor, or, alternatively, the encouragement of an increase in money rates of earnings.

(c) The reduction of tariffs and other discouragements against imports.

(d) International development loans.

(10) A member State shall be entitled to obtain a credit balance in terms of bancor by paying in gold to the Clearing Union for the credit of its clearing account. But no one is entitled to demand gold from the Union against a balance of bancor, since such balance is available only for transfer to another clearing account. The Governing Board of the Union shall, however, have the discretion to distribute any gold in the possession of the Union between the members possessing credit balances in excess of a specified proportion of their quotas, proportionately to such balances, in reduction of their amount in excess of that proportion.

(11) The monetary reserves of a member State, *viz.*, the Central Bank or other bank or Treasury deposits in excess of a working balance, shall not be held in another country except with the approval of the monetary authorities of that country.

(12) The Governing Board shall be apointed by the Governments of the member States, those with the larger quotas being entitled to appoint a member individually, and those with smaller quotas appointing in convenient political or geographical groups.

(13) The Governing Board shall be entitled to reduce the quotas of members, all in the same specified proportion, if it seems necessary to correct in this manner all excess of world purchasing power. In that event, the provisions of 6 (8) shall be held to apply to the quotas as so reduced, provided that no member shall be required to reduce his actual overdraft at the date of the change, or be entitled by reason of this reduction to alter the value of his currency under 6 (8) (a), except after the expiry of two years. If the Governing Board subsequently desires to correct a potential deficiency of world purchasing power, it shall be entitled to restore the general level of quotas towards the original level.

(14) The Governing Board shall be entitled to ask and receive from each member State any relevant statistical or other information, including a full disclosure of gold, external credit and debit balances and other external assets and liabilities, both public and private. So far as circumstances permit, it will be desirable that the member States shall consult with the Governing Board on important matters of policy likely to affect substantially their bancor balances or their financial relations with other members.

(16) Members shall be entitled to withdraw from the Union on a year's notice, subject to their making satisfactory arrangements to discharge any debit balance. Similarly, it should be within the power of the Governing Board to require the withdrawal of a member, subject to the same notice, if the latter is in breach of agreements relating to the Clearing Union.

(17) The Central Banks of non-member States would be allowed to keep credit clearing accounts with the Union; and, indeed, it would be advisable for them to do so for the conduct of their trade with member States. But they would have no right to overdrafts and no say in the management.

III—WHAT LIABILITIES OUGHT THE PLAN TO PLACE ON CREDITOR COUNTRIES?

7. It is not contemplated that either the debit or the credit balance of an individual country ought to exceed a certain maximum—let us say, its *quota*. In the case of debit balances this maximum has been made a rigid one, and, indeed, counter-measures are called for long before the maximum is reached. In the case of credit balances no rigid maximum has been proposed. For the appropriate provision might be to require the eventual cancellation or compulsory investment of persistent bancor credit balances accumulating in exess of a member's quota; and, however desirable this may be in principle, it might be felt to impose on creditor countries a heavier burden than they can be asked to accept before having had experience of the benefit to them of the working of the plan as a whole. If, on the other hand, the limitation were to take the form of the creditor country not being required to accept bancor in excess of a prescribed figure, this might impair the general acceptability of bancor, whilst at the same time conferring no real benefit on the creditor country itself.

8. The absence of a rigid maximum to credit balances does not impose on any member State, as might be supposed at first sight, an unlimited liability outside its own control. The liability of an individual member is determined, not by the quotas of the other members, but by its own policy in controlling its favourable balance of payments. The effect of the Clearing Union is to give the creditor country a choice between voluntarily curtailing its exports to the same extent that they would have been involuntarily curtailed in the absence of the Clearing Union, or, alternatively, of allowing its exports to continue and accumulating the excess receipts in the form of bancor balances for the time being.

9. If, therefore, a member State asks what governs the maximum liability which it incurs by entering the system, the answer is that this lies entirely within its own control. No more is asked of it than that it should hold in bancor such surplus of its favourable balance of payments as it does not itself choose to employ in any other way, and only for so long as it does not so choose.

IV—SOME ADVANTAGES OF THE PLAN

10. The plan aims at the substitution of an expansionist, in place of a contractionist, pressure on world trade.

11. It effects this by allowing to each member State overdraft facilities of a defined amount. Thus each country is allowed a certain margin of resources and a certain interval of time within which to effect a balance in its economic relations with the rest of the world. A country is in credit or debit with the Clearing Union as a whole. This means that the overdraft facilities, whilst a relief to some, are not a real burden to others. For the accumulation of a credit balance with the Clearing Union would resemble the importation of gold in signifying that the country holding it is abstaining voluntarily from the immediate use of purchasing power. But it would not involve, as would the importation of gold, the withdrawal of this purchasing-power from circulation or the exercise of a deflationary and contractionist pressure on the whole world, including in the end the creditor country itself.

12. In short the analogy with a national banking system is complete. No depositor in a local bank suffers because the balances, which he leaves idle, are employed to finance the business of someone else. The substitution of a credit mechanism in place of hoarding would have repeated in the international field the same miracle already performed in the domestic field, of turning a stone into bread.

15. The facilities offered will be of particular importance in the transitional period after the war, as soon as the initial shortages of supply have been overcome. Many countries will find a difficulty in paying for their imports, and will need time and resources before they can establish a readjustment. The creditor countries will benefit, hardly less than the debtors, by being given an interval of *time* in which to adjust their economies, during which they can safely move at their own pace without the result of exercising deflationary pressure on the rest of the world, and, by repercussion, on themselves.

16. But, if the purpose of the overdraft facilities is mainly to give time for adjustments, we have to make sure, so far as possible, that they *will* be made. We must have, therefore, some rules and some machinery to secure that equilibrium is restored. A tentative attempt to provide for this has been made above.

17. The provisions suggested differ in one important respect from the pre-war system because they aim at putting some part of the responsibility for adjustment on the creditor country as well as on the debtor. The object is that the creditor should not be allowed to remain entirely passive. For if he is, an intolerably heavy task may be laid on the debtor country, which is already for that very reason in the weaker position.

18. We are too ready today to assume the inevitability of unbalanced trade positions, thus making the opposite error to those who assumed the tendency of exports and imports to equality. On the contrary, there is great force in the contention that, if active employment and ample purchasing power can be sustained in the main centres of the world trade, the problem of surpluses and unwanted exports will largely disappear, even though, under the most prosperous conditions, there may remain some disturbances of trade and unforeseen situations requiring special remedies.

V—THE DAILY MANAGEMENT OF THE EXCHANGES UNDER THE PLAN

19. The Clearing Union restores unfettered multilateral clearing between its members. Compare this with the difficulties and complications of a large number of bilateral agreements. Compare, above all, the provisions by which a country, taking improper advantage of a payments agreement (for the system is, in fact, a *generalized* payments agreement), as Germany did before the war, is dealt with not by a single country (which may not be strong enough to act effectively in isolation or cannot afford to incur the diplomatic odium of isolated action), but by the system as a whole.

20. In conditions of multilateral clearing, exchange dealings would be carried on as freely as in the best days of the gold standard, without its being necessary to ask anyone to accept special or onerous conditions.

21. The principles governing transactions are first, that the Clearing Union is set up, not for the transaction of daily business between individual traders or between Central Banks (and certain other super-national Institutions), such as would have been settled under the old gold standard by the shipment or the ear-marking of gold, and should not trespass unnecessarily beyond this field; and, second, that its purpose is to increase *freedom* in international commerce and not to multiply interferences or compulsions.

22. Many central banks have found great advantage in centralizing with themselves or with an Exchange Control the supply and demand of all foreign exchange, thus dispensing with an outside exchange market, though continuing to accommodate individuals through the existing banks and not directly. The further extension of such arrangements would be consonant with general purposes of the Clearing Union. It is, for example, consistent alike with the type of Exchange Control now established in the United Kingdom or with the system now operating in the United States. The Union does not prevent private holdings of foreign currency or private dealings in exchange or international capital movements, if these have been approved or allowed by the member States concerned. Central Banks can deal direct with one another as heretofore. No transaction in bancor will take place except when a member State or its Central Bank is exercising the right to pay in it. In no case is there any direct control of capital movements by the Union, even in the case of 6 (8) (b) (ii) above, but only by the member States themselves through their own institutions. Thus the fabric of international banking organization, built up by long experience to satisfy practical needs, would be left as undisturbed as possible.

23. It is not necessary to interfere with the discretion of countries which desire to maintain a special intimacy within a particular group of countries associated by geographical or political ties.

25. At the same time countries, which do not belong to a special geographical or political group, would be expected to keep their reserve balances with the Clearing Union and not with one another. It has, therefore, been laid down that balances may not be held in another country except with the approval of the monetary authorities of that country; and, in order that sterling and dollars might not appear to compete with bancor for the purpose of reserve balances, the United Kingdom and the United States might agree together that they would not accept the reserve balances of other countries in excess of normal working balances except in the case of banks definitely belonging to a Sterling Area or Dollar Area group.

VI—THE POSITION OF GOLD UNDER THE PLAN

26. Gold still possesses great psychological value, has the merit of providing in point of form (whatever the underlying realities may be) an uncontroversial standard of value for international purposes, and supplies an automatic means for settling some part of the favourable balances of the creditor countries. Nor is it reasonable to ask the United States to demonetize the stock of gold which is the basis of its impregnable liquidity. What, in the long run, the world may decide to do with gold is another matter. The purpose of the Clearing Union is to supplant gold as a governing factor, but not to dispense with it.

27. The international bank-money which we have designated *bancor* is defined in terms of a weight of

gold. Since the national currencies of the member States are given a defined exchange value in terms of bancor, it follows that they would each have a defined gold content which would be their official buying price for gold, above which they must not pay; and there is also a steady and ascertained purchaser for the output of the gold-producing countries, and for countries holding a large reserve of gold. Thus the position of producers and holders of gold is not affected adversely, and is, indeed, improved.

28. Central Banks would be entitled to retain their separate gold reserves and ship gold to one one another, provided they did not pay a price above parity; they could coin gold and put it into circulation, and, generally speaking, do what they liked with it.

29. One limitation only would be, for obvious reasons, essential. No member State would be entitled to demand gold from the Clearing Union against its balance of bancor; for bancor is available only for transfer to another clearing account. Thus between gold and bancor itself there would be a one-way convertibility, such as ruled frequently before the war with national currencies which were on what was called a "gold exchange standard." This need not mean that the Clearing Union would only receive gold and never pay it out. It has been provided above that, if the Clearing Union finds itself in possession of a stock of gold, the Governing Board shall have discretion to distribute the surplus between those possessing credit balances in bancor, proportionately to such balances in reduction of their amount.

31. The value of bancor in terms of gold is fixed but not unalterably. The power to vary its value might have to be exercised if the stocks of gold tendered to the Union were to be excessive. No object would be served by attempting further to peer into the future or to prophesy the ultimate outcome.

VII—THE CONTROL OF CAPITAL MOVEMENTS

33. It is widely held that control of capital movements, both inward and outward, should be a permanent feature of the post-war system. It is an objection to this that control, if it is to be effective, probably requires the machinery of exchange control of *all* transactions, even though a general permission is given to all remittances in respect of current trade. On the other hand, such control will be more difficult to work by unilateral action on the part of those countries which cannot afford to dispense with it, especially in the absence of a postal censorship, if movements of capital cannot be controlled *at both ends*. Nevertheless, the universal establishment of a control of capital movements cannot be regarded as essential to the operation of the Clearing Union; and the method and degree of such control should therefore be left to the decision of each member State. Some less drastic way might be found by which countries, not themselves controlling outward capital movements, can deter inward movements not approved by the countries from which they originate.

34. The position of abnormal balances in overseas ownership held in various countries at the end of the war presents a problem of considerable importance and special difficulty. Perhaps there should be some special over-riding provision for dealing with the transitional period only by which, through the aid of the Clearing Union, such balances would remain liquid and convertible into bancor by the creditor country whilst there would be no corresponding strain on the bancor resources of the debtor country, or, at any rate, the resulting strain would be spread over a period.

35. The system contemplated should greatly facilitate the restoration of international loans and credits for legitimate purposes. The object, and it is a vital object, is to have a means—

(a) of distinguishing long-term loans by creditor countries, which help to maintain equilibrium and develop the world's resources, from movements of funds out of debtor countries which lack the means to finance them; and

(b) of controlling short-term speculative movements or flights of currency whether out of debtor countries or from one creditor country to another.

36. It should be emphasized that the purpose of the overdrafts of bancor permitted by the Clearing Union is, not to facilitate long-term, or even medium-term, credits to be made by debtor countries which cannot afford them, but to allow time and a breathing space for adjustments and for averaging one period with another to all member States alike, whether in the long run they are well-placed to develop a forward international loan policy or whether their prospects of profitable new development in excess of their own resources justifies them in long-term borrowing. The machinery and organization of international medium-term and long-term lending is another aspect of post-war ecoomic policy, not less important than the purposes which the Clearing Union seeks to serve, but requiring another, complementary institution.

VIII—RELATION OF THE CLEARING UNION TO COMMERCIAL POLICY

37. The new system by helping to provide a register of the size and whereabouts of the aggregate debtor and creditor positions respectively, and an indication whether it is reasonable for a particular country to adopt special protective expedients as a temporary measure to assist in regaining equilibrium in its balance of payments, would make it possible to establish a general rule *not* to adopt them, subject to the indicated exceptions.

38. The existence of the Clearing Union would make it possible for member States contracting commercial agreements to use their respective debit and credit positions with the clearing Union as a test, though this test by itself would not be complete. Protected by the possibility of agreed temporary indulgences, the members of the Clearing Union should feel much more confidence in moving towards the withdrawal of other and more dislocating forms of protection and discrimination and in accepting the prohibition of the worst of them from the outset. In any case, it should be laid down that members of the Union would not allow or suffer among themselves any restrictions on the disposal of receipts arising out of current trade or "invisible" income.

IX—THE USE OF THE CLEARING UNION FOR OTHER INTERNATIONAL PURPOSES

39. The Clearing Union might become the instrument and the support of international policies in addition to those which it is its primary purpose to promote. Below are illustrations of the additional purposes of high importance and value which the Union, once established, might be able to serve:—

(1) The Union might set up a clearing account in favour of international bodies charged with post-war relief, rehabilitation and reconstruction and grant preliminary overdraft facilities in favour of these bodies.

(2) The Union might set up an account in favour of any super-national policing body which may be charged with the duty of preserving the peace and maintaining international order and hold the clearing account of the delinquent country to its order, thus enforcing a financial blockade.

(3) The Union might set up an account in favour of international bodies charged with the management of a Commodity Control, and might finance stocks of commodities held by such bodies, allowing them overdraft facilities on their accounts up to an agreed maximum. By this means the financial problem of buffer stocks and "ever-normal granaries" could be effectively attacked.

(4) The Union might be linked up with a Board for International Investment. It might act on behalf of such a Board and collect for them the annual service of their loans by automatically debiting the clearing account of the country concerned. The statistics of the clearing accounts of the member-States would give a reliable indication as to which countries were in a position to finance the Investment Board, with the advantage of shifting the whole system of clearing credits and debits nearer to equilibrium.

(5) If an International Investment or Development Corporation is also set up together with a scheme of Commodity Controls for the control of stocks of the staple primary products, we might come to possess in these three Institutions a powerful means of combating the evils of the Trade Cycle.

40. The Clearing Union plan is "impersonal" inasmuch as it pools the idle balances of all countries and out of this general fund, advances are made to needy countries. This merely amounts to extending to the international sphere the methods of any domestic banking system, which are in the same sense "impersonal" inasmuch as there is no call on the particular depositor either to support as such the purposes for which his banker makes advances or to forgo permanently the use of his deposit. There is no countervailing objection except that which applies equally to the technique of domestic banking, namely, that it is capable of the abuse of creating excessive purchasing power and hence an inflation of prices.

X—THE TRANSITIONAL ARRANGEMENTS

41. It would be of great advantage to agree on the general principles of the Clearing Union before the end of the war, with a view to bringing it into operation at an early date after the termination of hostilities. The expansionist tendency of the plan, which is a leading recommendation of it as soon as peace-time output is restored and the productive capacity of the world is in running order, might be a danger in the early days of a sellers' market and an excess of demand over supply.

43. We must not be over-cautious. A rapid economic restoration may lighten the tasks of the diplomatists and the politcians in the resettlement of the world and the restoration of social order. For Great Britain and other countries outside the "relief" areas the possibility of exports sufficient to sustain their standard of life is bound up with good and expanding markets. We cannot afford to wait too long for this, and we must not allow excessive caution to condemn us to perdition. Unless the Union is a going concern, the problem of proper "timing" will be nearly insoluble.

XI—CONCLUSION

44. No greater surrender of sovereign rights is required than in a commercial treaty. The obligations will be entered into voluntarily and can be terminated on certain conditions by giving notice.

45. A greater readiness to accept super-national arrangements must be required in the post-war world. If the arrangements proposed can be described as a measure of financial disarmament, there is nothing here which we need be reluctant to accept ourselves or to ask of others. It is an advantage, and not a disadvantage, of the scheme that it invites the member States to abandon that licence to promote indiscipline, disorder and bad-neighbourliness which, to the general disadvantage, they have been free to exercise hitherto.

46. The plan makes a beginning at the future economic ordering of the world between nations and "the winning of the peace." It might help to create the conditions and the atmosphere in which much else would be made easier.

Proposal for a United and Associated Nations Stabilization Fund

I—INTRODUCTION

It is still too soon to know the precise form and magnitude of post-war monetary problems. But it is certain that we shall be confronted with the task of dealing with three inseparable monetary problems: to prevent the disruption of foreign exchanges, to avoid the collapse of some monetary systems, and to facilitate the restoration and balanced growth of international trade. Clearly, such a formidable task can be successfully handled only through international action.

One of the appropriate agencies to deal with international economic and monetary problems would be an international stabilization fund with resources and powers adequate to the task of helping to achieve monetary stability, and to facilitate the restoration and balanced growth of international trade.

A proposal drafted by American technical experts is outlined below. The draft presents only the essential elements of an international stabilization fund. The provisions of the proposal are in every sense tentative intended as a basis for discussion and exchange of views. Obviously, there are many details that have been omitted, and that can be better formulated after there is agreement on the general principles.

It is recognized that an international stabilization fund is only one of the instrumentalities which may be needed in the field of international economic co-operation. Other agencies are also needed to provide capital for post-war reconstruction and development, to provide funds for rehabilitation and relief, and to promote stability in the prices of primary international commodities. There is a strong temptation to embrace within a single international agency the responsibility for dealing with these and other international economic problems. We believe, however, that international economic institutions can operate more effectively if they are not burdened with important but extraneous duties for which they have not been devised, and for which they are unsuited. For example, the highly specialized nature of international monetary stabilization and the provision of long-term capital would seem to call for separate institutions each designed to deal with its distinct problems.

II—COMPOSITION OF THE FUND

1. The Fund shall consist of gold, currencies of member countries, and securities of member governments.

2. Each of the member countries shall subscribe a specified amount which will be called its quota. The aggregate of quotas of the member countries shall be the equivalent of at least 5 billion dollars.

The quota for each member country shall be determined by an agreed upon formula. The formula should give due weight to the important factors relevant to the determination of quotas, *e.g.*, a country's holdings of gold and foreign exchange, the magnitude of the fluctuations in its balance of international payments, and its national income.

3. Each member country shall provide the Fund with 50 per cent. of its quota on or before the date set by the Board of Directors of the Fund on which the Fund's operations are to begin.

4. The initial payment of each member country (consisting of 50 per cent. of its quota) shall be 12.5 per cent of its quota in gold, 12.5 per cent. in local currency, and 25 per cent. in its own (*i.e.*, government) securities. However, any country having less than 300 million dollars in gold need provide initially only 7.5 per cent. of its quota in gold, and any country having less than 100 million dollars in gold need provide initially only 5 per cent. of its quota in gold, the contributions of local currency being increased correspondingly. A country may, at its option, substitute gold for its local currency or securities in meeting its quota requirements.

5. The member countries of the Fund may be called upon to make further provision toward meeting their quotas *pro rata* at such times, in such amounts, and in such form as the Board of Directors of the Fund may determine, provided that the proportion of gold called for shall not exceed the proportions indicated in II-4 above, and provided that a four-fifths vote of the Board shall be required for subsequent calls to meet quotas.

6. Any changes in the quotas of member countries shall be made only with the approval of a four-fifths vote of the Board.

III—POWERS AND OPERATIONS

The Fund shall have the following powers:

1. To buy, sell, and hold gold, currencies, bills of exchange, and government securities of member countries; to accept deposits and to earmark gold; to issue its own obligations, and to discount or offer them for sale in member countries; and to act as a clearing house for the settling of international movements of balances, bills of exchange, and gold.

All member countries agree that all of the local currency holdings shall be free from any restrictions as to their use.

This provision does not apply to abnormal war balances acquired in accordance with the provisions of III-9, below.

2. To fix the rates at which it will buy and sell one member's currency for another, and the rates in local currencies at which it will buy and sell gold. The guiding principle in the fixing of such rates shall be stability in exchange relationships. Changes in these rates shall be considered only when essential to correction of a fundamental disequilibrium and be permitted only with the approval of four-fifths of member votes.

3. To sell to the Treasury of any member country (or stabilization fund or central bank acting as its agent), at a rate of exchange determined by the Fund, currency of any member country which the Fund holds, provided that:

(*a*) The foreign exchange demanded from the Fund is required to meet an adverse balance of payments on current account with the country whose currency is being demanded.

(*b*) The Fund's holdings of the currency of any member country shall not exceed during the first year of the operation of the Fund, the quota of that country; it shall not exceed during the first two years 150 per cent. of such quota; and thereafter it shall not exceed 200 per cent. of such quota; except that upon approval by four-fifths of the member votes, the Fund may purchase any local currency in excess of these limits, provided that at least one of the following two conditions is met:

(*i*) The country whose currency is being acquired by the Fund agrees to adopt and carry out measures recommended by the Fund designed to correct the disequilibrium in the country's balance of payments, or

(*ii*) It is believed that the balance of payments of the country whose currency is being acquired by the Fund will be such as to warrant the expectation that the excess currency holdings of the Fund can be disposed of within a reasonable time.

(c) When the Fund's net holdings of any local currency exceed the quota for that country, the country shall deposit with the Fund a special reserve in accordance with regulations prescribed by the Board of Directors. This provision does not apply to currencies acquired under III-9 below.

(*d*) When a member country is exhausting its quota more rapidly than is warranted in the judgment of the Board of Directors, the Board may place such conditions upon additional sales of foreign exchange to that country as it deems to be in the general interest of the Fund.

(*e*) A charge at the rate of 1 per cent. per annum, payable in gold, shall be levied against any member country on the amount of its currency held by the Fund in excess of the quota of that country. Abnormal war balances acquired by the Fund (in accordance with III-9 below) shall not be included in the computed balance of local currency used as a basis for this charge.

(f) When the Fund's holdings of the local currency of a member country exceed the quota of that country, upon request by the member country, the Fund shall resell to the member country the Fund's excess holdings of the currency of that country for gold or acceptable foreign exchange.

4. The right of a member country to purchase foreign exchange from the Fund with its local currency for the purpose of meeting an adverse balance of payments on current account is recognized only to the extent of its quota, subject to the limitation in III-3 above and III-7 below.

5. With the approval of four-fifths of the member votes, the Fund in exceptional circumstances may sell foreign exchange to a member country to facilitate transfer of capital, or repayment or adjustment of foreign debts, when in the judgment of the Board such a transfer is desirable from the point of view of the general international economic situation.

6. When the Fund's holdings of any particular currency drop below 15 per cent. of the quota of that country, and after the Fund has used for additional purchases of that currency,

(*a*) Gold in an amount equal to the country's contribution of gold to the Fund, and

(*b*) The country's obligations originally contributed, the Fund has the authority and the duty to render to the country a report embodying an analysis of the causes of the depletion of its holdings of that currency, a forecast of the prospective balance of payments in the absence of special measures, and finally, recommendations designed to increase the Fund's holdings of that currency. The Board member of the country in question should be a member of the Fund committee appointed to draft the report. This report should be sent to all member countries, and, if deemed desirable, made public.

Member countries agree that they will give immediate and careful attention to recommendations made by the Fund.

7. Whenever it becomes evident to the Board of Directors that the anticipated demand for any particular currency may soon exhaust the Fund's holdings of that currency, the Board of Directors of the Fund shall inform the member countries of the probable supply of this currency and of a proposed method for its equitable distribution, together with suggestions for helping to equate the anticipated demand and supply for the currency.

The Fund shall make every effort to increase the supply of the scarce currency by acquiring that currency from the foreign balances of member countries. The Fund may make special arrangements with any member country for the purpose of providing an emergency supply under appropriate conditions which are acceptable to both the Fund and the member country.

The privilege of any country to acquire an amount of other currencies equal to or in excess of its quota shall be limited by the necessity of assuring an appropriate distribution among the various members of any currency the supply of which is being exhausted. The Fund shall apportion its sales of such scarce currency. In such apportionment, it shall be guided by the principle of satisfying the most urgent needs from the point of view of the general international economic situation. It shall also consider the special needs and resources of the particular countries making the request for the scarce currency.

8. In order to promote the most effective use of the available and accumulating supply of foreign exchange resources of member countries, each member country agrees that it will offer to sell to the Fund, for its local currency or for foreign currencies which it needs, all foreign exchange and gold it acquires in excess of the amount it possessed immediately after joining the Fund. For the purpose of this provision, including computations, only free foreign exchange and gold are considered. The Fund may accept or reject the offer. To help achieve this objective, each member country agrees to discourage the unnecessary accumulation of foreign balances by its nationals. The Fund shall inform any member country when, in its opinion, any further growth of privately-held foreign balances appears unwarranted.

9. To buy from the Governments of member countries, abnormal war balances held in other countries, provided all the following conditions are met:

(*a*) The abnormal war balances are in member countries and are reported as such (for the purpose of this provision) by the member Government on date of its becoming a member.

(*b*) The country selling the abnormal war balances to the Fund agrees to transfer these balances to the Fund and to repurchase from the Fund 40 per cent. of them (at the same price) with gold or such free currencies as the Fund may wish to accept, at the rate of 2 per cent. of the transferred balances each year for 20 years beginning not later than 3 years after the date of transfer.

(*c*) The country in which the abnormal war balances are held agrees to the transfer to the Fund of the balances described in (*b*) above, and to repurchase from the Fund 40 per cent. of them (at the same price) with gold or such currencies as the Fund may wish to accept, at the rate of 2 per cent. of the transferred balances each year for 20 years beginning not later than 3 years after the date of transfer.

(*d*) A charge of 1 per cent., payable in gold, shall be levied against the country selling its abnormal war balances and against the country in which the balances are held. In addition a charge of 1 per cent., payable in gold, shall be levied annually against them on the amount of such balances remaining to be repurchased in each country.

(*e*) If the country selling abnormal war balances to the Fund asks for foreign exchange rather than local currency, the request will not be granted unless the country needs the foreign exchange for the purpose of meeting an adverse balance of payments not arising from the acquisition of gold, the accumulation of foreign balances, or other capital transactions.

(*f*) Either country may, at its option, increase the amount it repurchases annually. But, in the case of the country selling abnormal war balances to the Fund, not more than 2 per cent. per annum of the original sum taken over by the Fund shall become free, and only after 3 years shall have elapsed since the sale of the balances to the Fund.

(*g*) The Fund has the privilege of disposing of any of its holdings of abnormal war balances as free funds after the 23-year period is passed, or sooner under the following conditions:

(*i*) its holdings of the free funds of the country in which the balances are held fall below 15 per cent. of its quota; or

(*ii*) the approval is obtained of the country in which the balances are held.

(*h*) The country in which the abnormal war balances are held agrees not to impose any restrictions on the use of the instalments of the 40 per cent. portion gradually repurchased by the country which sold the balances to the Fund.

(*i*) The Fund agrees not to sell the abnormal war balances acquired under the above authority, except with the permission or at the request of the country in which the balances are being held.

The Fund may invest these balances in ordinary or special Government securities of that country. The Fund shall be free to sell such securities in any country provided that the approval of the issuing Government is first obtained.

(*j*) The Fund shall determine from time to time what shall be the maximum proportion of the abnormal war balances it will purchase under this provision. Abnormal war balances acquired under this provision shall not be included in computing the amount of foreign exchange available to member countries under their quotas.

10. To buy and sell currencies of non-member countries, but shall not be authorized to hold such currencies beyond sixty days after date of purchase, except with the approval of four-fifths of the member votes.

11. To borrow the currency of any member country, provided four-fifths of the member votes approve the terms of such borrowing.

12. To sell member-country obligations owned by the Fund provided that the Board representative of the country in which the securities are to be sold approves.

To use its holdings to obtain rediscounts or advances from the central bank of any country whose currency the Fund requires.

13. To invest any of its currency-holdings in Government securities and prime commercial paper of the country of that currency provided four-fifths of the member votes approve, and provided further that the Board representative of the country in which the investment is to be made approves.

14. To lend to any member country its local currency from the Fund for one year or less up to 75 per cent. of the currency of that country held by the Fund, provided such loan is approved by four-fifths of the member votes.

15. To levy upon member countries a *pro rata* share of the expenses of operating the Fund, payable, in local currency, not to exceed 1|10 per cent. per annum of the quota of each country. The levy may be made only to the extent that the earnings of the Fund are inadequate to meet its current expenses, and only with the approval of four-fifths of the member votes.

The Fund shall make a service charge of 1|4 per cent. or more on all exchange and gold transactions.

16. The Fund shall deal only with or through:

(*a*) The treasuries, stabilization funds, or fiscal agents of member Governments;

(*b*) The central banks, only with the consent of the member of the Board representing the country in question; and

(*c*) Any international banks owned predominantly by member Governments. The Fund may, nevertheless, with the approval of the member of the Board representing the Government of the country concerned, sell its own securities, or securities it holds, directly to the public or to institutions of member countries.

IV—MONETARY UNIT OF THE FUND

1. The monetary unit of the Fund shall be the "Unitas" ("UN") consisting of 137-1|7 grains of fine gold (equivalent to 10 dollars U.S.) The accounts of the Fund shall be kept and published in terms of Unitas.

2. The value of the currency of each member country shall be fixed by the Fund in terms of gold or Unitas, and may not be altered by any member country without the approval of four-fifths of the member votes.

3. Deposits in terms of Unitas may be accepted by the Fund from member countries upon the delivery of gold to the Fund, and shall be transferable and redeemable in gold or in the currency of any member country at the rate established by the Fund. The Fund shall maintain a 100 per cent. reserve in gold against all Unitas deposits.

4. No change in the value of the currencies of member countries shall be permitted to alter the value in gold or Unitas of the assets of the Fund. Thus if the Fund approves a reduction in the value of the currency of a member country (in terms of gold or Unitas) or if, in the opinion of the Board, the currency of a member country has depreciated to a significant extent, that country must deliver to the Fund when requested an amount of its local currency equal to the decreased value of that currency held by the Fund. Likewise, if the currency of a particular country should appreciate, the Fund must return to that country an amount (in the currency of that country) equal to the resulting increase in the gold or Unitas value of the Fund's holdings. The same provisions shall also apply to the Government securities of member countries held by the Fund. However, this provision shall not apply to currencies acquired under III-9 (abnormal war balances).

V—MANAGEMENT

1. The administration of the Fund shall be vested in a Board of Directors. Each Government shall appoint a director and an alternate, in a manner determined by it, who shall serve for a period of three years subject to the pleasure of their Government. Directors and alternates may be reappointed.

In all voting by the Board, the director or alternate of each member country shall be entitled to cast an agreed upon number of votes. The distribution of voting power shall be closely related to the quotas of member countries, although not in precise proportion to the quotas. An appropriate distribution of voting power would seem to be the following: Each country shall have 100 votes *plus* 1 vote for the equivalent of each 100,000 Unitas (1 million dollars) of its quota.

Notwithstanding the approved formula for distributing voting power, no country shall be entitled to cast more than one-fourth of the aggregate votes regardless of its quota. All decisions, except where specifically provided otherwise, shall be made by a majority of the member votes.

2. The Board of Directors shall select a Managing Director of the Fund and one or more assistants. The Managing Director shall become an *ex-officio* member of the Board and shall be chief of the operating staff of the Fund. The Managing Director and the assistants shall hold office for two years, shall be eligible for re-election, and may be removed for cause at any time by the Board.

The Managing Director of the Fund shall select the operating staff in accordance with regulations established by the Board of Directors. Members of the staff may be made available upon request of member countries for consultation in connection with international economic problems and policies.

3. The Board of Directors shall appoint from among its members an Executive Committee to consist of not less than eleven members. The Chairman of the Board shall be Chairman of the Executive Committee, and the Managing Director of the Fund shall be an *ex-officio* member of the Executive Committee. The Executive Committee shall be continuously available at the head office of the Fund and shall exercise the authority delegated to it by the Board. In the absence of any member of the Executive Committee, his alternate shall act in his place. Members of the Executive Committee shall receive appropriate remuneration.

4. The Board of Directors may appoint such other committees as it finds necessary for the work of the Fund. It may also appoint advisory committees chosen wholly or partially from persons not employed by the Fund.

5. The Board of Directors may at any meeting, by a four-fifths vote, authorize any officers or committees of the Fund to exercise any specified powers of the Board. The Board may not delegate, except to the Executive Committee, any authority which can be exercised only by a four-fifths vote.

Delegated powers shall be exercised only until the next meeting of the Board, and in a manner consistent with the general policies and practices of the Board.

6. The Board of Directors may establish procedural regulations governing the operations of the fund. The officers and committees of the Fund shall be bound by such regulations.

7. The Board of Directors shall hold an annual meeting and such other meetings as it may be desirable to convene. On request of member countries casting one-fourth of the votes, the Chairman shall call a meeting of the Board for the purpose of considering any matters placed before it.

8. A country failing to meet its obligations to the Fund may be suspended provided a majority of the member votes so decides. While under suspension, the country shall be denied the privileges of membership but shall be subject to the same obligations as any other member of the Fund. At the end of two years the country shall be automatically dropped from membership unless it has been restored to good standing by a majority of the member votes.

Any country may withdraw from the Fund by giving notice, and its withdrawal will take effect two years from the date of such notice. During the interval between notice of withdrawal and the taking effect of the notice, such country shall be subject to the same obligations as any other member of the Fund. A country which is dropped or which withdraws from membership shall have returned to it an amount in its own currency equal to its contributed quota, *plus* other obligations of the Fund to the country, and *minus* any sum owed by that country to the Fund.

Any losses of the Fund may be deducted *pro rata* from the contributed quota to be returned to the country that has been dropped or has withdrawn from membership. The Fund shall have five years in which to liquidate its obligation to such a country. When any country is dropped or withdraws from the Fund, the rights of the Fund shall be fully safeguarded.

9. Net profits earned by the Fund shall be distributed in the following manner:

(*a*) 50 per cent. to reserves until the reserves are equal to 10 per cent. of the aggregate quotas of the Fund.

(*b*) 50 per cent. to be divided each year among the members in proportion to their quotas. Dividends distributed to each country shall be paid in its own currency or in Unitas at the discretion of the Fund.

VI—POLICIES OF MEMBER COUNTRIES

Each member country of the Fund undertakes the following:

1. To maintain by appropriate action exchange rates established by the Fund on the currencies of other countries, and not to alter exchange rates except with the consent of the Fund and only to the extent and in the direction approved by the Fund. Exchange rates of member countries may be permitted to fluctuate within a specified range fixed by the Fund.

2. To abandon, as soon as the member country decides that conditions permit, all restrictions and controls over foreign exchange transactions (other than those involving capital transfers) with other member countries, and not to impose any additional restrictions without the approval of the Fund. The Fund may make representations to member countries that conditions are favourable for the abandonment of restrictions and controls over foreign exchange transactions, and each member country shall give consideration of such representations.

3. To co-operate effectively with other member countries when such countries, with the approval of the Fund, adopt or continue controls for the purpose of regulating international movements of capital. Co-operation shall include, upon recommendation by the Fund, measures that can appropriately be taken:

(*a*) Not to accept or permit acquisition of deposits, securities, or investments by nationals of any member country imposing restrictions on the export of capital except with the permission of the Government of that country and the Fund;

(*b*) To make available to the Fund or to the Government of any member country full information on all property in the form of deposits, securities and investments of the nationals of that member country; and

(*c*) Such other measures as the Fund shall recommend.

4. Not to enter upon any new bilateral foreign exchange clearing arrangements, nor engage in multiple currency practices, except with the approval of the Fund.

5. To give consideration to the views of the Fund on any existing or proposed monetary or economic policy, the effect of which would be to bring about sooner or later a serious disequilibrium in the balance of payments of other countries.

6. To furnish the Fund with all information it needs for its operations and to furnish such reports as it may require in the form and at the times requested by the Fund.

7. To adopt appropriate legislation or decrees to carry out its undertakings to the Fund and to facilitate the activities of the Fund.

DEPARTMENT OF COMMERCE

(Import Trade Control)

The attention of importers is drawn to Notification No. 23-ITC|43 published by *Gazette of India Extraordinary* on the 1st July 1943, under which the existing Import Trade Control Notifications have been superseded and a redistribution of import licensing powers has been made. Details of the new arrangements are given in the Schedule to the notification (copies of which may be obtained from the Manager of Publications, Civil Lines, Delhi); but the following general summary indicates to which authorities applications for import licences should in future be addressed for various classes of goods:—

(1) *Steel Import Controller* (Address: 7 Wellesley Place, Calcutta). Iron, Steel and other metals manufactured and semi-manufactured; and ferro-alloys.

(2) *Deputy Chief Controller of Imports, Calcutta* (Address: 17, Ezra Mansions, Calcutta).—All goods hitherto licensed by the Director of Licensing (D.G.M.P.) including motors and generators, pumping machinery, bearings, small tools and hand tools, precision and measuring tools, abrasives, crucibles and belting; raw hemp and sisal; tea industry requirements; electrical goods; and machinery required for the jute, hemp, and tea industries, iron and steel production, electric supply undertakings, mines and quarries, agriculture, and road making and haulage.

(3) *Deputy Chief Controller of Imports, Bombay* (Address: New Custom House, Bombay).—Cotton textile machinery, spares and millstores hitherto licensed by the Cotton Textile Directorate; other machinery for use in textile industries other than jute and hemp; raw cotton; cotton ropes and bandings; knitting machines; and coal-tar dyes.

(4) *The Import Trade Controllers, Calcutta, Bombay, Madras, Karachi* (Address: the Custom House at the port concerned).—Consumers' goods and other goods at present licensed on a quota basis.

(5) *The Chief Controller of Imports* (Address: Hutments, Block No. 108, Near North Block, Imperial Secretariat, New Delhi).—Paints and chemicals in bulk packing; raw asbestos; raw wool; wood pulp; goods hitherto licensed by the Director General of Supply including mineral oils, rubber manufactures, and A.R.P. goods; explosives hitherto licensed by the Chief Inspector of Explosives; aircraft and parts of aircraft hitherto licensed by the Director of Civil Aviation; railway materials; and machinery and industrial requirements other than those mentioned in (2) and (3) above.

2. Licences already issued under the superseded notifications to cover shipments in July-December 1943, or revalidated to cover such shipments, will however continue to be accepted as valid at the Custom Houses; and it is not therefore necessary to have them replaced by fresh licences under the new notification.

3. The above does not affect the licensing of Machine Tools, which will continue to be carried out by the Machine Tool Controller (Address: 31, Chowringhee, Calcutta) under the Machine Tool Control Order, 1941.

Investments

(From Our Own Correspondents)

NEW DELHI, July 7.

During the week under review, we had a shrunken market with a declining trend of prices. The recession in the textiles has further deepened, steels were unsupported, teas and jutes fluctuated within a narrow range, and a general cautious attitude was noticed on the part of the operators. Good inquiry was, however, forthcoming for electric, railway and preference shares, and bulk of it was satisfied at slightly better rates. Insurance shares had sellers, while banks held their own.

Piecegoods Trade

The piecegoods trade is in the grip of a serious crisis. Prices have come down by 25 to 40 per cent. under the selling pressure which followed the announcement of the Cloth Control Order. This had its effects on the stock exchanges. The textiles were the worst sufferers. Bombay dyeings dropped to Rs. 2,000 but recovered to Rs. 2,050 to close at Rs. 2,035 on bear covering. Centuries, Koninoors and Nagpurs were considerably lower. Among the smaller priced shares, E. D. Sassoon ordinaries and deferreds were done at Rs. 20 and Rs. 3-8 respectively while Apollos were unplaceable even around Rs. 5-4. In the Calcutta market, Cawnpore Textiles dropped to Rs. 13-4 and Elgins to Rs. 71-8, while New Victorias were neglected even at Rs. 9-6. Locally, Raza Textiles had sellers at Rs. 58-8, but buyers were reserved. Even the Delhi Cloth Ordinaries, the most securely held shares in this market, suffered a decline of five points to close at Rs. 108.

It is now possible to have an idea, though only in outlines, of the profit margins of the textile industry under the Control. The scheme revolves round 50 per cent. capacity to be utilized for turning out Standard Cloth, 20 per cent. on war orders, and 30 per cent. for domestic and export markets the prices for which will not be fixed. The rate for standard cloth working, on an average, at Rs. 2 per lb. ex-mill hardly gives any margin to an average mill in Ahmedabad. But in Bombay, the case is the reverse because of the lower scale of dearness allowance granted to workers. The war orders hardly fetch more than 10 per cent. profits. And as for the remaining 30 per cent. the basis of the reasonable ex-mill prices "offering reasonable margin of profit" is Rs. 2-6 per lb. for Leopard. This is on the basis of present costs of materials entering into its production. Thus, to put it in the words of Mr. Dharmasey, the Chairman, "the mills will have to revert back to 1940-41 profit levels." This position however will apply only to the next financial year since all forward contracts entered into by the mills will remain intact.

Jute and Coal Shares

Jute shares have maintained their firmness under the stimulus of the U.S. order. Apart from bazar support some outside investment inquiry has been reported. Agarparas, Nationals, Anglo-Indias and Howrahs recorded transactions. Once again, the outlook for coal shares has brightened and the demand has become brisk. The wagon position has considerably eased. The surplus stocks accumulated at the collieries have begun to move and in consequence, there is an upswing in the coal prices. The following figures will be of interest:

	Per ton into wagon rate a month ago	Present rate
Selected Jheria	.. Rs. 6-12 to 8-8	10 2
Jheria G.I.	.. Rs. 5-8 to 6-8	8 0
Poniati	.. Rs. 7-12	9 12
Deshergarh	.. Rs. 8-0	10 0
Raneegunge (Kanjora class)	.. Rs. 5-12 to 6-12	8 4

The general acceleration of industrial activity in the country and the nearly satisfactory prospects for the export trade have created favourable conditions for the industry, which are fully reflected in the price of shares of the coal companies. Bengals, West Jhamurias, New Beerbhooms and Katras Jherias offer good counters.

Industrials

The Amrit Group of Industrial Undertakings, Ghaziabad, comprising of Amrit Banaspati Co., Ltd., Amrit Chemicals, Ltd., and Amrit Perfumeries, Ltd. has in recent months attracted much attention of the investing public particularly from Northern India. The Amrit Banaspati Co., Ltd., which is the parent body has done satisfactorily well and is a dividend paying concern. The Amrit Chemicals, Ltd., it is reported, has earned handsome profits, while the Amrit Perfumeries, Ltd., which was started only last winter has gone ahead considerably.

BOMBAY, July 7.

The feature of the week was a most sustained activity in the gilt-edge section. Rarely in any single in the current week individuals generally apathetic towards investment in gilts for political reasons or otherwise rushed to buy unusually large amounts on Monday. The rate of 31 per cent. Rupee paper was raised further from Rs. 94-8 to Rs. 95. A very large enquiry was in evidence and it has continued till today The list for 63-65 loan closed on Monday as soon as subscriptions reached Rs. 15 crores. The issue price was Rs. 95-8. The rate went up to Rs. 96 immediately after the list closed. Medium term loans recorded slight improvement in sympathy with rise in long term issues, 3 per cent. 1951/54, quoting Rs. 100-2. Anti-inflationary forces continue to be at work and prices of raw materials and manufactured goods are tending to be lower in recent weeks after touching their peak sometime back. Gold and silver prices are sagging. The last weekly return of the Reserve Bank showed little increase in the total currency circulation. Greater response from the public to long-term and non-terminable loans further reinforces Government's drive against inflation. With the new capital issues severely controlled and equity values more or less stationary and offering little chance of capital appreciation, new savings may increasingly revert to Government loans. The increased interest in the gilts is also partly accounted for by the rumours which has gone round that bank rate may be lowered. No changes have recently taken place in the shorter money market to warrant this belief. The call money rates have a little hardened on account of the half-year end requirements of banks and increased demand for credit against large purchases of Government loans. This also explains the fact that only Rs. 4.80 crores were offered against the fact that only Rs. 4.80 crores were offered against tenders for Rs. 8 crores of Treasury Bills this week, out of which Rs. 3.12 crores were accepted at 1 per cent. Share market has recorded some improvement during the week particularly in the leading textile counters against last week's closing of Rs. 830. Century's closed today at Rs. 854 and Kohinoors at Rs. 850. Bombay Dyeings moved narrowly, the closing rate being Rs. 2,037-8. The possibility of Textile Control Board not fixing prices for about 30 per cent. of production has brought about a steadier tone in the piecegoods market and also in the share market. Other cotton shares slightly improved, Nagpur having closed at Rs. 4,431 and Swadeshi at Rs. 563. Tata Steels are easier, closing quotations being Rs. 2,035 for deferreds and Rs. 410-8 for ordinaries. The published annual report of Tata Iron and Steel Co. for 1942-43 as usual makes interesting reading. The Company's profits were lower by over Rs. 2 crores. It is explained that the loss was due to a strike at the Company's Works from August 21 to September 3, 1942. It took some months thereafter, before full production was obtained. Moreover, there was breakdown of one of Company's generating sets in January, 1943, which also affected production. The distributable profits, however, were lower by about Rs. 1.15 crores, the balance being made up by lower provision for taxes. Amount transferred to reserve fund is much lower at Rs. 35 lakhs against last year's provision of Rs. 1 crore.

CALCUTTA, July 3.

Apart from the half yearly closing of banks, an event of considerable importance to the money market, there have been some eventful news and announcements which make this week rather important to the financiers and investors. Plentiful supplies of cash and credit which have been the feature of Indian money market for many months past made the six monthly closing of accounts a very smooth operation and banks had no need to resort to window-dressing methods.* As indicated a fortnight back, the Reserve Bank put up its price for selling 3½% Government Paper from Rs. 94 to Rs. 94-8. This, in addition to other measures announced last week, has made the gilt edged market stronger. The Central Government's restriction of dividend on Reserve Bank shares to 4% stop inflation must be rooted in public sympathy and under Defence of India Rules, has put a check to the rise in the price of Reserve Bank shares but the market apprehends that this may be the thin-end of the wedge in restricting dividend on other shares. The sale of a million ounces of silver by the United States to Great Britain under the Lend and Lease arrangements, to meet war requirements must be of considerable interest to the Indian bullion market. And lastly Dr. Nemenyi's visit to Calcutta to ascertain Indian opinion in regard to measures best calculated for checking inflation, must not be excluded from this week's review of important events in our money market.

Anti-Inflationary Measures

Dr. Nemenyi has by now visited important financial centres in the country and wherever he has gone for news or advice, it has been fully and firmly impressed upon him that any measures which can successfully public support. The present political tension and the apathy of the so-called British Trustees cannot create that public enthusiasm which is so necessary for the effective introduction of overriding restrictions in all departments of economic life. Subject to this preliminary advice that the Doctor has been asked to impress upon the Indian Finance Member and his masters in London, Indian opinion is unanimous that the first step in decreasing the volume of note issue is to enable Indians to purchase at a negotiated price British investments in India and if necessary even abroad. The Government's embargo on new capital issues, sometimes expressed to be in the interest of ignorant Indian investors, as was perhaps given out at the time of Blue Mountain Tea Estate transfer from British to Indian hands, cannot be taken at its face value nor does it provide any material additional means for deflation. If the Government's idea is that Britishers should not be allowed to fleece by selling their investments at present abnormally high prices, then their duty is clear, to enforce such sales on equitable basis. If the Government's idea in stopping new company formations is to divert surplus funds in War Loans, that purpose is not likely to be advanced much further because most of such money is at present lying in banks and through them must have been so invested; and even if new companies attract some hidden hoards, the capital that they will get, in the absence of immediate employment in machinery, equipment and other productive avenues, would in all probability be invested in War Bonds, and thus further the very purpose which the Government has in view. India is very apprehensive and very rightly too, in view of England's past history and record, that the restrictive measures are introduced to impede rapid industrial advancement for which the country is so ripe and well prepared. If the Government had no such intention and really meant to advance Indian economy and standard of living of the masses, they should have on the contrary encouraged new industrial flotations to absorb the present large available funds, and made provision for the supply of heavy industrial and productive machinery, on cessation of hostilities, by England and America, at reasonable prices against present payment. Arguments like these have been impressed upon Dr. Nemenyi from place to place and it should be easy for Government to achieve the purpose they have in view by withdrawing the embargo on new capital investments and introducing measures like the one suggested here.

*Likewise large hessian and gunny settlement which fell due on 30th June involving a turnover of over Rs. 15 crores went off smoothly.

Money Market

Call money rates in Calcutta and Bombay are nominal at ½ per cent. and ¼ per cent. respectively. Madras quotes the same rate as Calcutta. Term deposits excite no interest and banks would not mind if inquiries for such money decreased or even if their fixed deposit amounts became less.

Treasury Bills

Applications for Government of India Treasury Bills this week were not as large as in the previous weeks. This does not disprove abundance of large supplies but is accounted for by the half yearly closing of banks and companies and their desire to show as large a cash and bank balance as possible. Against Rs. 8 crores required, the amount tendered was slightly over Rs. 9 crores. The total amount accepted was Rs. 8 crores at an average rate of 1-1|16 per annum. The amount of intermediates sold announced during the week was Rs. 121 lakhs and the amount of Treasury Bills purchased by the Issue Department of the Reserve Bank in the week ended June 25 was Rs. 782 lakhs.

Stocks and Shares

The market was fairly active in the early part of the week but the announcement of the Central Government restricting dividend on Reserve Bank shares has made the market nervous. The market is afraid that the Government in their desire to control prices and deflate currency may resort to restriction of dividend on company shares. The War situation has had some cheering effect on the operators and if that confidence is to be maintained, clarification of Government's policy in this respect seems very necessary. The shares of the United Commercial Bank have been continuously in demand at rising premium. The Bank is at present working only in Calcutta and that, too, for about a month; but the news that at the last hessian settlement, it handled a very large volume of cheques and was the second biggest amongst the Calcutta banks in the clearing and transfer of cheques, has impressed upon the market the dynamic potentialities of this bank. Investors also anticipate that the Statutory Report of this bank, which is due very shortly, will reveal a very satisfactory, safe and liquid working. With the opening of their Bombay Branch within about a fortnight, the earning capacity of the Bank must be further enhanced.

Bullion and Exchange

Rise in the price of silver and gold noticeable at the end of last week was not maintained and both the precious metals have come down. The opening of forward dealings has provided an opportunity for the bears to lower the prices, but the statistical position of stocks has always made them careful not to venture too far.

There is nothing special to report in the Exchange Market and rates are unchanged.

MADRAS, July 3.

The money market continued to be easy and the call rate was quoted ½ per cent. But for some stray business now and then, the market was devoid of any interest. The sterling exchange market was extremely dull and there was only a small volume of remittance business. There was practicolly no business in all the other sections.

Stocks and Shares

Conditions on the Stock Exchange were unchanged during the week but the total turnover has shrunk further. Textile shares shed some more points during the early part of the week but at the close there has been a rally due to selective buying at lower levels. Outside the textile section, prices have continued steady and in some sections prices have risen fractionally. In spite of the large amount of the capital that has been taken up by the new floatations, there is still a large volume of investment funds awaiting employment and once the uncertainties affecting the markets are removed share values are likely to improve. The important event in the gilt-edged market during the week was the raising of the buying rate for three and a half per cent. Paper to Rs. 94-8 by the Reserve Bank. This imparted firmness to all the scrips. Three and a half per cent. Loans 1947-50 were done at Rs. 103-9. Four per cent. Loans 1960-70 improved to Rs. 111. Five per cent. Loans 1945-55 were taken up at Rs. 107-2. State loans and Provincial loans further hardened but there was little scrip offering.

Amongst Bank shares, Indians big rose from Rs. 251-8 to Rs. 255. The anticipations of the market regarding the dividend of the Reserve Bank may be accomplished in view of the Ordinance issued this week limiting the dividend temporarily to four per cent. There were steady enquiries for Reserves, Indo-Commercials and Bank of Hindustans. Business has dwindled in the textiles section. Shares after an early decline in value have rallied to some extent at the close. Mettur Industries, Rangavilas, Vasantas and Coimbatore Spinnings were active during the period under report. The market leaders were the most popular in the Planting section. Cochin Malabars have announced a final dividend of 35 per cent. to make 57½ per cent. for the year which has been very well received by the market. The shares have risen from Rs. 21 C.D. to Rs. 22-4 C.D. Tropical Plantations were active and rose by one point to Rs. Rs. 56-8 C.D. Nenmeynys was another popular share rising to Rs. 24-12 X.D. Rajagiris receded to Rs. 19-12. Amongst tea and coffee shares, Chembra Peaks, Peermades and O. Valleys were dealt with frequently and prices have appreciated sharply closing respectively at Rs. 14-4, Rs. 53-2 C.D. and Rs. 16-4. A small volume of business passed in the public utilities section and was confined to local electric company shares. In the miscellaneous section, chemicals continued to be active and were fractionally higher on the week's trading. There was a fair turnover in the Mysore group of industrial shares.

Commodity Markets

MADRAS, July 3.

Groundnuts

Very steady conditions prevailed in the groundnuts market and the quotation was moving by eight annas on either side of Rs. 89-8. The British Ministry of Food is reported to have purchased some quantity last week-end totalling 8,500 tons for the week and during the week another 4,000 tons have been bought at £38-10-0. Local exporters were good buyers but stock was not forthcoming in plenty. Holders were selling only in small quantities and were awaiting higher prices. It is reported that the Government of of India are considering the desirability of fixing ceiling prices for groundnuts. The oil market was stagnant during the major portion of the week but towards the close there was some local demand. The quotation after being sticky around Rs. 170 improved to and closed at Rs. 175. The oil-cake market was easy with no important demand from any quarter.

Hides and Skins

In the skins and hides market there were small local movements in goat, sheep and cow hides. Arrivals were poor and were confined to goat and sheep of heavy weights. Regarding overseas trade, there were stray enquiries from London but local exporters were unable to accept them in view of the wide margin of prices. Trade with America continued legible.

Yarn

The yarn market continued to be in a nervous state and prices have further delcined, rather sharply in the higher counts. Merchants have been more or less marking time and have not engaged themselves in any active business, awaiting the ceiling prices. At the lower levels there was some demand from weavers which helped the market to recover slightly. This recovery was, however, shortlived. Big purchasers, who have large orders for handloom goods, are still out of the market. 20s to 40s have declined by about two to three annas per lb., 60s by about ten annas per lb. and 80s by about a rupee per lb.

Piecegoods

Very similar conditions as those prevailing in the yarn market were witnessed in the piecegoods market. Mettur Mulls, a prominent speculative line and considered to be the barometer of the market, have declined by about Rs. 6 to Rs. 15 per piece during the course of a fortnight. This was mainly due to the anxiety on the part of the sellers to dispose of their stocks and buyers' fear to enter into any commitments. TThe market is in a thoroughly demoralized state and it is not known when normal conditions would be restored, particularly when the question of fixing ceiling prices is still hanging in the balance. In the meanwhile, the local Piecegoods Merchants' Association and the Yarn Merchants' Association and other similar bodies in the districts have sent a memorial to the Government requesting the deletion of clauses 13 and 14 of the Textile Control Order as the time granted under the clauses for the disposal of the goods is considered to be insufficient, in view of the acute transport difficulties facing the country.

CURRENT STATISTICS

BANK OF ENGLAND

(000's omitted)

	June 30, 1943. £	June 23, 1943. £	Aug. 30, 1939. £	July 2, 1942. £
Total Bullion ..	1,156	1,197	263,700	1,559
Public Deposits ..	9,500	7,300	31,100	11,500
Other Deposits ..	293,400	203,100	129,100	200,900
Of which Banker's Deposits ..	238,100	148,900	90,100	171,600
Govt. Securities ..	233,400	153,700	113,100	187,700
Other Securities ..	27,500	15,900	31,000	26,400
Of which Discounts and Advances ..	4,900	5,000	6,400	6,100
Notes and coins ..	54,800	53,400	34,200	30,000
Notes in Circulation	946,300	947,700	529,500	801,600
Ratio of Reserve to Liabilities ..	18.10%	25.41%	21.38%	12.89%

U.S. FEDERAL RESERVE BANK

(000's omitted)

	June 24, 1943. $	June 17, 1943. $	Aug. 31, 1939. $	Aug. 25, 1942. $
Resources:				
Total Reserves ..	20,610,000	20,609,000	14,660,610	20,853,000
Total Bills Discounted	19,000	11,000	6,190	5,000
Bills bought in open market ..	..	..	550	..
Total U. S. Government Securities	6,748,000	6,626,000	2,426,190	2,583,000
Liabilities:				
Federal Reserve Notes in actual Circulation	13,635,000	13,656,000	4,609,280	9,254,000
Deposits — Member Bank Reserve Account ..	12,223,000	12,511,000	10,951,000	12,523,000
Ratio of total Reserve to Deposit and Federal Reserve Note liabilities combined ..	74.8%	75.3%	86.9%	89.6%

RESERVE BANK OF INDIA

Weekly Statement of Account as on 25th June, 1943.

ISSUE DEPARTMENT

Liabilities	Rs.	Rs.
Notes held in the Banking Department	11,39,58,000	
Notes in circulation ..	723,35,15,000	
Total Notes issued ..		734,74,73,000
Total Liabilities ..		734,74,73,000
Assets	**Rs.**	**Rs.**
A. Gold Coin and Bullion:—		
(a) Held in India ..	44,41,43,000	
(b) Held outside India ..	..	
Sterling Securities ..	554,48,67,000	
Total of A.		598,90,10,000
B. Rupee Coin		16,13,29,000
Government of India Rupee Securities		119,71,34,000
Internal Bills of Exchange and other commercial Paper ..		..
Total Assets ..		734,74,73,000

Ratio of Total of A to Liabilities: 81.511 per cent.

BANKING DEPARTMENT

Liabilities	Rs.
Capital paid up	5,00,00,000
Reserve Fund	5,00,00,000
Deposits:—	
(a) Government	
(1) Central Government of India	19,32,57,000
(2) Government of Burma ..	65,19,000
(3) Other Government Accounts	9,72,29,000
(b) Banks	56,14,45,000
(c) Others	3,01,03,000
Bills Payable	1,51,00,000
Other Liabilities	11,07,61,000
Total ..	111,44,14,000
Assets	**Rs.**
Notes	11,39,58,000
Rupee Coin	14,27,000
Subsidiary Coin	1,76,000
Bills Purchased and Discounted:—	
(a) Internal	..
(b) External	..
(c) Government Treasury Bills ..	75,19,000
Balances held abroad*	87,21,48,000
Loans and Advances to Governments ..	..
Other Loans and Advances ..	30,00,000
Investments	7,51,22,000
Other Assets	4,10,64,000
Total ..	111,44,14,000

* Includes Cash and Short-term Securities.

ISSUE DEPT. COMPARATIVE STATEMENT

(000's omitted.)

	25th June, 1943.	18th June, 1943.	26th June, 1942.	1st Sept., 1939.
Notes held in the Banking Dept.	11,39,58	11,50,88	12,91,96	35,04,49
Notes in circulation	723,35,15	722,94,33	443,19,17	182,13,17
Total Notes	734,74,73	734,45,21	456,11,13	217,17,66
A. Gold Coin and Bullion	44,41,43	44,41,43	44,41,43	44,41,43
Sterling Securities	554,48,67	554,48,67	261,85,11	59,50,11
Total of A.	598,90,10	598,90,10	306,26,54	103,91,57
B. Rupee Coin ..	16,13,29	14,83,85	27,55,60	75,87,11
Rupee Securities	119,71,34	120,71,26	122,28,99	37,38,98
Ratio of Total of A to Liabilities ..	81.51	81.54	67.15	63.15

BANKING DEPT. COMPARATIVE STATEMENT

(000's omitted)

	25th June, 1943	18th June, 1943.	26th June, 1942.	1st Sept., 1939.
Cash ..	11,55,61	11,65,71	13,03,94	35,15,27
Bills Purchased and Discounted:—				
(a) Internal	..	..	..	..
(b) External	..	..	..	..
(c) Govt. Treasury Bills ..	75,19	75,19	13,24	1,15,67
Balances held abrdad* ..	87,21,48	80,02,58	60,76,73	10,08,33
Loans and Advances to Govt. ..	..	..	5,00,00	31,00
Investments	7,51,22	7,48,63	8,59,75	6,81,34
Deposits—				
(a) Govt.	29,70,05	19,18,70	12,66,53	14,89,43
(b) Banks	56,14,45	59,57,05	62,71,97	26,91,43
(c) Others	3,01,03	2,80,55	1,74,28	1,24,37

* Includes cash and short-term securities.

STERLING PURCHASES

(000's of £)

	Total Amount Purchased.	Average rate.
1943:—		
January	8,132	1sh. 6d.
February	11,070	1sh. 6d.
March	17,779	1sh. 6d.
April	9,219	1sh. 6d.
May	8,721	1sh. 6d.

SCHEDULED BANKS

(In thousand Rupees)

(COMPARATIVE STATEMENT)

	18-6-1943	11-6-1943	19-6-1942	1-9-1939
1. Demand Liabilities in India	412,77,66	408,16,82	263,00,71	134,36,49
2. Time Liabilities in India	130,32,76	129,09,46	96,68,71	102,24,34
3. Cash in India	17,73,83	17,67,49	12,15,26	6,69,92
4. Balances with Reserve Bank	59,54,26	51,56,71	59,36,14	25,17,19
5. Advances in India ..	141,79,47	143,49,71	96,69,66	101,52,16
6. Bills discounted in India ..	4,78,29	5,27,02	1,49,71	3,57,29

IMPERIAL BANK OF INDIA

Week ended 25th June 1943.

Liabilities	Rs.	Rs.
Capital—		
Authorized — 2,25,000 shares of Rs. 500 each ..	11,25,00,000	
Issued and Subscribed —2,25,000 shares of Rs. 500 each ..	11,25,00,000	
Called up—75,000 shares of Rs. each, full paid	3,75,00,000	
1,50,000 shares of Rs. 500 each, Rs. 125 paid ..	1,87,50,000	
		5,62,50,000
Reserve Liability of Shareholders -Rs. 375 per share on 1,50,000 shares	5,62,50,000	
Reserve Fund		5,75,00,000
Fixed Deposit, Savings Bank, Current and other Accounts ..		190,29,34,000
Loans against Securities per contra		..
Acceptances for Constituents		..
Sundries		2,85,06,000
Total Rs . ..		204,51,90,000

Assets	Rs.	Rs.
INVESTMENTS:		
Government Securities	133,16,04,000	
Other Authorized Investments ..	2,09,81,000	
		135,25,85,000
ADVANCES—		
Loans	10,21,39,000	
Cash Credits and Overdrafts	23,74,01,000	
Bills Discounted and Purchased ..	4,52,93,000	
		38,48,33,000
Liability of Constituents for Acceptances per contra		..
Dead Stock		1,71,51,000
Sundries		1,14,55,000
Bullion		..
CASH—		
In hand and with the Reserve Bank of India	26,78,66,000	
Balance with other Banks	1,13,00,000	
		27,91,66,000
Total Rs. ..		204,51,90,000

TENDERS FOR TREASURY BILLS

(In thousands of rupees)

Week Ending	Amount Tendered	Amount Accepted	Average Rate	Inter-mediates	Sold in favour of Issue Dept.
1943	Rs.	Rs.	Rs. a. p.	Rs.	Rs.
Mar. 2	12,15,50	8,00,00	1-1-11	3,69,25	7,96,00
„ 9	12,29,75	8,00,00	1-1-11	2,18,25	13,62,00
„ 16	11,39,75	8,00,00	1-1-11	35,00	14,42,00
„ 23	11,04,00	8,00,00	1-1-10	75,25	3,33,50
„ 30	1,80,25	1,63,25	1-1-11	64,00	22,92,00
Apl. 6	5,71,00	5,31,50	1-2-0	14,50	2,53,50
„ 13	9,01,00	8,00,00	1-2-0	2,24,75	39,98,00
„ 20	7,64,25	7,58,00	1-2-0	2,29,25	11,77,00
„ 27	12,54,50	8,00,00	1-2-0	1,22,00	5,41,00
May 4	15,12,00	8,00,00	1-1-9	4,44,00	2,35,50
„ 11	15,07,00	8,00,00	1-1-7	2,90,75	1,57,00
„ 18	12,79,75	8,00,00	1-1-0	2,75,50	10,64,00
„ 25	11,92,50	8,00,00	1-1-0	1,40,00	7,91,00
June 1	11,88,00	8,00,00	1-1-0	3,90,25	6,57,75
„ 8	12,31,50	8,00,00	1-1-0	5,70,50	6,66,75
„ 15	12,80,25	8,00,00	1-1-0	3,74,25	3,57,00
„ 22	11,11,00	8,00,00	1-1-0	4,11,50	6,83,50
„ 29	9,07,00	8,00,00	1-1-0	1,20,75	7,82,00

Dates of Maturity of Government of India Treasury Bills Outstanding in Hands of the Public as on the 31st May, 1943.

Date of Maturity	Amount (000's of rupees)
Bills maturing on or before 31st May, 1943, but not paid up to that date	..
3rd June, 1943	14,25
4th „ „	17,00
5th „ „	7,85,00
6th „ „	2,00,00
8th „ „	2,00
10th „ „	21,50
11th „ „	33,75
12th „ „	7,75,75
13th „ „	1,00
15th „ „	3,00
17th „ „	14,00
18th „ „	8,35,00
20th „ „	25,25
22nd „ „	1,00
24th „ „	15,75
25th „ „	23,00
26th „ „	7,86,25
29th „ „	39,00
30th „ „	1,00
1st July, „	25
2nd „ „	1,60,50
3rd „ „	16,00
7th „ „	57,25
8th „ „	21,00
9th „ „	5,66,50
10th „ „	8,00
12th „ „	1,03,50
14th „ „	70,00
Carried forward ..	45,96,50

Date of Maturity	Amount (000's of rupees)
Brought forward ..	45,96,50
15th July, 1943	1,50
16th „ „	8,56,75
19th „ „	1,01,00
21st „ „	1,07,50
22nd „ „	7,55,50
24th „ „	4,00
26th „ „	5,00
27th „ „	8,00
28th „ „	1,92,00
29th „ „	65,00
30th „ „	9,09,00
1st August „	62,00
3rd „ „	16,00
5th „ „	1,33,50
6th „ „	1,04,50
7th „ „	8,19,75
8th „ „	28,00
10th „ „	5,00
12th „ „	2,16,50
13th „ „	90,25
14th „ „	7,28,25
17th „ „	40,50
19th „ „	1,14,25
20th „ „	7,89,25
24th „ „	36,50
26th „ „	2,69,25
27th „ „	1,15,00
28th „ „	7,51,00
29th „ „	50,00
31st „ „	5,00
Total ..	1,19,76,25

CLEARING HOUSE RETURNS

(In lakhs of rupees)

Period	Bombay	Calcutta	Cawnpore	Delhi	Karachi	Lahore	Madras	Total	Progressive
Total 1940-41	796,66	1,005,65	18,95	28,26	46,62	15,71	106,69	2,018,54	2,018,54
„ 1941-42	1,046,77	1,230,09	30,33	41,06	58,50	26,61	135,30	2,568,66	2,568,66
„ 1942-43	1,321,06	1,061,88	55,14	80,53	76,62	47,96	129,84	2,773,03	2,773,03
April	96,70	75,35	3,19	5,02	4,82	2,75	8,61	196,44	196,44
May	97,79	76,68	3,95	6,24	6,94	3,74	8,49	203,83	400,27
June	82,06	66,40	2,86	4,92	5,48	2,96	7,44	172,12	572,39
July	105,05	85,62	3,42	6,53	6,61	4,89	10,49	222,61	795,00
August	81,80	66,62	2,65	4,32	4,83	3,61	8,19	172,02	967,02
September	79,63	75,87	3,19	4,67	4,66	3,51	9,90	181,43	1,148,45
October	124,29	95,16	5,39	6,16	6,96	4,24	12,26	254,46	1,402,91
November	101,80	97,13	4,49	6,73	6,14	4,18	11,20	231,67	1,634,58
December	111,59	104,41	5,56	7,13	5,74	3,91	12,06	250,40	1,884,98
January	152,27	113,35	6,67	10,36	8,96	4,84	13,36	309,81	2,194,79
February	130,41	92,20	6,81	9,03	7,69	4,54	13,27	263,95	2,458,74
March	157,67	113,09	6,96	9,42	7,79	4,79	14,57	314,29	2,773,03
1943-44									
April	195,60	144,50	8,94	10,56	9,31	6,62	17,67	393,20	393,20
May	154,55	121,09	7,63	8,35	7,52	5,07	14,35	318,56	711,76

GOLD POSITION

(BOMBAY)

	Price of Gold (Tola)		Estimated Visible Stocks in Bombay (Tolas).
	Spot	1 month forward.	
1943	Rs. a. p.	Rs. a. p.	
May 7	94 8 0	94 0 0	1,00,000
„ 14	94 8 0	93 12 0	1,00,000
„ 21	89 2 0	89 2 0	1,00,000
„ 28	76 0 0	..	1,25,000

SILVER POSITION

(BOMBAY)

	Price of Silver (100 Tolas)		Estimated Visible Stocks in Bombay (Tolas).
	Spot	1 month forward.	
1943	Rs. a. p.	Rs. a. p.	
May 7	136 8 0	134 4 0	1,000
„ 14	135 4 0	133 12 0	1,500
„ 21	132 12 0	130 12 0	1,500
„ 28	120 0 0	..	2,000

PRICES OF PRINCIPAL COMMODITIES

Commodities.	Grade & Quality.	Market.	Unit.	This week* Rs.	A year ago Rs.	Pre-war. Rs.
Cement.	Indian "Swastika."	Calcutta.	per ton, f.o.r.	60 0 0	44 0 0	..
Cotton Piecegoods.	Grey Domestics 35" × 40 yds. × 12 lbs.	Bombay.	per lb.	2 8 0	1 5 5	0 7 0
" "	Grey Dhoties 5/8" P.B. 44" × 10 yds. × 1-11/16 lbs.	"	"	4 9 0	2 3 6	..
Hides.	Arsenic (Cows.) Agras North-Western.	Calcutta.	per 20 lbs.	9 8 0 to 10 8 0	9 8 0 to 10 8 0	7 8 0 to 8 8 0
Skins.	Tanned Sheep.	Madras.	per lb.	1 14 6 to 2 4 0	1 5 6 to 1 10 0	1 3 6 to 1 9 0
"	Raw Goat (Good Quality).	Calcutta.	per 100 pieces.	110 0 0 to 130 0 0	110 0 0 to 130 0 0	100 0 0 to 115 0 0
Pig Iron.	Foundry No. 1.	"	per ton f.o.r.	94 0 0	94 0 0	89 0 0
Jute.	Raw-Firsts.	"	per bale of 400 lbs.	88 0 0	48 0 0	41 8 0
"	B. Twills, 2¼ lbs. 44 × 26½, 6 × 6	"	per 100 bags.	66 8 0 (Ready)	40 14 0 (Ready)	28 13 0 (Ready)
Copra.	Fair average quality.	Cochin.	per candy of 664 lbs.	162 0 0	110 0 0	43 8 0
Groundnuts.	Machine decorticated.	Madras.	per candy of 500 lbs.	81 15 0	40 8 0	29 0 0
Linseed.	Bold.	Bombay.	per cwt.	16 4 0	11 5 0	7 2 6 (Ready)
"	Small grain.	Calcutta.	per Ind. md.	12 0 0	6 10 0	6 13 6 (Ready)
Rapeseed.	Toria, 9% admixture.	Karachi.	per candy of 656 lbs.	92 0 0	52 6 0	36 12 0
Castor Oil.	No. 1 Fine Pale.	Calcutta.	per md., f.o.b.	54 0 0	34 8 0	13 12 0
Cocoanut Oil.	Fair average quality.	Cochin.	per candy of 654 lbs.	248 4 0 (Ready)	192 8 0 (Ready)	63 12 0 (Ready)
Kerosene Oil	(Superior).	Calcutta.	per 2 tins.	10 11 6*	9 9 6	5 6 6
Petrol†	ex-pump.	"	per Imp. gal.	1 15 6	1 15 0	1 3 0
Salt.	Aden Fine ex-Golah.	"	per 100 mds.	360 0 0 to 380 0 0	239 0 0	..
Shellac.	T.N.	"	per B. md.	64 0 0	58 0 0	14 0 0
Sugar.†	Marhourah Crystal No. 1.	Cawnpore	per md.	14 8 6	12 3 6	9 15 0
Tea!!		Calcutta.	per lb.	0 9 10	0 15 7	0 4 4
Wheat.	White Punjab, 2% barley, 1½% dirt.	Lyallpur.	per md., f.o.r.	10 4 0	5 0 0	2 5 3

*Indian Trade Journal, July 1, 1943.

*Maximum controlled price.

†Retail.

‡Factory Delivery basis.

**Not available.

!!Sold for consumption in India

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The Food Conference and After

THE Food Conference has met and dispersed, and the Government have announced their decision. The Government's so-called "basic plan" has been blessed and it has been decided that all that is necessary is to put more drive and vigour in it. The "target figures" in respect of the assessment of surplus and deficit respectively of foodgrains in the various Provinces would be revised in the light of recent experience; and procurement operations would proceed under the auspices of the Provincial and State Governments. The Foodgrains Control Order would be enforced strictly and a vigorous anti-hoarding drive organized. Thirdly, rationing in urban areas would be taken up in a progressively increasing measure and almost immediately. Fourthly, the Provinces would have freedom within the limits of their basic quota to have direct access to surplus Provinces and make direct transport arrangements for themselves. Fifthly, price control measures aiming at price ceilings would be put in abeyance for the present.

Probably the most puzzling part of the Food Member's speech is that nowhere does he drop a hint that there need be any anxiety on the score of the aggregate food supply position in our country, or that the Government contemplate any measures in this regard, either by a more vigorous food production drive or by procuring imports from abroad. The spring crop of wheat has been about a million tons above last year's figure, but this cannot give us a solid ground for optimism. All estimates of our "normal" requirements are made on the basis of some pre-war year, probably five years back, and no account is taken of the fact that population might have been growing at the rate of several millions every year, quite apart from the influx of half a million evacuees as well as of a large army, war prisoners, etc. The internal demand for foodstuff of a section of the population has also increased considerably as a direct or indirect result of the war effort. The theory of "hoard and maldistribution" is the plank on which the Government apparently still take their stand. They have, indeed, been forced to revise their estimates of the surplus and deficit figures of the various Provinces and States; but it seems they do not consider that the revision alters the validity of the "basic plan" itself.

One of the main decisions of the Government is, therefore, the emphasis on the need of a vigorous anti-hoarding drive. It is claimed that the results of the Bengal anti-hoarding drive have been satisfactory, although no statistics have yet been disclosed. If the Central Government publishes the results of its anti-hoarding drive, we shall have either the confirmation or the explosion of the "theory of hoard," and in any case in so far as the measures secure the liquefaction of the hoards in the country, they will be nothing but welcome.

But the success of the anti-hoarding drive will largely depend on the measure of public support which it can elicit and on the ability to distinguish between hoarding to satisfy genuine needs (making allowance

for the general feeling of uncertainty) and the speculative hoarding. There is the danger that the anti-hoarding drive may be directed against the small farmers who may react in a surprisingly peculiar way to the impact of State authority. To counter the drive they may even encroach heavily upon the stock of seeds for the next sowing, so that we may be deluded by the apparent success of the campaign, while actually we were heading for a disaster.

The use of inquisitorial methods in relation to the small farmers must, therefore, be avoided. The farmer has been severely hit by the war. While the prices of foodstuffs have gone up, the prices of manufactured goods which he buys in exchange of his crop, have gone up still higher; so that the "terms of internal trade" have, generally, turned against him, at times very heavily indeed. Also with the disappearance of precious metal as an avenue of hoarding his surplus, he has turned to hoarding his product. The way to get out the hoard of foodstuffs from him is to make available to him cheap manufactures and precious metal. As the London *Times* opined in its issue of the 29th June, "if the newly-formed Department of Civil Supplies can make more manufactured articles available to the farmer, this may help to liberate the stock of cereals at present hoarded and will certainly diminish the danger of inflation." On this crucial point, the Food Member could say no more than that the Government would give their urgent consideration.

There are, again, disturbing reports that military authorities have accumulated an unduly large stocks of wheat and rice, a part of which rot and get unfit for human consumption. If true, this is a serious waste. The anti-hoarding drive must also touch the military stocks in excess of requirements for a reasonable period. In any case, there seems a clear need for co-ordinating the Government's food policy with the purchase policy on military accounts. It should be possible to regard military stocks as additional buffer springs in relation to the food situation in the country. The Allies should increasingly take responsibility for supplying food, even as munitions, to the large Allied army stationed in India. And on the model of the "Army Agricultural Scheme" and the "Land Army" in England, the army in India should also make their due contribution to our food drive. This would not be difficult, considering that the bulk of the Indian troops come from the cultivating class.

If, however, the anti-hoarding drive merely succeeds in reducing the Government itself to the status of the "hoarder-in-chief," we are no nearer the solution. It is necessary to ensure that the foodstuffs recovered actually move—but do not get into either a *cul de sac* or a "bottomless pit." The experience of regional rationing has revealed the danger that without comprehensive individual rationing and control, the stock dug out of one hoard merely disappears into another hoard, and the controlling authorities are condemned to fruitless Sisyphean labours. It is welcome that the Food Member has promised us rationing in all urban centres, but he has given no indication of the comprehensiveness of the scheme he contemplates. Timorous and diffident measures would only defeat themselves. Unfortunately, the Government has again failed to outline a bold policy and the dominant impression left is one of indecision and hesitancy on the part of the Government. Sir Charles Cunningham who was the Director of Supplies in India in 1918-20 and was responsible for the comprehensive control of rice, the staple diet, in Travancore State, has added his powerful voice in favour of a comprehensive food policy. He writes: "Full-scale food control has not, I think, been tried in British India, but the experience (in Travancore) which I quote justifies a courageous policy. There is obvious and great danger in half-measures." At present there is a comprehensive control only in Travancore State, with full rationing for both rural and urban areas. The Government of India have not indicated their policy *vis-a-vis* the rural areas, although extreme privations and near-famine conditions are prevailing in many parts of the country, and scarcity areas are spreading in the countryside at an alarming rate. The Government have not indicated that they are organizing effective relief parties for rural areas or that they intend to extend rationing to the worst affected rural areas.

The timorousness of the new Government policy is only underlined by the Government attitude to price-control. "In view of the varied opinions expressed," the Government have decided that there should not be any statutory fixation of maximum prices at the present stage, but to "continue to influence the prices through such methods and manner as are already in force." It is surely a refreshing step forward when we are told that the Government recognize "the serious inflationary position in India" and are giving serious consideration to it. But if the Government really contemplate comprehensive rationing measures, even though only in the urban areas, it would be inexplicable that Government should fight shy of price control. In truth, price control and supply control are merely the obverse sides of the same medal and are not so easily detachable, as is apparently presumed.

And, finally, we have no evidence that the Conference has succeeded in evolving and ensuring the enforcement of a uniform policy on an all-India basis. Appeal has been made to the good sense of the various Provinces, but the conclusion becomes irresistible that even as on previous occasions, provincialism has again recorded a triumph. Administrative measures for price control have been left to the Provinces and the States. The deficit Provinces and States have been allowed to be free, albeit within the limits of their basic quota, to make direct approach to surplus areas and make direct transport arrangements. The procurement operations as well as the anti-hoarding campaign will be under the full control of the Provincial and State Governments, and the Central Government will "carefully watch" the progress of the operations and the campaign. The estimated needs of the deficient Provinces and the basic quotas for the surplus ones are the only limitation to Provincial autonomy; and here again these figures would be revised in the light of experience and, presumably, of the attitude taken by the various Provinces. It would be most surprising if the outline of a uniform food policy can emerge from the unco-ordinated actions of the various peripheral Governments, and certainly no over-all compulsions have been imposed or inducement given to ensure the discontinuance of the recent unedifying spectacle of the Provinces at loggerheads with one another and with the Centre over such a vital matter as the administration of the nation's food supply. There is, in short, no explicit recognition of the principle that India is an indivisible economic unit.

We cannot escape the conclusion that in the context of the grave food crisis reigning in the country, the recent Food Conference, like its predecessors, has failed to give a bold and positive lead. The Centre is afraid to make full use of the plenitude of power which resides in it, and have sought refuge behind trivial generalities. The anti-hoarding drive may be the means, but surely not the end, which is to ensure that every man gets his fair share of the nation's stock of food. The Government will certainly be judged by the comprehensiveness and effectiveness of the rationing measures which they contemplate.

Future of Gold

THE uncertainty hanging about the future of gold has, to some extent, been laid at rest by the definite place assigned to it in the U.S. and British plans of currency stabilization. The British scheme, in contrast to the American scheme, visualizes, in our view, the right role that gold should play as future international money. It is universally acknowledged that the gold standard failed us after the last war; all the attempts made by different countries to restore the gold standard proved abortive and its abandonment by Great Britain in 1931 was the occasion for a speedy retreat from it by the rest of the world. We had the astonishing spectacle of a great creditor country like U.S.A. also following in their wake, so that by 1934 the gold standard in the sense in which it was understood for nearly a century up to the last war was practically dead and beyond hope of recovery.

And yet it would be extremely superficial to blame gold as the villain of the piece or as primarily responsible for the breakdown of the gold standard. The efficient working of the gold standard rested on one or two basic assumptions, (1) that countries will have their eyes always turned to the maintenance of stable foreign exchange, and (2) that in order that this end may be secured, they will adopt measures to bring about a right balance of payments, which in turn depended upon the willingness of each country to adapt its price and income (including wages) structure to ensure the equilibrium. In the post-war period from 1924 to 1929 none of these assumptions was valid. Rightly or wrongly, nations came to believe that social security and social justice demanded the maintenance of existing levels of incomes and that the deflation inevitable to secure trade equilibrium and through it exchange stability could be purchased at too dear a price. Stability of internal price levels rather than stable exchange became the goal of national economic policies. With this end in view, countries began to protect their internal levels of income and trade balances by resort to high tariffs, exchange controls, and other restrictive measures. The inflow of gold into a country or its outflow did not produce the effects intended an expansion of credit and relatively high prices and a contraction of credit and relatively low prices respectively. In the circumstances, it was not surprising that the mechanism of the gold standard failed.

But gold also must share a part of the blame. Over a long period the amount of available international means of payment, namely, gold, was at the mercy of the technical progress of the gold mining industry and subject to the fluctuations of output of gold. Gold scarcity and abundance could and actually did cause large changes in the world's general levels of prices. The question so far as gold was concerned was whether it would be possible to make its supply more elastic to meet the fluctuating demands on it or to reduce its power to cause wide fluctuations in prices by having an alternative international means of payment. Even the view that the supply of gold was short and incapable of keeping pace with the growing needs of trade and industry—a view held by several experts at the sitting of the Macmillain Committee on Industry and Finance—was completely falsified by events. The annual supply of gold, which was only 19½ million ozs. in 1929, increased to 39 million ozs. in 1939, and today it is estimated to be 41 million ozs. What is more, at the price assigned to it since 1931 it was equal in value to £328 millions. Hence the idea that gold shortage was the cause of the trouble was not wholly correct and only contained a germ of truth. In any case, it is sound policy not to allow the economic develpment of the world to be at the mercy of the technical progress of the gold mining industry. The British plan frankly recognizes this, and creates a new money, 'the bancor,' which will be acceptable throughout the world. The necessary quantum of the new money will be forthcoming to all nations that need it, and indeed is implicit in the structure of the plan which balances the credits and debits of all the countries that join the International Clearing Union.

But gold is not thrown aside. It is given a definite place in the monetary system, because every country will be entitled to get bancor against tender of gold, and the Union will buy at fixed rates any quantity of the metal. The reasons for this concession to gold are well grounded not so much in theory as in national psychology and the vested interests of the U.S.A., the world's largest hoarder of gold, and of the British Empire, the largest producer. As long as the world has the greatest confidence in gold and is always prepared to buy gold, it provides an automatic means for settling some part of the unfavourable balance of the debtor countries. But the Clearing Union, while always obliged to buy gold at a fixed price, is not compelled to sell gold. This is a wise precaution, for in its absence we shall once again be thrown into the strait jacket of the gold standard.

The truth is that even this concession is based on practical considerations rather than on sound monetary theory. Gold is only a means of paying off one nation's debt to another. But if it is possible to provide an alternative means of international payment, it is superfluous. However, we may well accept the compromise of the British plan which assigns to gold not only a definite place but a fixed value as on the whole the best in the circumstances.

When we turn to the U.S. plan, we find the restoration of the gold standard in its unabated rigour, and an unduly high place given to gold. In the first place, countries joining the Stabilization Fund have to pay their share of the initial capital partly in gold, and in the absence of knowledge of the weightage given to gold contribution in respect of the quota, it is permissible to suggest that countries having large stocks

of gold will have a large quota and correspondingly larger voting strength. Secondly, the funds which will be sanctioned for a debtor country to meet its deficits will be limited to its share capital in the first year, to 150% in the second year and cannot exceed 200% in later years. In other words, debtor countries will be subjected to a rigorous deflation policy and cannot expand their rate of economic development at their own discretion. What this means to countries like India which may embark upon a rapid plan of economic development is that these expansionist policies will be severely limited. Thirdly, countries which are given short-term credits are bound to pay a charge of 1% on their credits payable in gold. Fourthly, member countries will also be compelled to sell their gold and foreign exchanges in excess of their former holdings to the Fund, which may or may not buy them. Despite the predominant place of gold in the scheme, it is doubtful if countries can get gold against tender of their foreign exchanges. Only the currency of the country which the Fund is in need of will be exchangeable for gold, and only to the extent of the country's contribution in gold to the Fund. Further the Fund is ready to take gold, but not to part with it. For example, when a country withdraws from membership it will get back only the amount due to it in its own currency. The fact is that the United States in its anxiety to remove all restrictions on international exchange has taken insufficient note of the different requirements of different countries. It seeks to restore the gold standard in a new form whose success is conditioned by the suffering and privation which deficit countries are prepared to subject themselves to. By enthroning gold once again, it deprives the world of an alternative means of international payment. It is, therefore, illogical and almost reactionary. The amount of gold which the world requires for its settlement of international debts is very much less than the available supplies in the world, if as is certainly possible and as provided in the British scheme, an alternative international money can be created.

Acceptance of the U.S.A. scheme will imply a needless waste of economic resources in unearthing gold. Why should the world spend so much of its income in mining gold whose only purpose is to be locked up in the vaults of U.S.A. and other countries? With all its great experience in the working of its monetary system, American public opinion needs to be educated in this matter. Only the other day fifty American economists apprehended that if silver be withdrawn from the monetary reserve for industrial use, the silver certificates would become irredeemable paper money! And yet America had in December, 1942, 3343 million ounces of silver.

Until twenty years ago the world believed that no national currency was safe against inflation unless it was backed largely by gold. With the exception of the United States, the rest of the world, including India, unlearnt this wrong view, and it is now acknowledged that so far as the national monetary system is concerned, there is no need for an ounce of gold. In the international sphere, the principle holds equally good. But time is required for educating ourselves to this rational view. Gold may have to continue to play a subordinate part until another means of payment becomes widely and equally acceptable. It is, therefore, unfortunate that the U.S. plan in this regard is a retreat from reason. But since the plan is admittedly tentative and subject to modifications, we may yet hope that the essentials of the British plan in regard to gold may come to be adopted.

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The Week's Notes

SANCTIONS AGAINST SOUTH AFRICA

At the recent conference convened by the Hon'ble Dr. Khare to consider what action India should take against the South African "Pegging" Act, the consensus of opinion seems to have favoured the enforcement of economic sanctions. About the justification for retaliation against the wanton and short-sighted racial intransigeance of the South African Whites exhibited in the security of their power and property which they owe to the Indian soldiers bleeding and dying in North Africa, there can be no two opinions. The only considerations are whether it is expedient on economic grounds to enforce sanctions and whether it would not hamper war effort. On economic grounds, India is on very strong grounds. The details regarding the composition of India's trade with South Africa after 1940-41 are not available. But the volume of India's exports to the Union has nearly doubled in the year ending March, 1943:—

	1941-42	1942-43
	Rs.	Rs.
Imports ..	1,23,86,764	2,24,97,516
Exports ..	5,88,49,218	10,49,38,162

India's exports consisted in 1940-41 of jute manufactures, rice not in the husk, tea, vegetable oils and apparel; and seeing that many of these goods are now exported in greater quantities, that rice, tea, cotton goods and jute manufactures are very important to the Union, and that most of these commodities cannot be obtained from any other country due to general scarcity of supplies and shipping space, India can deal a powerful blow at South Africa. On the other hand, India is importing coal and bark for tanning from South Africa, and the total of imports is about a fifth of our exports. An embargo on trade with South Africa will thus be a suitable measure.

It is not as if South Africa is unaware of these consequences of retaliation. But she is counting upon India's political subordination to prevent the adoption of such a course. The protest of the Government of India can be ignored with impunity, and Indian official and non-official representations to Whitehall can also be scotched, thanks to the weight given to Field-Marshal Smuts in the counsels of London. In consequence, India has to suffer. The only method open to the India Government is to exercise pressure on Britain to intervene and secure the repeal of the obnoxious Act. If this fails, India must be free to retaliate. No one-sided view of war effort should come in the way of such freedom. If the Government of India is not given that freedom even then, it would constitute overwhelming proof of the hollowness of the Atlantic Charter and the cruelty of Empire's "economic aggression."

CHANNELLING OF CAPITAL

The difficulty of importing machinery, raw materials, etc., has been impeding new industrial enterprise and thus choking up avenues of investment for the huge floating fund of investible money in the hands of the public. In the circumstances, it was only natural that some of this huge fund would seek escape in the formation of companies with dubious prospects. In the difficult post-war period of adjustment and adaptation, these would undoubtedly add to our liability and become the source of instability of the entire economic structure.

It was to control the growth of such mushroom companies that the Government put restrictions on new capital issues. In the absence of the enunciation of a clear-cut policy governing the control of capital issues, the public was not entirely without misgivings. In truth, the control order was only the financial counterpart of the practically complete ban on import of machinery, which has been in force. The Government was often tepid even when industrialists pleaded for licence for the import of machinery which was essential for increased industrial war-effort. This short-sighted policy pursued by the Government has been like a giant spanner thrown into India's industrial war-effort. Meanwhile, slowly but steadily, there arose a grave crisis in the supply of civilian consumers' goods, until the Government was at last jerked out of its complacency. The Food Member promised in the Food Conference the other day that the Government would soon bestir themselves to mitigate the crisis in consumers' goods. A Press Note issued on the 10th July now says that the Government would use the machinery set up to control the issue of capital to channel capital in the direction of enterprises which will "directly assist in aiding the war-effort or will be in a position to embark upon production of essential consumers' goods at an early date." But the crucial question is whether the Government will now allow the import of essential machinery. If machinery is not allowed to be imported, the Government's claim at this fag end of the day that the "control thus serves in present conditions to further industrialization on sound lines" will be but one more pious sentiment expressed. There can be no doubt that plant, machinery, raw materials and finance should be directed to the point of utmost urgency and there can also be no public purpose in allowing priority to the manufacture of luxury goods. The Government can use the capital control order wisely, if it chooses, for the purpose of the proper channelling of capital and they would do well to associate with the administration representative body of public men and industrialists.

THE DANGER OF SHORT-RANGE VIEW

The Press Note also suggests that in the allocation of priorities, contemplated enterprises which purport to be in a position to produce only at the end of the war, would be discouraged. There is a great danger in taking too short a view, for, after all, long periods are only made up of a number of short periods. How woefully we remember that the Government shelved the Locomotive Manufacture Inquiry Committee's report in 1939 on the ground that, as it would require 3 or 4 years to start the industry and produce the first set of locomotives, it would add nothing to immediate productivity and war-effort. If only the Government had been a little less myopic, we would have a locomotive industry in full working order by now, and the transport situation would have been much improved. We should remember that the crisis in consumers' goods would not be over immediately at the end of the war—and we do not know when the war would end, for we may yet see surprising military developments or even realignment of the Powers—and it would take about eighteen months to re-convert the war factories to

the needs of the peace economy. The Government should interpret "immediate productivity" as generously as possible, and beyond the task of channelling capital they should strive to play a directive and positive role.

BRITISH EMPLOYERS AND GOVERNMENT CONTROL

When a few months ago the Federation of British Industries issued its monograph on post-war reconstruction, those that had hoped for enlightenment in the British employing class were sadly disappointed. In principle that document wanted the economic system in Britain to be taken back to the *laissez faire* stage. So agitated were forward-looking planners at this suggestion that Joan Robinson, the well-known Cambridge economist, went to the extent of characterizing the document as "quite shameless." Hence, it is now rather reassuring to read in a recent newspaper report (published elsewhere in this issue) that several influential industrialists have associated themselves with the "Statement on Post-War Employment Policy and Industrial Organization" that was issued just a fortnight ago by the Nuffield College, Oxford. The statement registers certain important departures from the principles of industrial change hitherto accepted by the British employing class, though it does not go far enough from the point of view of the Labour Party and the Trade Union Congress. As the statement is also signed by prominent Trade Unionists, politicians and academic men it probably represents a common measure of agreement in the opinion held by the employer and the employee classes, as well as by disinterested scientists, on the future of industrial organization. The most important feature of the statement is its concern with the fundamenal, viz., where exactly the line is to be drawn between State control and free enterprise. It must be said that the signatories have approached the question on right lines, because, they consider "the Governmental direction of the banking system which may include the transformation of the Bank of England into a public corporation will be necessary in order to ensure that the policy of full employment shall be unhindered by any shortage or misdirection of capital." It may not be an overestimate if we said that it is almost established now, and economists are almost unanimous in the opinion, that the trade cycle, with the unemployment of human numbers and other resources which it brings in its trail, is controlled only by a proper manipulation of the credit machinery. And for this, State control of the Bank of England and the joint-stock banks is indispensable. As to structural changes in industry, the signatories desire industries of key importance which require large investments, and other major industries which in default of public regulation are liable to fall under the predominant influence of a small number of concerns, to be controlled either by public corporations or a public industrial board, presided over by a Chairman appointed by the State and including State nominees, representatives of the industries concerned, and marketing and labour interests. Probably, in practice this will bring the big banks and key industries in Britain under bodies like the Port of London Authority, the London Passenger Transport Board and the British Broadcasting Corporation. It is encouraging to see British employers moving further up from the mere "rationalization" to which they clung so tenaciously for such a long time since the days of the late Lord Melchett, with no lasting benefit either to themselves or to society as a whole, and realizing that *laissez faire* is gone irrevocably.

CLOTH PRICES

The only test of the success of the cloth control scheme is the benefit it will bring to the consumer by way of lower prices, and judged by this test, the recent pronouncements by textile interests cause misgivings and leave much to be desired. Mr. Krishna Raj Thackersey in a recent statement referred to the 20 per cent. decline in wholesale prices with satisfaction and declared that it was the intention of the Board that the decline in prices should not be permitted to go beyond the range of 20 per cent. to 40 per cent. Having regard to the fact that 30 per cent. of output capacity remains uncontrolled, and that retail prices are still showing stiff resistance to decline, the only effect of fixing the range of decline so vaguely and widely as 20 per cent. to 40 per cent. will be to arrest the decline of prices by more than 20 per cent. If the consumer is to derive any substantial benefit at all, a 40 per cent. reduction is absolutely essential, and the Textile Board should say or do nothing which will prevent its realization. On this issue, there should not be the least doubt.

Mr. G. G. Morarjee's address to the Conference of the newly sprung up All-India Yarn and Cloth Merchants' Association, and the resolutions adopted at the Conference belie the professions of solicitude of the merchants for the poor consumers. The resolutions plead for the abolition of provincial controls, extension of time for the disposal of stocks, and the exemption of small merchants from submitting returns of stocks. The contention that the merchants would suffer considerable losses from rapid liquidation of stocks and that the illiterate merchants cannot submit returns does not merit the least attention and sympathy. The merchanting class is very vocal and has improvised an influential organization to press its case on the Control Board. The only aim of the body is to secure a relaxation of control and to gain time so as to prevent the reduction of prices. The Control Board would beware of the risk it runs of undermining the entire basis of the control scheme by acceding to these representations, which aim at restricting by slow degrees and small departures the scope of control so that after a time the dealers can have their own way. The consuming public have been too mercilessly fleeced in the last three years to attach too much weight to the various parties' claim to be absolved from charges of profiteering. The millowners, the merchants and Government, all of them owe a duty to the public. They should take all the steps necessary to bring about a substantial reduction in prices. If this is not done, the public will not be satisfied with the control measures taken by Government.

PRESIDENT ROOSEVELT FIGHTS BACK

On July 2, it was reported from Washington that President Roosevelt had won his battle with Congress over the plan for retail food subsidies. Two weeks ago when Congress inserted an amendment in the Bill to extend the life of the Commodity Credit Corporation forbidding the use of the funds of any Government agency for purposes of subsidizing food prices we hardly expected that the tenacity of Congress would flag so soon. When the Bill went to the President for his signautre, in its amended form as passed by Congress, he refused to accord his assent to it and sent it back to the House with a vigorous message provoked by Congress's action. He protested against "the unwarranted restrictions" imposed in the Bil on the use of Government's funds and characterized it as "an inflation Bill, a high cost of living Bill and a food shortage Bill." He contended that failure to stabilize living costs would lead to increasing demands from workers for more wages. Such a departure from the "little steel wage formula" would raise the general level of prices at least by 4½ per cent. and raise the annual cost of the war by 4,500 million dollars. The House failed to override this veto. Obviously the spirit of revolt had asserted itself too much in its previous decision and the House now seemed to realize the effects of a deadlock on this issue on American economic policy in general and food prices in particular. Thus the House of Representatives passed a resolution extending the life of the C.C.C. for six months in accordance with the requirements of the Administration (as the Bill was automatically killed when the House failed to override the President's veto). Even this had an initial reverse in the Senate, but Congress finally passed the measure, enabling the Administration to pay subsidies on meat, butter and other foods, and increasing the C.C.C.'s borrowing power by 350 million dollars.

THE ENGINEERING INDUSTRY IN INDIA

It has been said that modern war is primarily an engineering job. No doubt human and moral elements also count, but the country with the greatest "weight of metal" wins. By common consent, therefore, a country's potential military strength is measured by the size of its iron and steel industry, and, in particular, by the size of the engineering industry. Relatively to the size of the national income, Germany possessed the largest engineering industry, including the machinetool industry, in the world. This gave her an enormous advantage in the matter of rapid adaptation of the peace-time economy to war needs. In peace-time also, a large engineering industry means the capacity to increase national income rapidly.

The experience of our industrial war effort has shown up some of the grave deficiencies of our economic structure, and the most glaring of these has been the woeful backwardness of our engineering industry. In peace-time we were almost entirely dependent on the import of high-grade equipment for any project of industrial expansion. With the shortage of shipping space on account of war exigencies, the import of machinery was largely cut off and this formed probably the largest single bottleneck in the way of the full expansion of our industrial war effort. Comprehensively speaking, the engineering industry is still in the rudimentary stage of development in India. With the outbreak of the war, the railway workshops and the few other engineering works in India were all pressed to the war effort, but they were quite unequal to the task. There can be no doubt that if the Government had taken the long view and allowed the import of essential machinery, India could truly be transformed into the "arsenal of the East." She could, to a great extent, take on herself the task of supplying the Middle Eastern and the Far Eastern theatres of war and thus greatly contribute towards the easing of the strain on the Allied shipping situation.

Unfortunately, the Government took an unhelpful attitude from the first and was lukewarm towards proposals for the establishment of industries for the manufacture of motor-cars, locomotives, aeroplane, ships, tanks, etc., in India. It is reported now, however, that the Supply Department has drawn up a scheme for the manufacture of high-grade machines in India. Two senior technical experts, it is understood, have already arrived from Britain and have brought with them promises of the supply of drawings, jigs, fixtures and manufacturing information. Five of the leading firms in India are now producing about 275 machines per month. It is proposed to step up the production to 500 per month. It is said that expansions to workshops are almost complete and the major portion will have been installed by next month. If the scheme materializes, it would give a great fillip to our industrial war effort, besides laying the foundation for our post-war industrialization.

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Special Article

The Debacle of Food Control

(Contributed)

THE food situation is getting so alarming that even those who have been preaching us a sermon of complacence are now getting restless. News is coming from various parts of the country that people are resorting to eating leaves and grass to deaden the pangs of hunger—an incredible story to believe. I have seen with my own eyes hungry hordes in Calcutta picking up food refuse from the municipal dustbins. In the Orissa Assembly, it was stated the other day on behalf of the Government that there have been many deaths from malnutrition. In Bengal too stories of death from starvation are percolating. One's first impulse is to disbelieve such stories, as in the days following the dreadful famine of 1899 things of the kind have seldom been seen or heard of, and yet unfortunately, they only represent the hard reality of the situation, howsoever unpleasant it may be to contemplate.

Why is there this shortage of food? Those who have "inflation" on their brains may be inclined to blame it as the root of this and many other things on earth. Even the Government now is finding "inflation" a handy thing to cover its designs and failures. But it will be sinister pedantry for one to just shrug one's shoulders and say, "On this inflation" and stop at that, insinuating thereby that nothing further need be thought of the food problem until deflation is in full force. Let us not forget that even inflation would not make the law of supply and demand altogether inoperative. No amount of verbosity would prove that mere deflation would create more food for the hungry.

The scarcity is there in the gravest form no matter whether it is natural, or artificial in the sense of having been brought about by mismanagement. We have, therefore, to get the correct hang of the position in order to set it right.

It must be a queer sort of inflation that can keep up rice at Rs. 38 in Bengal, while in certain parts of Orissa, Assam and C.P. it should be available at Rs. 10. Similarly, wheat at Rs. 25 in Bengal as against only Rs. 9-8 in the Punjab and Rs. 7-8 in Sind, and sugar at Rs. 17 at the mill's gate as against Rs. 35 to Rs. 45 in Calcutta and Bombay to indicate something else than inflation as the real cause of the phenomenon.

What is the position of supply and demand? The following table gives the available supply for some of the recent years including 1942-43:

AVAILABLE SUPPLY (Tons)

(i.e. Production plus imports minus exports)

	Average of 1937-38, 1938-39 and 1939-40	1942-43 Production.
Rice ..	26,813,955	24,533,000
Wheat ..	10,246,894	10,938,000
Other grains ..	16,413,210	17,977,000*
Total ..	53,474,059	53,448,000

*(1940-41). Later figures are not available.

Since it is not possible to compile separate figures of consumption, the supply figures of 1937-39 may also be treated as those of normal consumption too. Since then population has gone up and we may count it as 5 per cent. higher. Thus consumption that was 53,474 thousand tons in 1937-39 may now for 1942-43 be taken to be 56,144 thousand tons against a total available supply of nearly 53,448 tons. This means that while there is a shortage in rice to the extent of 15 per cent., the shortage, if we pool all the supplies together, is only about 5 per cent.

Such a shortage, though in itself serious, could be managed if India was treated as one indivisible unit and the shortage was spread over the whole of the population. We had shortages of this nature in the past and we managed it. The present shortage has obviously been intensified by various other factors which must be traced and rectified immediately if India is to be saved from a first-rate crisis.

What could these factors be to make the shortage so acute?

The export of grain from India for military and non-military purpose is one of them, though of what magnitude we do not know. No figures of export on Government account are nowadays published and, therefore, it is impossible to gauge the correct effect of exports on the existing situation. However, the Chairman of the U.K.C.C. which handles export on Government on a large-scale made a significant admission when he said: "India was one of the major supply bases of the United Nations. With the help of the Government of India the Corporation had lost no time in drawing on this source for supplies urgently required. Prompt shipment of Indian wheat had spared Persia the rigours of famine in the spring and early summer of 1941. Persia had received from India foodstuffs such as sugar, tea, manufactures such as cotton piecegoods and raw materials." This shows that exports of foodgrains from India have been an important factor in making the shortage worse than it need have been. If Persia and any other country were saved from the "rigours of famine," India is now getting plenty of it.

But this is not all. Unfortunately, other factors have worked with equally disastrous effect. They are the purchase and storage of foodgrains in large bulk by Government for military and non-military purposes, by employers for their workers, the hoarding by consumers and agriculturists, and last but not least, the banning by one province of exports to other provinces in its narrow interest (even restricting free trade between its own districts at one time). These factors have made no small contribution towards intensification of the shortage that was there.

The large purchases on behalf of the Government for export as well as storage in India formed and is still acting as the signal for panic. Wherever the Government entered the market as buyers, it raised prices recklessly, promoted the worst type of profiteering. And followed others like employers, producers and consumers emulating the Government's example and intensifying the evil.

The normal trade channel could no longer function in the way it did so long as the distributing agency. It could not stand the onset of the new factors. Generally, the summer crop leaves the farmer's field in November and the winter crop in April. In normal times when the crop leaves the field, it is generally stored up by the middleman who acts as a reservoir into which grain is pumped in by the farmer when the consumer cannot draw the whole, being pumped out by the consumer when he needs it. The middleman thus acts like an issue bank that receives and issues currency according to the needs of the public. Just as in the case of the issue bank, there is no freezing of stocks in the middleman's godown. By moving freely in and out, it creates the confidence in the mind of the public that food could be sold and bought at will. No one is, therefore, in a hurry to hoard or store for long periods. And since the middleman acts with the profit motive, he also guards against any wastage or deterioration of the quality.

All this was lost in a moment when the Government entered the market and usurped the middleman's role.

The greatest injury done by this development has been the loss of confidence in the availability of food.

Since all the hoarders, including the Government, enumerated above, only contribute to the uncertainty of the position as regards the future availability of foodgrains, they stimulate all and sundry to sit tight over their hoards and aggravate the evil. Subject to the question of fluctuation in price, the middleman is always a free seller and buyer. Not so the Government which having bought once does not sell to the general public, but only consumes. The employer too does not sell except to its employees. The consumer does not sell at all. And so partly the producer. Thus a large bulk of the stock is taken out of the free market, and stringency becomes inevitable. This is the greatest demoralizing factor in the whole situation. "Everyone for himself" that is the lead given by the Government.

Storage by the Government has another evil aspect. When it stores for any purpose, military or non-military, it does not make any correct estimate of its needs. It always errs on the liberal side and stores with a long range policy, thus causing wastage and rot in the stock. Another permanent loss to the consumer.

There is another reason inducing the agriculturist to hoard. When he finds the price offered to him not too attractive, he refuses to part with his products. A large stock of wheat in the Punjab is thus practically frozen because of the lower price that he gets as compared with the prices of other commodities.

To put the crown on this vicious spiral, enter the provinces. Forgetting that some of them are the so-called surplus provinces who have to supply to the other deficit parts of the country, they put a ban on their export. The confusion is rendered worse confounded by the irregularity of transport and the lack of machinery to distribute.

Since the policy of control, decontrol and return to partial control has come into vogue, the middleman who has functioned so far not only as a reservoir but also as a channel for distribution is now practically out of the market. The Government's policy has succeeded in eliminating him. But it has failed to create any new machinery to take his place. The picture of confusion, chaos and panic is now complete.

We have heard of accidents where a crowded house like a cinema on fire though amply provided with exits for the people to rush out, becomes a spot for avoidable deaths due to sheer panic and confusion. A similar stage seems to be a-setting now in India for a tragedy which with proper foresight, supervision and maintenance of the people's *morale* could be definitely avoided.

There are two alternatives, and either of them could be adopted to meet the situation. Either complete control or only such Governmental guidance as would allow the normal trade channel to function freely but with due vigour and efficiency. There is no half-way house between.

Theoretically, complete Government control could be a complete success. But for that there has to be a central authority that will guide the whole of the country and will be in complete control of total production, distribution and consumption. None would be able to store except what is provided for the Government for a few days' consumption. Immediately the product is ready in the farmer's field, it will have to be taken possession of by the Government. The Government will maintain its own arrangement for storage. It will safeguard against any wastage or rotting of the stock. It will ration out the whole country and then undertake distribution to the whole population according to the quantity that is rationed out to each individual. Railways and other means of transport will have to work with clock-like regularity conveying goods to their destination according to the plan. The distributing agency will sell to the holder of the ration card without there being any queues or crowds. It will function just like the existing petty trader. The only difference will be that it will no longer be the trader with the profit motive who will distribute but a Government machinery acting under and employed by the Government.

Can such a machinery function here successfully under existing conditions? The task is gigantic. Have we got men, material and co-operation between the Government and the people that are essential to make such a machinery a success. Can complete rationing be undertaken in India? Will the agriculturist surrender his goods immediately they are produced irrespective of price factor? The profit with a profit motive guards against mistakes. It is because it is he who suffers for them. Will the Government machinery be free from corruption and guard wastage, deterioration etc? Will it be considerate to the needs of the people? Will it be able to see that the quality of the goods is guaranteed? Will it be able to effectively prevent the producer who sells to the Government from mixing with grain stones and dust and other impurities in order to get more money? Has the experience of control so far been encouraging enough to justify undertaking of such a huge task of catering for 400 million people

If the answer to all these questions is 'no,' then another plan will have to be adopted. This would mean that the present kind of control will have to be dropped altogether. And all these factors that have been creating additional storage and hindering the free release of goods for consumers will have to be struck out.

First of all, all exports, whether for military or non-military purposes, will have to be entirely stopped.

Secondly, the Government will have to make a plan with a view to meeting its military needs not over a long period but over a reasonable period, and to purchase their requirements (only for military needs) through recognized experienced and honest dealers with the utmost economy possible and only from the surplus provinces.

Thirdly, India will be treated as one unit and all barriers against free internal trade will have to be totally eliminated.

Fourthly, prices will be kept decontrolled to stimulate the agriculturist to release his hoards at the natural market price.

Fifthly, traders and middlemen who will have to take out licences and work under Government control (only to the extent that they will have to keep a record of their stocks, to sell freely to any consumer who comes to buy and to submit their stock returns every month to the Government) will be allowed to function freely. There will be no ban on giving licence. The free issue of licences will create competition even among the traders and thus will be to the advantage of the consumer.

Sixthly, Railway will give first priority to the free movement of grains.

Seventhly, employers and Governmental agencies and others will leave their employees free to make purchases in the market, thus making it unnecessary for every one to maintain large hoards to the detriment of the consumer.

Eighthly, some sort of anti-hoarding law will operate to make it compulsory on the stockist holding above a certain quantity, whether a trader or a producer, to dispose of his goods within a certain period—that is the period of the next crop. This will stimulate free sales. Any unauthorized stock for which no return is made will be liable to confiscation. This will act as a deterrent against unauthorized storage.

Ninthly, efforts will be made to import wheat from Australia.

And lastly, there will have to be made a real drive to produce more by encouraging the agriculturist through making fertilizers freely available and in many other ways which need not be enumerated.

If we do this, we will save many lives.

The World Abroad

Proposals for Post-War Currency Stabilization

OF the many difficult problems that will have to be faced after the war, one of the most urgent will be that of re-establishing the currencies of the different countries on a basis that will give confidence and encourage revival of trade. It is because of the widespread recognition of this fact and the fear of international monetary chaos after the war that tentative proposals for stabilization have been recently made public by the U.S. and British treasuries. It would be undesirable to attempt too summary a judgment of the two plans, both of which have been stated to be tentative and hence not intended to be accepted or rejected in entirety. Certain principles embodied in the plans can, however, receive recognition and approval.

First, there is the principle that stable currencies are needed for prosperous trade. The world had an experience with unstable currencies during the 'thirties' and learned that the so-called "benefits" are illusory. Both plans recognize currency stability as one of the goals of post-war policy. Secretary Morgenthau stated the principle clearly when he said in submitting the American plan to Congress, "we feel that international currency stability is essential to reconstruction in the post-war period and to resumption of private trade and finance."

Second, there is the principle that some form of international co-operation and consultation is necessary in re-establishing currencies and maintaining stability. In the closely knit fabric of international commerce and prices, currency relationships are too vital a matter to be left entirely to isolated individual decision. The Tri-partite Accord between the United States, Great Britain, and France (substantially joined by Switzerland and Holland) in 1936 was an example of international monetary co-operation; and almost everyone agrees that in the difficult post-war task of fixing new currency parities, of making adjustments where necessary, and of helping countries get on their feet, some form of common understanding and joint effort is needed.

Third, there is the principle that a monetary system, to command the confidence of the people, must utilize gold. Both plans recognize this principle. Both unitas and bancor would be valued in terms of gold, and the Stabilization Fund and Clearing Union would both be purchasers of gold, assuring a ready market for producers and holders of gold.

As between the two plans, however, the American assigns much the more important role to gold. While the gold value of unitas would be fixed permanently, that of bancor could be changed. Moreover, the American Stabilization Fund would from the beginning hold gold as a stated part of its assets through which international settlements would be effected; and as part of its routine operations would buy, sell, hold and earmark gold. The British Clearing Union, on the other hand, would not necessarily be a fund at all but primarily a book-keeping arrangement.

What are the conditions that make for exchange stability? Boiled down to a word, the answer is—as indicated earlier equilibrium. That is, the flow of payments of all kinds crossing national boundaries must balance. These payments arise out of a multitude of different kinds of transactions—imports and exports of merchandise, interest and dividend payments, tourist expenditures, commissions, premiums, payments for special services such as shipping, etc., as well as loans, investments, and various other types of capital transfers. If out of this maze of criss-crossing transactions, payments flowing from a country exceed those flowing to it, the supply of exchange of that country will be in excess and the rate will tend to weaken. While gold shipments or loans may afford a temporary support, unless fundamental changes occur to equate the balance of payments the end sooner or later must be collapse.

In other words, international payments cannot flow continuously on a one-way street. Nor is there any magic in the term "unitas" or "bancor" or any other name to make this possible. The fact that the British, Australian, and New Zealand currencies are all quoted in pounds, and the United States and Canadian currencies in dollars, has not prevented wide fluctuations in the rates between. These fluctuations would not have been any greater or less no matter what the names invented.

The reasons why payments can become unbalanced between countries are many. Some arise from short-run causes—seasonal fluctuations, failure of an important crop, or other maladjustments of a short-term nature. Such periods can usually be tided over by gold shipments or by temporary credits.

But there are other and more deep-seated causes of lack of balance in international payments. They include political instability and fear of war, as in Europe before 1939; excessive tariff and other trade restrictions; tax and other measures discriminatory against capital; doubts regarding the value of the currency; and unsound credit and fiscal policies that lead to advances in prices and costs and get the economy up on stilts so that export trade is shut off. One of the most frequent and certain causes of currency instability is a persistently unbalanced budget, which undermines a nation's vitality and destroys confidence.

Only as these causes are removed can disequilibrium itself be corrected, and exchange rates held stable. Apart from war or peace, this comes down very largely to a question of domestic policies in which individual countries are likely to be extremely jealous of their prerogatives. Moreover, it is a problem within each country of dealing with highly controversial issues, of resisting pressure groups, and of promoting a public opinion that will support sound policies.

The essential factors are thus two-fold in character. One factor consists of the general political and economic background in which stabilization is attempted—the condition of international security, the soundness of national economies, the policies as to budgets and trade, the flow of goods and capital, and the general state of enterprise and confidence.

The second factor is the more specific one of the precise monetary arrangements. It is in this area that the present proposals have their special application. They are no substitute for the first, as both plans themselves recognize. The elements of this second factor are: (1) a definite commitment to the principle of stability, (2) international consultation, and recognition that in dealings between countries, as in dealings between individuals, there must be willingness to give and take, and (3) arrangements by which stronger countries may extend credit to other countries to take care of inevitable fluctuations of trade and flow of capital.

Both of the plans that have been proposed are a definite attempt to accomplish these objectives. The problem lies in devising procedures which will command general acceptance, and which will afford the maximum hope of accomplishing results with the minimum of complexity and overhead management. To attempt too much might have the effect of swinging public opinion to the opposite extreme and thus be as fatal as not to attempt enough.

In the meantime, it may be noted that America has not been standing still either. The statement of Secretary Morgenthau last month to the Senate Banking and Currency Committee on extending the powers of the present U. S. Stabilization Fund reveals to what extent they have been working, through the existing instrumentalities,—notably the Stabilization Fund—to give effective aid to certain countries. This statement is impressive, listing in some detail agreements with Russia, China, Cuba, Brazil, Mexico, Ecuador, Iceland, and Liberia, with agreements with Bolivia and Iran now pending. These are in addition to the Tri-partite Accord of 1936. The Secretary said in summary:

"The pattern for international monetary co-operation that we have developed in the operation of our Stabilization Fund holds a real promise of achieving currency stability in the post-war period. We took an important step in the direction of international co-operation for currency stability through the Tri-partite Accord in 1936. Unfortunately, the functioning of the Tri-partite Accord was interrupted by the war. Nevertheless, we have continued to embody the principles of that Accord in our stabilization agreements with our neighbours in Latin America and with other friendly countries. These agreements provide for maintenance of exchange stability and for periodic consultation on financial and economic conditions that may affect the stability of exchange rates.

"Under provisions safeguarding our interest, we have made available the resources of the Stabilization Fund for the purpose of maintaining stability of exchange rates. In the five years before the war and in the nearly four years since the outbreak of war, the operations of the Stabilization Fund have contributed to maintaining relatively stable exchange rates, despite the unprecedented conditions of political and economic disorder."

In addition to these activities of the U. S. Treasury, the annual reports of the Federal Reserve Board have shown that, besides supplying the operating mechanism for the Stabilization Fund, the Reserve Banks in the past few years have extended credits for short-term needs based on gold to a number of foreign central banks.—*USOWI.*

Chinese Banking

CHINESE banks in wartime may be divided into two main divisions. They are the Government Banks and the private banks. The former, which consist of the Central Bank of China, the Bank of China, the Bank of Communications, the Farmers' Bank of China, the Central Trust of China and the Postal Remittances and Savings Bank, are governed by the Joint Board of the Four Government Banks. The latter, which include the 130 registered private banks, are controlled by the Currency Department of the Ministry of Finance. The Joint Board also controls the 25 provincial banks and banks operated by provincial interests. The hsien (county) banks, which number 50 at present, most of which are in Szechwan province, are mostly directed by the Central Bank of China.

The new Organic Law of the Joint Board of the Four Government Banks, revised last September, gives the Joint Board much broader authority in the direction and supervision of the business and general affairs of the Government Banks. With the exception of the Central Bank of China, the capital of the other three major Government Banks was increased from $20,000,000 to $60,000,000 each last year. The capital of the Central Trust of China remains at $50,000,000, while that of the Postal Remittances and Savings Bank has no fixed capital, but it draws its working capital from the Ministry of Communications. The Central Bank of China is still capitalized at $100,000,000.

The revised law authorizes the Joint Board to act as the highest Government authority in the actual control of the Government banks under the direction of the Supreme National Defence Council and the National General Mobilization Council. As such, it plays a far more important role than when its function was mainly planning, supervising and advisory. Not only are the banking operations of the Government Banks now being administered by the Joint Board, but also such activities as the training of personnel and the approval of the budgets of the Government Banks.

The creation of a deputy chairman of the Board of Directors of the Joint Board by the revised law, to replace the former executive directors system, further tends to centralize the authority of the Joint Board. Dr. H. H. Kung, concurrently Minister of Finance, was appointed by the National Government as the first deputy chairman, while Generalissimo Chiang Kai-shek remains the Chairman. The reorganization also expanded the secretariat to include more sections and sub-sections, besides giving it more authority to act under the Chairman and the Deputy Chairman. S. Y. Lieu, formerly director of the Postal Remittances and Savings Bank, is now the Secretary-General of the Joint Board.

The control of private banks has become more effective during the last two years. The step is necessary for the control of the money market and for checking the private banks from being engaged in profiteering and hoarding. The Ministry of Finance, in an attempt to direct private capital to productive channels and to absorb idle money from the public, has promulgated numerous regulations governing operations of these banks.

The first concrete step was the promulgation, on August 7, 1940, of regulations governing the administration of banks during the period of emergency. All non-government banks are required to deposit 20 per cent. of their total deposits in the Government banks as a reserve fund. All deposits made in banks are to be used only for productive enterprises or joint productive investment. The banks are prohibited from engaging in commercial undertakings, hoarding or in purely pecuniary dealings under any of the assumed names of commerce, trust or service departments. Private banks have to submit periodical business reports to the currency department for auditing. Banking inspection service has also been created in important areas.—*China Information Committee, Daily Bulletin,* June 19, 1943.

Year	Net investment (Rs. crore)	Net increment of national income over base year (Rs. crore)	Proportion of external finance.
1	120	60	66%
2	133	60+66=126	60%
3	160	126+80=206	50%
4	240	206+120=326	35%
5	400	326+200=526	20%
6	600	526+600=1126	13%

Thus it would take six or seven years to "warm up" and gather momentum until our Plan reaches a tempo enabling us to double our national income every 5 years. Meanwhile, most of the investments would be in capital goods industries and the net improvement in our standard of living during these years would be very small.

But if we are able to secure substantial foreign loan or have at our disposal the undissipated volume of our sterling assets, valued at, say, Rs. 750 crores at the end of the war, our position would be radically improved. Assuming we use this fund at the rate of Rs. 320 crores in the first year, Rs. 240 crores in the second year, Rs. 120 crores in the third year and Rs. 70 crores in the fourth year, the scheme would be something as under:

Year	Net investment (Rs. crore)	Net increment of national income over base year (Rs. crore)	Proportion of external finance.
1	600	300	66%
2	800	300+400=700	40%
3	1000	700+500=1200	20%
4	1500	1200+750=1950	10%

Thus, with only about two years' preparations, we could launch the Plan at full speed with a view to doubling our national income in every five years. It is for this reason that it is absolutely vital that our sterling assets are not dissipated but are available to us for the finance of our Economic Plan. It is our "camel's hump" to ferry us over the bleak, waterless desert of the first Five-Year Plan. In Russia, people underwent extreme privations during the first Five-Year Plan. In India we are undergoing a comparable measure of privations as part of our war-efforts. Our sterling assets are accumulated out of these privations. If for one reason or another, these assets are not available to us at the end of the war, either we shall have to duplicate our sufferings or, if we cannot borrow from abroad, we shall have to go through a laborious process of preparation spread over six or seven years before we can launch a full-blooded Five-Year Plan.

Let there be no mistake about what our sterling assets signify in terms of our present standard of living during the war and again in terms of our future standard of living. The frittering away of these assets will be an effective way of sabotaging our plan of post-war economic reconstruction.

DEPARTMENT OF COMMERCE

(Import Trade Control)

The attention of importers is drawn to Notification No. 23-ITC|43 published by *Gazette of India Extraordinary* on the 1st July 1943, under which the existing Import Trade Control Notifications have been superseded and a redistribution of import licensing powers has been made. Details of the new arrangements are given in the Schedule to the notification (copies of which may be obtained from the Manager of Publications, Civil Lines, Delhi); but the following general summary indicates to which authorities applications for import licences should in future be addressed for various classes of goods:—

(1) *Steel Import Controller* (Address: 7 Wellesley Place, Calcutta). Iron, Steel and other metals manufactured and semi-manufactured; and ferro-alloys.

(2) *Deputy Chief Controller of Imports, Calcutta* (Address: 17, Ezra Mansions, Calcutta).—All goods hitherto licensed by the Director of Licensing (D.G.M.P.) including motors and generators, pumping machinery, bearings, small tools and hand tools, precision and measuring tools, abrasives, crucibles and belting; raw hemp and sisal; tea industry requirements; electrical goods; and machinery required for the jute, hemp, and tea industries, iron and steel production, electric supply undertakings, mines and quarries, agriculture, and road making and haulage.

(3) *Deputy Chief Controller of Imports, Bombay* (Address: New Custom House, Bombay).—Cotton textile machinery, spares and millstores hitherto licensed by the Cotton Textile Directorate; other machinery for use in textile industries other than jute and hemp; raw cotton; cotton ropes and bandings; knitting machines; and coal-tar dyes.

(4) *The Import Trade Controllers, Calcutta, Bombay, Madras, Karachi* (Address: the Custom House at the port concerned).—Consumers' goods and other goods at present licensed on a quota basis.

(5) *The Chief Controller of Imports* (Address: Hutments, Block No. 108, Near North Block, Imperial Secretariat, New Delhi).—Paints and chemicals in bulk packing; raw asbestos; raw wool; wood pulp; goods hitherto licensed by the Director General of Supply including mineral oils, rubber manufactures, and A.R.P. goods; explosives hitherto licensed by the Chief Inspector of Explosives; aircraft and parts of aircraft hitherto licensed by the Director of Civil Aviation; railway materials; and machinery and industrial requirements other than those mentioned in (2) and (3) above.

2. Licences already issued under the superseded notifications to cover shipments in July-December 1943, or revalidated to cover such shipments, will however continue to be accepted as valid at the Custom Houses; and it is not therefore necessary to have them replaced by fresh licences under the new notification.

3. The above does not affect the licensing of Machine Tools, which will continue to be carried out by the Machine Tool Controller (Address: 31, Chowringhee, Calcutta) under the Machine Tool Control Order, 1941

FROM THE PROVINCIAL ANGLE

Madras Letter

GOVERNOR'S TOUR OF FAMINE AREAS—DISTRIBUTION OF STANDARD CLOTH—VILLAGE COMMUNICATIONS—SCHEME FOR IMPROVEMENTS.

(From Our Correspondent)

MADRAS, July 10.

THE opening of the week saw a regular besieging of the grain shops in the City. The crowd was particularly unmanageable at the T.U.C.S. branches and depots, where Nellore rice was sold. The quantity itself was not large and as the City had no supplies of this variety for some weeks past, everyone made an attempt to get as much of it as was possible, resulting in a stampede. The supplies were exhausted in a few days and other varieties of rice are now supplied. The situation is under control with larger supplies released by the Collector of Madras. According to a *communiqué* issued by the Madras Government there has been an appreciable rise in the stocks of rice in the City. The rush in the rice shops was not due to any scarcity but to the arrival of Nellore rice. The *communiqué* states that steps have been taken to expedite despatches of rice from Nellore. H.E. the Governor of Madras is keenly interested in the rice problem and is having conferences with the Collector of Madras and other officials of the Civil Supplies Department. Though the All-India Food Conference at Delhi decided against free trade in food grains, the Madras Provincial Agricultural Association has addressed a telegram to the Government of India urging free trade between deficit and surplus districts in the province. It has also pointed out the presence of many middlemen in the trade which was increasing the consumers' costs and creating possibilities for black markets, corruption, delay and maldistribution.

Famine Relief

The Governor of Madras has returned to the City after a tour of the famine-stricken areas in the Kurnool and Bellary districts. During his tour his Excellency personally heard the representations of the people in the famine camps. An increased quantity of foodgrains, some clothing and a small cash dole were some of the requests made by the people. Immediately on arrival at the headquarters, the Governor seems to have given his attention to these representations; for the Government have just now decided to incur an expenditure of Rs. 50,000 for the provision of clothing for those who need it in the famine area. According to a Press Note issued by the Government, famine relief works are being continued and Rs. 11,88,483 has been sanctioned for expenditure on works in June 1943, which is exclusive of wages paid in the form of grains.

Development of Transport

Any expansion of activity in the field of commerce or industry depends to a large extent on the development of transport. It is more so in the case of the villages of India which are still unconnected by any roads at all. Commendable progress has been made in Madras Presidency with the completion of the seven years' scheme of road development drawn up by Mr. Vipan. Now the Government are actively considering village communications and in this behalf they propose to draw up a scheme of classification of second and third class roads in the Presidency with a view to improving the marketing facilities in the districts. The Chief Engineer for Roads is to draw up the scheme in consultation with the District Board Engineers and the proposals from the districts will be co-ordinated for the whole Presidency. A five years' scheme for village road development seems to be under the consideration of the Government.

Standard Cloth

Arrangements for the distribution of standard cloth of the mill variety in this Presidency have now been completed. 18.9 million yards will be received in a week's time. The Government have agreed with the decisions of the Provincial Advisory Committee which recommended that the distribution is to be through the normal trade channels. The quantity being small compared to the demand for cloth, the sale is to be confined to the municipal towns in the Presidency, which are about 84, and their quotas have been allotted. The margin of profit allowed being low, despatch instructions have been given to the Mills to send the goods to the railway station nearest to the place of distribution. The Collectors in the districts have been asked to form Advisory Committees to tender advice in regard to distribution in those areas. One important feature of the arrangements is that the mill made standard cloth should be sold in separate shops where nothing else should be sold. Emporiums of the Provincial Handloom Weavers' Co-operative Society are not to be used as they will be selling handloom cloth but co-operative stores are to be licensed in suitable cases in consultation with the Registrar of Co-operative Societies. Intimation has been received that Madras Presidency has been allotted 126 million yards for the half year ending January, 1944.

Sterling Balances

The Southern India Chamber of Commerce has protested against the manner in which the sterling balances in London to the credit of India are being utilized. In a communication to the Government of India, the Chamber expresses its opposition against any kind of diversion of the sterling balances for the purpose of capitalizing sterling pensions, family pensions, provident fund contributions, etc., which might become due for payment in future years to retired servants of the Government of India living in London. The Chamber says that the balances represent the draining away from India of essential requirements in consumers' goods, that they are being kept and utilized in the interests of London business and that they have involved an extraordinary and ever increasing issue of inflated currency in this country which had disorganized the country's price structure. It points out that the public opinion in this country has insisted that the sterling balances should be used for the purchase of gold or U.S. dollar credit of British and foreign enterprises and holdings in this country and of plant and machinery and other capital goods and for repaying the remaining sterling loans of the Government, railway debentures and other securities. It, therefore, asks the Government to proceed on these lines in consultation with the legislature also.

Adulteration of Coffee

On a report by the Surgeon-General with the Government of Madras that owing to the increase in the price of coffee and non-availability of chickory, a variety of substances was being used and mixed with coffee, such adulteration being detectable only in the powder,

the Government have made certain amendments to the rules framed under the Prevention of Adulteration of Foodstuffs Act. Under this "sale or possession for sale or use in the preparation of decoctions or beverages intended for sale, any coffee to which any substance other than chickory has been added," is to be penalized

Cost of Living

The working class cost of living index for the month of June 1943 was 179 showing a rise of six points over the past month. The index number for the food group advanced by ten points to 208 owing mainly to a rise in the prices of rice, ragi, vegetables, meat and gingelly oil. A rise in the price of beedies had the effect of raising the index for the miscellaneous group by four points to 112. The group indices in respect of fuel and lighting, clothing and housing remained unchanged at 178, 237 and 100 respectively.

Bombay Letter

THE DELHI FOOD CONFERENCE—ABNORMAL RISE IN MILK PRICES—CLOTH MERCHANTS' CONFERENCE.

(From Our Correspondent)

BOMBAY, July 10.

ALL eyes are fixed on the Food Conference convened at Delhi and the announcement of the decisions of the Government. Except for the announcement by the Food Member, nothing has so far been heard about the proceedings of the Conference or the Viceroy's message from which it would appear that more is happening at Delhi than is seeing the light of day. In this connection, it is pertinent to point out that the summary of the crop forecasts published recently for the season 1942-43 shows that the estimated outturn of rice is reduced while that of jute, groundnuts, castor seed, sesame and linseed is up. The figures are of special interest, showing the poor result obtained from the "Grow More Food" campaign. In the non-food crops, there have been increases in everything except in cotton. Although the yield from wheat has risen by 9.5 per cent., the area under cultivation has risen only by 4 per cent. The summary of wheat forecasts shows that in 1941-42 nearly 1,85,000 tons were exported from India as compared to 45,000 tons in 1940-41 and 7,800 tons in 1939-40. It transpires from the decisions announced that the Government would keep clean out of control and distribution leaving the Provinces to manage or wrangle among themselves. As regards the equally important question of maximum prices for foodgrains, the Central Government leaves it to bargaining between the surplus and deficit Provinces. This is a complete triumph for the Punjab and Sind which wanted complete freedom of action for its products. The only matter in which the Government of India takes a hand is in the long-range policy which, whatever be its merits, is not of interest to people who are starving today.

Physicians on the Food Situation

The Food situation in Bombay was the subject of discussion at a public meeting at which eminent physicians spoke. One speaker pointed out that the poor grain that is being distributed in the rationing would lead to serious mal-nutrition. Others called attention to deficiency diseases that may arise owing to the very high prices prevailing for vegetables. It was also pointed out that the very high prices for foodgrains would lead to curtailment in the quantity consumed, which together with the poor quality of the ration would have deleterious effect on health. In this connection it may be noted that in the poorer classes, full rations are not drawn upon. On the whole rationing is spreading in the Province. In Poona, rationing has begun and in Thana there is talk of introducing rationing of sugar and foodgrains.

Milk Prices

Talking about the food control, mention must be made of the rise in milk prices, which during the last 8 months has risen by 200 per cent. and is now quoted at As. 12 per pound. Perhaps, it may look rather trite that one should stress about this in an economic journal, but its importance can be gauged when it is realized that Britain today lays great stress on milk. It is revealed that Great Britain consumed more milk in the last winter than in any previous winter, and on the subject of milk, the Prime Minister, Mr. Churchill, said: "There is no finer investment for any community than to put milk into the bellies of children." Today milk prices in Bombay have risen to such levels that it is now out of reach for most people. How badly India is undernourished will be seen from the figures given by Dr. A. C. Ukil of the Bengal Nutrition Committee and Sanitary Boards. According to him, the daily per capita consumption of milk in Bengal is 6 ounces as compared to 40 ounces in Great Britain and 45 in Australia. The rise in the Bombay milk price is attributed in part to the rise in the price of grass and the Government of Bombay have issued a warning that during the current year, grass from Thana and Surat districts will be allowed to be moved to Bombay only for civil consumption and that military contracts, unless placed through the Civil Department, will not be permitted. If necessary, the Government of Bombay will control the price of grass.

Bullion Market

Most of the city markets are characterized by a general feeling of steadiness with the exception of the bullion market in which the price trend has been on a decline. A spurt came in on Thursday on the news of increase of notes in circulation and the German offensive in Russia. However, on Friday there was a decline in prices on rumours that the Government of India are considering to promulgate a new Ordinance prohibiting individuals and banks from making advances against commodities including gold and silver. Further, there has been some selling pressure of silver from the upcountry. As a result of the week's trading, both silver and gold are on the decline in Bombay and the following are the closing rates: Ready gold Rs. 79-8-0; Ready silver Rs. 120-10-0; Ashad Sud 10 delivery gold Rs. 79-2-0; silver Rs. 119-14-0.

Cloth Merchants' Conference

The All-India Yarn and Cloth Merchants' Conference had a two days' session during the week.

when the recently issued Cotton and Yarn Control Order was severely criticized. The President, Mr. G. G. Morarji, while making clear that the merchants were not at all opposed to any scheme to make available cloth cheap to the people, referred to the difficulties to the trade arising from the Order. He also complained of the inadequate representation of the cloth and yarn dealers on the Textile Control Board. The Conference adopted several resolutions indicating the lines on which the order ought to be modified and requested Government to reconsider their decision so as not to compel the merchants to open out their entire stock of bales of cloth and yarn required by the Order, as they would get damaged before reaching the consumer, thus involving the merchants in considerable loss. Little sympathy is felt for the cloth merchants as everybody is ready to blame them for the sorry mess we are in. However, it should be remembered that hoarding in cloth came to an appreciable extent from non-cloth dealers. Further foreign refugees had their hands in the game and their activities in profiteering were the subject of criticism at the last meeting of the Chamber of Commerce by Mr. Gibbons. The Conference blamed exports of cloth through the U.K.C.C. which constituted an important factor for the present state of affairs. In Ahmedabad, panic in the cloth market is subsiding. In view of the decision of the merchants to suspend fresh purchases till their stocks are cleared, the mills have started making direct sales to exporters and to upcountry dealers, and have deputed representatives to effect sales in the upcountry. In Bombay, the cloth market has been steady though little business was done owing to the preoccupation of dealers with the Conference of the Cloth Dealers.

Share Market

An analysis by a City Paper of the variations in cotton mill shares has revealed an interesting feature. The broadening of interest in mill shares is well known, but just now enquiries have been restricted only to those scrips which even before the war period gave satisfactory yields. In a list of 60 cotton mill shares, 25 scrips have shown a loss, 18 small gains and 15 unchanged. The conclusion from this is that investors are switching over from the scrips which have come into prominence as a result of the war to intrinsically sounder ones. The refusal of the Stock Exchange authorities to take measures to curb speculation in shares as indicated by the Bombay Government has, it is rumoured, led the latter to approach the Central Government to permit it to tackle the situation. It is possible that the Central Government may decide to deal with the matter itself, as by doing so, it will be in a position to control speculation in all the Indian Stock Exchanges. The possible action contemplated by the Bombay Government may be to close down the Stock Exchange entirely and to licence banks to deal in shares and securities. This would seem to be too drastic, but there is no likelihood of any compromise.

Bengal Letter

THE FOOD PROBLEM—DELHI DECISION DISAPPOINTING—STEADY DECLINE IN HESSIAN PRICES—CRIMES ON THE INCREASE.

(From Our Correspondent)

CALCUTTA, July 11.

POSTSCRIPTS to recent history are in the fashion; the inside version of the resignation story has again been given to the Bengal Assembly this week by Mr. Huq and his colleagues. The statement contained no new facts and so far the last and most vehement statement in the Assembly has not provoked countercharges from the Governor or the Ministers. In view of the Speaker's ruling as to the unvoted budget demands (which make it impossible to guess what was spent between April 1 and April 24 and make retrospective sanction impossible in any case), the Ministry is confronted with a difficult situation. The Opposition urged that the budget was presented and considered. There is certainly no going beyond the budget of Feruary or going back on it. In theory a fresh budget could be produced, even though it is rather late, but it would be unprecedented. The more important consideration is that the Finance Act—always the important sequel to the estimates—which increased the Entertainment Tax and the Electricity duty would be affected by formal revocation prior to re-enactment. Had the Assembly met in April, the situation would not have arisen, but the Ministry then was naturally apprehensive, and wanted to divert attention from food. It is recognized that the budget is a statement calling for grants and hence the Assembly cannot revoke grants previously made. The legal position has been made clear by the Chair. The European Group tried vainly to meet the Opposition arguments, first as to the propriety of statements on the old issue of forced resignation, and again on the point of order raised by Dr. S. P. Mookerjee with success. Bengal's budget is over and done with in accordance with the sanction previously given by the Governor when the Assembly was adjourned. The obvious solution appears to be to give up the new demands for grants and fall back on the Governor's former certificate. The Ministry as yet has given no indication of its views as to the necessity for getting expenditure for Rs. 5.19 crores sanctioned by the Assembly. The sum obviously exceeds the probable expenditure for the three weeks of rule under Section 93 in Bengal. There is what may be called no deadlock at all—only a breakdown in arguments about financial procedure.

The Food Situation

The session shows that Bengal's food problem remains largely where it was. Mr. Suhrawardy's review (presented *in absentia*) dealt with the unpreparedness of the last Coalition Ministry and the meritorious achievements of its successor. Free trade in the eastern zone has been taken advantage of by purchases through the Government agent and reiteration of adequate supplies in Bengal followed, though modified by slogans against hoarding. There has been certainly a shift of emphasis, mainly after the realization that surplus Provinces were not eager to sell to Bengal that the burden must fall on the stocks secured by dishoarding and requisitioning. It is too early to hope for a real break in prices here.

The Minister's reluctance to pronounce in favour of rationing finds support in the Delhi Conference's decisions. There is manifestly a measure of scarcely-concealed disappointment over the Delhi view to leave things as they were. A note of bitterness has crept into comments. There is no bar to the reimposition of control in the Eastern Zone under the old 1942 order and the acceptance of the argument against price-ceilings makes it clear that profiteering will be tolerated until hoarding is ended. The Ministry is not sure about the supplies required under rationing. The recommendations of the All-Bengal Food Conference supported, in the main, by representations of Indian commercial organizations for uniform, all-India control measures, have gone by the board, but the authority which rejected them was Central, not Provincial. Mr. Suhrawardy's defence certainly is complete with Delhi's tacit endorsement of the doctrine of regional self-sufficiency and independent negotiations. From the two visits of Sir Azizul Haque and Major-General Wood, some imagined that New Delhi was going to play the fairy godmother. It has been since made plain that it has no intention of doing so. The formal disclaimer of responsibility has come sooner than expected and the problem of adjusting quotas, fixing prices, etc., devolves on the local Government which, incidentally, is not responsible for the exclusion of Calcutta *cum* Howrah from the anti-hoarding drive launched in June. The next stage in the Assembly's food debate should be marked by less recrimination and a greater disposition to co-operate. Since the Bengal Chamber has indicated that its food supply organization is not meant to further accumulations beyond its set purpose, it is clear that employers here are going to work their own scheme without endangering the civil supplies organization. War news from Europe and the South-West Pacific may well play a part in easing local anxiety as regards a rise in wheat and flour prices.

Jute Forecast

The preliminary jute forecast pointing to a fall in the cultivated area by more than 300,000 acres as compared with 1942-43 may support optimism as to the Aman rice crop. The progress of the jute crop under favourable monsoon conditions is frequently described in trade reports, but the Crop and Season Report issued in Bombay and Madras by the Board of Revenue has no counterpart here. It is surprising that the Government's weekly organ (with its war commentaries and selections from foreign broadcasts) pays no attention to the seasonal conditions and food prospects. The jute mill industry's growing interest in the new crop suggests that the forecast figures this time are moderately bullish from the point of view of the jute-grower. Concern over transport naturally stimulates early buying and the maintenance of maximum prices is a cardinal factor in view of the mill industry's view that hessian prices too should be pegged to correspond with the U.S. ceilings. There has been the usual crop of rumours as to intentions to limit mill profits and keep prices down or the terms of an impending South African order.

Hessian Prices

The steady decline of hessian prices proves that the bazaar cannot long depend on the presumed opening of the Mediterranean. Landings in Sicily mean that the war will go on and the Indian shipper must rely on the Cape route for some time. There is, of course the labour grievance which might be made to push up hessian prices, but the I.J.M.A. has kept the working hours to the statutory limit and unsealed looms in order to provide more work. Power holidays are not of the mills' choosing and the 2½ lakhs of workers getting the employers' large subsidy for their rations have less concern than imagined with the level of hessian and jute prices.

The Coal Problem

The Labour M.L.A.'s, in a deputation to the Minister concerned, have made it clear that certain mills are rendered temporarily idle by coal shortage and others are on short time. There is a tendency latterly to suggest that the combination of coal with other interests in managing agency firms is not so great an advantage as believed. Obviously, the manufacture of their own wagons in the past would have saved the jute industry from the coal crisis. Dependence on the railways for wagon-space has been damaging in the war period, and if only coal companies had set about buying wagons when steel and timber were cheap and the four private builders (Burn, Jessop, etc.,) ready to help, the collieries too would not have a problem. Since the State Railways are in the market for coal (for about 3½ million tons for 6 months) there is real anxiety, not as to the future of coal-mining, but as to the average industrial consumer's ability to build up stocks in advance of the cold weather. The glass factories here think of doing it by lorries and boats. The Railway tender might make for firmness in coal shares (as promising better prices after the concerted raising of local prices) but it is a direct threat to consumers who may well wonder why the State Railways do not undertake to step up production on the Giridih field and hold coal stocks of their own. Half and half measures still persist in every field of enterprise and the post-war reconstruction of mining (If it aims at conservation and departures in oil distillation) might take in the State collieries and modify the quantum and procedure relating to State Railways' coal contracts.

Municipal Administration

Matters municipal do not end with the direction to get a competent engineer to run the water works. The official committee of investigation anticipated the Corporation's own inquiry, and there has been a discreet suggestion that the military mind is disturbed about the conduct of the Corporation after the breakdown noted in May and the reports of gastric trouble arising from Hooghly water. There is no denying that the Corporation is overcoming its problems one by one, finance, labour and health, and the genial answer given by the Mayor to Sir T. Ameer Ali's disquisition on "Unclean Calcutta" indicated to the public that the basic difficulty here is the continued influx of foreigners as much as the lack of a civic sense. More petrol is promised for the Corporation which has been asked to set up more dust-bins. How the essential material is to be got seems a proper question even after the C.E.O.'s reply drawing attention to the age and deficiencies of the conservancy lorries. Afternoon clearance of the street rubbish has been promised more than once, and has been carried out, after the frequent complaints about sights and smells had led to the formation of a group standing for drastic reform of the municipal administration. It is disclosed that crimes have increased during June, particularly housebreaking. The police attribute the local crime wave to the influx of criminals from other places due to economic distress. The percentage of detection necessarily varies from month to month, but the number of pick-pocket cases (36 in June) is admittedly small having regard to the enormous overcrowding in the trams and buses, the blackout, and the way some people have of spreading their portable possessions. In the past Calcutta's criminals received a large measure of publicity from casual visitors but more recent visitors, in spite of the figures in the police bulletin, would give Calcutta a clean bill.

Punjab Letter

THE PROVINCIAL FOOD CONFERENCE—CRITICISM OF GOVT. PURCHASES—RECLAMATION OF WASTE LANDS—GOVT. CONCESSIONS.

(From Our Correspondent)

LAHORE, July 10.

THE importance of the recent Food Conference held at New Delhi was brought home to the people here by the news that a strong contingent consisting of two Ministers, Director of Civil Supplies, Assistant Director of Civil Supplies and Director of Food Supplies would represent the Punjab at the Conference. There has been a noticeable easing up of wheat prices during the last fortnight but it is difficult to say whether it has any connection with the Conference. Sir Edward Benthall, War Transport Member and Sir Azizul Haque, Food Member, are expected to be in Lahore shortly to discuss with the food officials of the Punjab Government questions relating to transport of food supplies to the deficit areas in India.

Food Conference at Lahore

Almost simultaneously with the Food Conference held at New Delhi, a small but significant one-day Food Conference met at Lahore on July 6. The gathering was not very large but it was fairly representative, including legislators, communists, bankers, economists and persons vitally affected by or deeply interested in the present food situation. A few papers were read on the different aspects of the food situation and were followed by prolonged discussion which was, on the whole, interesting and lively. It was emphasized by more than one speaker at the Conference that the food policy of the Government was neither well-conceived nor sufficiently resolute and effective. One speaker pointed out that the food shortage during war was but an aggravated form of food shortage during the pre-war years and that it 'did not burst on an unsuspecting Government with unexpected suddenness.' If a food plan and a corresponding food policy had been evolved to deal with the problem in normal times, the situation during the war would not have been so serious as it was. Most of the speeches emphasized that the responsibility to provide food at reasonable prices rests on the shoulders of Government and not of the agriculturist, the agriculturist coming into the picture only when he is a hoarder or profiteer. Stringent measures were advocated for the hoarders and profiteers and the arrangements made in the Punjab for Government purchases came in for a good deal of sharp criticism. Nor did the monteary aspect of the situation escape notice and some speakers went so far as to treat inflation as the *deus ex machina* of all the ills the people were suffering from. There was a general consensus of opinion in favour of the Government assuming direct responsibility to provide food at reasonable prices to the people, especially to those sections—such as workers and persons with fixed incomes—who were afflicted most by the prevailing high food prices. Opening of cheap grain shops by the Government and their operation with the co-operation of representative ward or mohalla food committees, the introduction of rationing and liberal dearness allowances were among the solutions offered for the acute food problem. The Conference came to a close after passing two resolutions, one calling upon the Government to make an explicit declaration of their policy so as to inspire confidence in the people and the other recommending a comprehensive plan to control supplies, deal with hoarders and bring inflation under control.

Cloth Prices

The cloth market in the Province has firmed up during the last week and the earlier recession in wholesale and retail prices is giving way to a small but steady rise. The cloth merchants had been so much perturbed at the prospect of a fairly large fall in prices that Mr Thackersey's statement and the decisions of the All-India Yarn and Cloth Merchants' Conference held at Bombay have acted as a rallying force. But the present upturn is regarded by many as merely a temporary phase. Mr Thackersey's observations to the effect that the fall in prices of the order of 25 to 40 per cent. is sufficient for the present and the hopes aroused of a modification in the Cotton Cloth and Yarn Control, especially in respect of the final date for the clearance of stocks, have had a tonic effect on the markets. These developments have given anything but satisfaction to the consumers who are inclined to read into them a determined and concerted effort made by the cloth dealers to peg up the cloth prices.

Dearness Allowance

The Punjab Government, it is reported, have decided to increase the rate as well as the scope of dearness allowance to their employees. All employees drawing salaries between Rs. 75 and Rs. 250 p.m. will now receive dearness allowance at the flat rate of 20 per cent. As the employees drawing less than Rs. 75 p.m. are already getting the allowance at a higher rate, it is proposed to raise the rate in their case. The total additional expenditure involved in giving effect to this fairly liberal scheme is estimated at about rupees one crore. It is worth noting here that the Finance Department of the Punjab has all along taken a sympathetic and favourable view in this matter of the grant of dearness allowance. Some months back there seemed to be two diametrically opposed views in official circles about the appropriateness of granting liberal dearness allowances in view of their inflationary effects. This present report about liberalization of dearness allowances would indicate that at least the Finance Department of the Punjab Government does not subscribe to the view that dearness allowance is an inflationary measure or that its inflationary consequences are of greater moment than the relief it will provide to a hardpressed class of employees. Such relief is in no smaller measure to be desired in the case of the employees of Municipalities and District Boards and it is to be hoped that these local bodies will follow the example set by the Punjab Government.

Sugar Control Order

The publication of the Sugar and Sugar Products Control Order in the beginning of this month gives an opportunity to review briefly the position in respect of the supply and distribution of sugar in the Province. In many of the cities and larger towns, sugar depots manned by A.-R.P. personnel have been opened and some kind of rationing has also been introduced. In Lahore, for instance, there are 88 depots and they are supplied 270 bags every day. But the arrangements have not always worked smoothly or efficiently. There would appear to be two or three important reasons for this. In the first place, the sugar quotas allotted to particular districts may not be received punctually and, as in Rawalpindi at present, stocks of sugar may be exhausted. Secondly, the rationing arrangements may not be comprehensive and (as in Lahore) there may be several localities which may not have any sugar depot at all. Thirdly, the A.-R.P. agency may not always be most suitable for purposes of distribution and in any case a closer association of people's committees with the distribution system will appear to be highly desirable.

To encourage zamindars to reclaim waste lands and to grow food crops thereon, the Punjab Government have decided that waste lands reclaimed after incurring substantial expenditure on them shall be exempt from land revenue assessment for a period to be fixed by the Financial Commissioner in each case. Applications for such exemption have to be made before starting reclamation operations. District officers have been instructed to give the provision wide publicity in the areas under their control and to encourage zamindars to apply for the concession.

Sind Letter

CONTROL OF PRICES—GOVT.'S POLICY CRITICIZED—PLANS FOR RATIONING.

(From Our Correspondent)

KARACHI, July 13.

THE price control policy of the Government of Sind, with particular reference to wheat, rice gram and gram products, came in for sharp criticism in the Legislative Assembly last week. Criticism was confined to (1) arbitrary fixation of prices and (2) secrecy shrouding the whole business and the relationship between the Government and the various syndicates that had been set up to trade in the foodgrains. An official statement accompanying the demand for supplementary grant for the first time after three months gave some authentic, but patchy and incomplete account of the trade activities of the syndicate which are classified into three categories: (1) Purchase and sale of foodgrains, etc., for general civil supply within the Province, specially ensuring supplies for large towns; (2) Establishment of Government grain shops with a view to supplying foodstuffs at most economical rates; and (3) Purchase and sale to other Governments. The purchase and supply of standard cloth is another activity, though not directly connected with trade in foodgrains, yet having close bearing on Government finances, as the purchase and supply are done on Government account, though distribution is entrusted partly to private cloth syndicates and partly Government sales depots through the A.R.P. Any estimate of the amount of transactions must, at this stage be, conjectural, but it is expected that the total purchases and sales would amount to upwards of Rs. 10 crores. The sale proceeds will be treated as recoveries of expenditure and should exceed the expenditure on account of purchases. The profit mainly comes out of the sales of surplus foodgrains to other provinces, of which no estimate was possible "as every thing depended on the course of prices in the neighbouring provinces."

Control Of Prices

Notwithstanding all the explanations of the Government it is felt that, although official control of the prices of foodgrains will help in stabilization of the price level within the Province, and also enable the Government to make some profit to be utilized for the benefit of the landholders, the mechanism of the Syndicate through which all Government trading transactions are done, is not fool-proof and gives room for suspicion of favouritism and nepotism.

Plans for Rationing

While on one side the Government of Sind are satisfied with the food situation within the Province, preliminary arrangements for rationing are made in Karachi. Details about the number of persons and the nature of diet, etc., are to be taken from house to house by A.-R.P. personnel. Seven supervisors and seven checkers have also been appointed for a period of three months in this connection. The Premier explained that the arrangements were merely precautionary "in case of any emergency, instead of facing the problem at the eleventh hour." While he could not say when the Government would introduce rationing, Sir Ghulam Hussain cryptically added: "One does not know what will happen."

Cloth Prices

The piecegoods market in Karachi has not registered any appreciable fall in the prices as a result of the latest measures adopted by the Central Government. On the contrary, piecegoods merchants are worried that they have now to sell at prices which they had never anticipated. The Karachi Piecegoods Merchants' Association has sent a representation to the Commerce Member, Government of India. They desire extension of the last date for disposal of stocks, for, due to the paucity of dispatches, the goods lie with the mills for an indefinite time and on account of lack of transport facilities, it is unlikely that the goods will reach the destination by August 31. Besides, a large quantity of piecegoods is saleable during particular seasons only, and failure to clear goods before August 31 brings the merchant under the clutches of the law. Objection has also been taken to Clause 16 A of the Control Order, which makes it obligatory on the merchants to declare their stocks by August 15, which is deemed to be an early date.

A DELHI DIARY

NEW DELHI, July 15.

THERE are a number of interesting features in the Central Government's accounts for April—the first month of the financial year. As compared with the previous year revenue receipts during the month show improvement by over Rs. 3 crores. Customs collections are practically stationary, but excise receipts have gone up by nearly a crore during the month. The yield from income-tax and corporation tax has practically doubled itself—so also income under "other heads" which is better by a crore. This is undoubtedly a good beginning for the year, for though the Budget estimates for 1943-44 had anticipated an increase in revenue collections by over Rs. 30 crores, this big improvement in the first month alone encourages the hope that the year's revenue will exceed the 200 crore mark. The position on the expenditure side is that the cost of the Defence Services (net) has gone up to Rs. 15½ crores per month—in other words a war bill of over half a crore per day. There is every reason to think that this has gone up even further during the last three months. The cost of the civil administration and other charges have now come up to nearly Rs. 5 crores a month. And though the gross debt charges have shown a reduction of about Rs. ¾ crores, the expenditure bill for the month has come up to the huge total of Rs. 22¾ crores—more than double the month's revenue. The fact is that the entire revenue receipts (totalling 11 crores in April) are not enough to cover even the net defence cost. According to the Budget estimates the year's expenditure is expected to be Rs. 293 crores as against revenue receipts amounting to Rs. 195½ crores—a gap of nearly a hundred crores. At the rate at which expenditure is rising this figure is bound to be exceeded. But it has to be remembered that as a result of the anti-inflationary measures announced by the Finance Member and the new procedure adopted for speeding up Excess Profits Tax collections, the Central Government expects to draw as much as a hundred crores into the exchequer this year.

Further official figures regarding India's war finances are now available. The total Defence expenditure from April, 1938, to March, 1944 (taking into account the budget estimates for the current year) comes to nearly Rs. 7118 millions—as against revenue of Rs. 8196 millions during this period. The total expenditure—Defence and other—during this period was Rs. 10402 millions. This gives an idea of the enormous increase in Defence expenditure in comparison with the total revenue. As revenue has increased from Rs. 845 millions in 1938-39 to Rs. 2194 millions in 1943-44 (Budget estimates) one gets also an idea of the increase in taxation, direct and indirect, during these war years. In fact the general view in Assembly circles has been for some time that the limits of taxation have been reached. In its Report on Currency and Finance for 1942-43 the Reserve Bank observes: "The comparatively low proportion of defence to total expenditure before the war in the Dominions and the United States is in striking contrast to the substantial percentage in the United Kingdom and India and partly explains the relatively large increase in their budgets since the war. That the limits of economic mobilization for war are being reached is also apparent from the slowing down in the rate of increase of the defence expenditures."

No clear idea is yet available of the results of the Food Conference which met last week. So far as the question of free trade is concerned, the provinces have gained their point—particularly the Punjab which was definitely against the removal of control. But it remains to be seen how the provinces are able to fulfil their obligations. They have all undertaken a vigorous anti-hoarding drive to see that there is no interference with normal supplies. They are also responsible for internal distribution and the regulation of prices within their areas. If conditions do not improve the whole question will have to be reconsidered at the next meeting of the Food Conference in September. At the moment the Food Committee which is a larger body and has a number of non-official representatives is engaged in examining official witnesses. After their preliminary discussions are over they will divide themselves into sub-committees to examine different aspects of the food problem. It is expected that this committee may have to continue till the first week of August to complete their discussions and submit their report. So far as one can see, the Government of India are anxious to see rationing schemes introduced in all important urban areas. As the problem of shortages is said to be most acute in urban areas it is expected that if sufficient provision can be made for these areas, that would remove one main difficulty facing the authorities, both Central and Provincial.

A new arrival in New Delhi is Sir William Stampe, the well-known irrigation expert, whose services have been secured by the Government of India for a period of nine months. During this period he expects to travel throughout the country and advise Provincial Governments on the prospects of new irrigation schemes. His idea is to open a large number of tubewells and thereby provide new irrigation facilities for extending food production. It is proposed, for instance, to provide about 200 tubewells in the next few months in the United Provinces and over 80 in Bihar. According to present information new irrigation schemes worth nearly a crore have already been sanctioned. Before the end of the year schemes costing another three or four crores may also be under way. For the success of these additional schemes which have a direct bearing on the food production programme, both trained personnel and plant are necessary. I understand that the Government of India intends to give the necessary facilities for securing these plants. If water power is developed it will help to economise coal in these areas and thus assist both agriculture and industry. The exploitation of the water power of Himalayan rivers did not advance much even before the war. Whatever wartime difficulties may be, there are a number of activities which can be undertaken even now to help agriculture.

I understand that in order to give a full opportunity to the Assembly to discuss the food situation, the Food Member, Sir Azizul Haque, proposes to initiate a debate himself by moving that the food situation be taken into consideration. Already several members are intending to give notices of adjournment motions and resolutions—not to mention interpellations—on food questions. In order to have a fulldress debate which will take all aspects of the question into consideration the Food Member has decided to allot an official day for the purpose. Similarly in the case of South Africa, the Overseas Member may agree to have an official motion on the subject and secure full discussion. A good portion of the Viceroy's speech will also deal with the food question and the South African question.

ARGUS

Gleanings

SICILIAN SULPHUR

Sicily has been under such heavy bombardment that the island can no longer supply vital sulphur to Italian and German war industries. Metallurgists point out that without sulphur the chemical and metallurgical industries of both countries will find it hard to make sulphuric acid, explosives, fertilizers, pulp, insecticides, fungicides and several thousand other essentials. In the United States, sulphur is melted underground by super-heated water and pumped up at low cost. In Sicily, sulphur is obtained by melting it tediously out of rocks. Three years ago the Italian production was about 5,00,000 of tons annually. What it has been since nobody knows. The American production is well over 30,00,000 of tons a year. Both Germany and Italy now have to rely on iron sulphides for sulphur, for Spain produces only about 25,000 tons of sulphur a year and Japan about 2,00,000—enough for her own use only.

THE HOT SPRINGS FOOD PLAN

The British Government, Mr. Eden announced in Parliament, have accepted the resolution of the Hot Springs Food Conference and they will soon appoint their representative on the interim body which is to continue the work of the conference and push on with setting up of a permanent organization which is to carry out the contemplated programme. This practical note is welcome, writes *The Times*.

The next steps are important. The Hot Springs plan provides for the appointment of an interim commission which, among other duties, will prepare the way for a permanent international authority. This cannot get to work too soon. Its form and its powers will require careful but also courageous thought.

The machinery which the United Nations have adopted for dealing with relief after the war is a model of its kind and shows how co-operation evoked by war can be carried on into the first stages of peace. Hunger amid plenty has long since been condemned as an economic anachronism and its elimination is now accepted as feasible by right adjustment of production, distribution and consumption.

Banishing of hunger from the world is the primary aim but beyond that lies the urgent purpose of raising nutritional standards everywhere. Diet has hitherto been lamentably and needlessly deficient even in countries where the people have not suffered from actual want. In this field the essential facts are known and at Hot Springs, they were accepted.

BRITISH EMPLOYERS ON GOVT. CONTROL

Several industrialists including Sir Samuel Courtauld and Lord Melchett as well as prominent trade unionists, politicians and eminent academic personalities of all parties have associated themselves with "Statement on Post-War Employment Policy and Industrial Organization" that has been issued under the auspices of the Nuffield College, Oxford. The outstanding recommendation in the statement is the appointment of a senior Minister to be called the Minister for National Development assisted by an Advisory Planning Commission, The statement divides the industries into three categories: (1) industries of key importance which require large investments and on which depend a large number of other industries, (2) other major industries which in default of public regulation are liable to fall under the predominant influence of a small number of concerns and (3) all other industries, mainly small and medium-sized industries. The statement says that industries in the first two categories should be carried on either by a public corporation or some form of partnership with the State and private enterprise "subject to an appropriate method and degree of public control" and suggests that large industries not governed by the public corporation should be brought under a public industrial board, the new industrial body to consist mainly of the representatives of the industries concerned and of labour and marketing interests. Each board should include State nominees representing public interest and should be presided over by a Chairman appointed and paid by the State.

The Governmental direction of the banking system which may include the transformation of the Bank of England into a public corporation will, it is declared, be necessary in order to ensure that the policy of full employment shall be unhindered by any shortage or misdirection of capital.

On labour questions, the statement urges extended use of the works councils and joint production committees and calls for implementing the Beveridge report at the earliest possible moment. *The Manchester Guardian*. welcomes the statement as having an importance "beyond the names of the public signatories, for it represents singularly courageous efforts in thinking out some of the more ticklish problems of economic importance and detaching the party political framework which they may too easily be embedded.

These recommendations are not dissimilar in spirit and approach to the general tenor of Mr. Herbert Morrison's recent speeches and undoubtedly reflect one wide-spread current of thought in all parties. Meanwhile, another glimpse of possible post-war development in British industry is given by the efforts that are being made at present to form a single centralized employers' organization. speaking with one voice on all labour, economic and commercial questions. Details have not been published. But it is known that negotiations have been going on between the two principal organizations concerned—the British Employers' Confederation and Federation of British Industries. Hitherto, the Employers' Confederation has been dealing with labour questions and the Federation of British Industries with wider problems. This arrangement is considered unsatisfactory by the Confederation which holds that employers are at a disadvantage in dealing with the T. U. C. which handles not only labour but political and economic questions. The Confederation is, therefore, urging a merger and the creation of a new body competent to voice the views of the employers as a whole on far-reaching post-war questions as State control, currency and commercial relations and to negotiate with the T. U. C. and the Government. The Federation representatives argue that such a move might be misrepresented as directed against workers.

MINING INDUSTRY AND TAXATION

Reform in the method of computing mining company profits for purposes of taxation is the subject of a paper on "The Mining Industry and Income Taxation" by Mr. S. J. Truscott, M. Inst. M.M., in the current issue of the *Bulletin of the Institution of Mining and Metallurgy* . . . . Information bearing upon the qualitative rather than the precisely quantitative incidence of income taxation on mining in different countries brings out that war taxation has little changed that incidence anywhere, but, whether by new taxes or higher rates, has materially increased the burden. In particular, it places Great Britain singular among industrial nations in so computing mining profit and so assessing mining dividends for the purposes of income taxation that capital measurably consumed in earning the real profit is taxed as well, a disability which, presently and for the foreseeable future, unless there be a change, puts new metal-mining ventures entirely out of the question. . . . . .

Normally, British income-tax is a tax upon individuals, a tax made up of a standard rate, a high rate considering it applies to all income above subsistence level, and a rising additional surtax on all income above well-to-do level. Normally again, companies of themselves were not taxed—that is, there was no company tax; but being corporations of individuals they are made liable for standard tax—or standard adjusted with dominion relief—on their profits under power themselves to deduct at the same rate from the dividends they distribute. The huge revenue provided by this tax and the large proportion collected at source in the way that it is from shareholders are the features of British taxation. Company funds only bear this tax to the discretional extent that profits are not distributed—that is, to the extent that appropriations to reserve are made. Its essential nature as an individual tax remains clear from the fact that it is the individual shareholder who makes claim from the Treasury for such rebates as may be due from the standard amount prepaid on his behalf. In the absence of any standard, surtax collection of that tax at source was not possible.

In sum, therefore, Mr. Truscott continues, it would not be far wrong—wrong only to the extent of the present limited allowance for depreciation—to say that the Revenue auhorities regard the operating profit as taxable profit in the hands of the company just as they regard mining dividends as wholly taxable in the hands of the shareholder.

That the consequent taxation of capital is no small matter is manifest from the depletion allowance in the United States of 15 per cent. of the total value of the production, with the proviso that this allowance was not to exceed 50 per cent. of the operating profit diminished by depreciation, this allowance being passed wholly on to the shareholder until the capital represented by mineral property had been redeemed; the Canadian allowances manifest the same thing. Even these considerable allowances, while welcome, do not cover the cases of those short-lived mines which, though they may have distributed dividends, made no profit at all, the aggregate dividends not being equal to returning even the capital. In this country such dividends would have been taxed as being wholly profit, and taxed at a higher rate than anywhere else, with the result that much of the capital embarked hopefully in mining would in the end be found to have been gathered into the capacious public purse.—*The Financial Times, 19th March, 1943.*

INCREASED TRADE AFTER THE WAR WITH U.S.A.

The latest issue of the *Far Eastern Survey* discusses the prospects of post-war trade between the United States and India. The article asserts that before the war American exporters were unable to break through the entrenched position of long-established British firms, but anyway they displayed only moderate interest in the possibilities of an Indian market in contrast with the term perennial optimism about China. Now, however, there is every prospect that the new wartime contact will be maintained and extended after the war and far-sighted business men in both countries are considering the advantages of closer trade relations. These will not arise from the present traffic of finished munitions but rather from the introduction of machinery, tools and industrial raw materials which are contributing to India's belated industrialization.

Wartime influx of American goods to India, especially capital goods, might well be the prime pump for peacetime trade. New factories with American equipment might be expected to turn to the same source for replacements and expansion. In 1942 the United States exports to India were 378 million dollars, nearly ninefold of 1939, and mostly lease and lend, but commercial exports are more than double those in 1939. There is no direct lease and lend agreement between the United States and India; the arrangements are between the United States and Britain, and Britain and India have to settle their accounts between themselves. The article suggests that the future pace of Indian industrialization depends on the measure of political independence achieved by India.

The *Manchester Guardian* comments that there is no justification today for supposing that British interests are hostile to this. The *Manchester Guardian* also questions the article's assumption that wartime liquidation of India's debts to Britain will be permiting a greater diversification of India's foreign trade. What is happening is not dissolution but a reversal of financial relationship. Accordingly in the Legislative Assembly's budget debates, critics attacked India's huge accumulating sterling balances on the ground that it threatened flooding the Indian market with British manufactured articles after the war.

AMERICAN EXPORTS

"For the first time, bottoms exceed the available cargo," writes Leo Cherne, Executive Secretary of the Research Institute of America. "These news resources promise a revival in depressed foreign economies. The hardened arteries of international trade are being rapidly softened and the blood which sustains many of the small nations—the stream of exports—is starting to flow again.

"Coffee from Brazil and other Latin American countries, for the first time in many months, is beginning to pile up in American warehouses. Sixty-five million pounds of tea from Ceylon and India are expected to enter American ports in the course of the year, representing two-thirds of a normal year's import. As the balance in shipping swings ever more favourably, the totals inevitably rise.

"Sugar from Cuba and Puerto Rico, pineapples from Hawaii, spices from East Africa and North Africa, cocoa from South America—these and many other products are beginning to flow through the

channels of a three-way trade exchange. When unloaded at debarkation centres throughout the world, other cargoes of essential supplies and foreign exports are loaded into the same holds. Frequently this cargo is destined not for return to the United States but for shipment to another United Nation in desperate need of such supplies. After the holds are emptied there, the ships are reloaded for their final voyage to the United States. They carry exports which normally flow from the second corner of the triangle—materials, like tungsten, which are vital to the United States for the manufacture and shipment of munitions in the new cycle. "We are thus beginning to get a preview of how the 'access to the world's raw materials' pledged by the Atlantic Charter will function after the war."—USOWI.

SHIPBUILDING IN AUSTRALIA

Australia has built 60 naval vessels since September 1914 while 4,000 small naval craft were under construction, said the Commonwealth Naval Minister, Mr. Norman J. Makin, recently. Under the scheme for giving priority to ship repairs and maintenance over construction, Mr. Makin added that 2,077 ships, totalling nearly 10,980,000 tons had been repaired and maintained. Three hundred and six ships totalling 1,370,000 tons had been dry-docked between August 1942 and May this year.

CANTEEN FOOD FOR INDUSTRIAL WORKERS

A large number of grain shops and canteens for industrial workers have sprung up in many factories in India as a result of the voluntary efforts of some employers. Many industrial employers have already set up canteens for providing tea and refreshments to workers during hours of work. Reports received from a textile mill in Madras indicate that workers can buy tea at the canteen at the rate of annas four per thirty cups. Some employers have purchased utensils of all kinds with a view to using them for cooking food for their workers in a period of emergency. And in some places in India canteens are functioning with the object of providing cooked food for workers even in normal times. A model canteen of this type exists at Jamshedpur. Started ten years ago, this service has considerably improved and expanded in recent years. Two fine buildings situated in different parts of Tata Iron and Steel Company's Works and well-fitted with marble top tables, electric lights and fans, accommodate the canteens, visited thrice every day by 13,000 workers for tea, refreshments and meals. In each of these buildings, there are three dining rooms, serving rooms and kitchens where meals varying with the communal tastes of the customers are prepared and served separately to workers of different communities. Separate dining arrangements have been made for women workers of the Tata Iron and Steel Company's Works.

Until recently prices of cooked food served at the canteens were 75 per cent. below the prices current in the local food shops and hotels. At present, in spite of the rise in prices of commodities, prices here are still from 30 to 50 per cent. below the current bazar prices. Particular care has been taken by the management to keep down as far as possible the price of a simple meal consisting of rice, curry, dal and chapattis, the most favourite items on the menu. Generally speaking, it is possible for a worker to obtain a satisfying meal of this type for a sum of five pice only. The canteens here are being run solely with a view to providing food for the worker at cheaper rates and there is no tendency to use them as profit-yielding concerns. Building and capital expenditure are provided by the Steel Company, but the canteens are required to pay a fair rent and are expected to meet all recurring expenses including replacement of utensils and breakages.

Collectively the workers consume every day 26 maunds of rice, 26 maunds of atta, 26 maunds of besan, 15 maunds of dals of different varieties, 4 maunds of sooji, 7 maunds of badam oil, 6 maunds of mustard ghee, 8 maunds of ghee, 20 maunds of sugar, 6½ maunds of chana, 50 maunds of vegetables, 11 maunds of meat and 21 maunds of milk.

This is how the problem of providing cheap nutrition food for workers is being tackled in some parts of India. Recently the Central Government advised all employers to open such canteens for their labour; and the successful working of canteens in some places shows that it is possible to establish this institution on an all-India basis.

"FATIGUE LABORATORY" STUDIES FLYERS

Harvard University's "fatigue laboratory" is intensively studying the weariness of body and mind which sets in among service aviators after weeks of activity following prolonged flying, eye strain and nervous tension. Thus far it has been impossible for the laboratory to duplicate the actual conditions, but the studies are progressing. In some cases the weariness is greater when the flying missions are fewer. Scientists believe that this is due to the suspense of postponed fighting, change of plans or other factors, especially among flyers with little combat experience.

When a flyer is told to prepare for combat, he steels himself. If the programme is carried out precisely the flyer returns with renewed confidence and is seemingly refreshed. But a delay of one or two days has a bad effect, including loss of appetite and sleep, and exhaustion.

It was found that prolonged rest is not the complete answer. In some cases, the opposite treatment is indicated. Airmen in England have regularly scheduled tours of operations, on completion of which the flyers are relieved from combat for extended periods.

U.S. Army flight surgeons are working on a similar plan, which will probably not be based on actual missions but will take into account the hours of flying, seasonal conditions and the nature of the operations. It has been noted that weariness tends to disappear with progressive emotional toughening to battle conditions and the arrival of larger forces of trained men in the zone of operations.—USOWI.

Agriculture

The Rural Problems of India

IN an address to the Rotary Club, Bombay, Sir Manilal B. Nanavati, President, the Indian Society of Agricultural Economics, has dwelt at length on some of the fundamental forces which have brought about the appalling conditions of poverty (in the midst of plenty) in rural areas, and has discussed the scope and magnitude of the problem facing the country. The following is a short summary of the important and salient points in his speech. The problem of poverty may be analysed from two main standpoints, *viz.*, that of the human factor and, secondly, that of the national resources, the former leading us to the quantitative and qualitative study of the problem of population and the latter necessitating an examination of the various aspects of agriculture, mainly of land, since in India, land directly determines the economic life of more than three-fourths of the people. As even the pace of industrial progress in India is, to a large degree, influenced by the purchasing power of the millions dependent on the land, it is possible to hold that the productivity of the soil in India is the foundation of the wealth of the nation.

A peep into the past shows that it is only with the advent of the British rule, the rural problems have become so complicated. The self-sufficiency and solidarity of the villages were broken up; cash economy largely replaced barter while status and custom gave place to competition and contract. As the villages were now linked up with distant markets in the west, the prices of agricultural produce went up and as the population grew land values began to rise. The competition from machine-made goods from Europe, the gradually declining purchasing power of the farming class and the changes in the tastes, particularly of the urban classes, resulted in the extinction or deep decline in the artisan class. An increasing number of artisans was compelled to give up its traditional occupation and to join the class of cultivators or agricultural labourers. With the increasing pressure on soil due to the growth of population and the consequent rise in the value of land, agriculture began to lose its stability. Firstly, there appeared a new class of agriculturists, non-cultivating owners; the money-lenders too, now free from the moderating influence of the village panchayats, availed themselves of the newly established hierarchy of courts; the heavy costs of litigation impoverished the ryots. Thus started a complicated state of affairs wherein lands on a large scale came to be mortgaged or transferred from the cultivators to the non-cultivating owners. The innumerable levies and charges by the zamindars and the raising of rents under various disguises led to the emergence of another indigent class from that of tenants, *viz.*, of landless labourers deprived of all rights in land and yet unwilling to sever their connection with the soil.

The more recent developments in India's rural economy are too well known to need repetition. The de-industrialization of rural areas and the natural increase in population have gone to inflate the percentages of agricultural population to total population from 61 in 1891 to 66 in 1901, 71 in 1911 and 73 in 1941. Of the total 103 millions following cultivation, except 30 per cent. who are efficient as farmers, the rest are composed of inferior classes of farmers, of members of depressed classes and aborigines, who are illiterate, have poor physique, live in indigence, and have very little capital. Steeped in superstition, they fall an easy prey to costly caste and religious customs and thus live submerged in debt. The lot of the agricultural labourer is still harder and his extreme indebtedness has driven him to work as a serf labour in the fields of his creditor. The *kamiauti* system of Bihar and Orissa and *pannayal* system of Madras are the two well-known instances of perpetual serfdom among the labourers.

Turning to land resources, we find that not only land has failed to increase commensurately with the population but even the average fertility of land has deteriorated for some important reasons, (1) as inferior lands being brought under plough under pressure, (2) the growing evil of sub-division and fragmentation and (3) failure to replace the natural properties of the soil after repeated harvests. The real extent of food shortage and of the resulting malnutrition is revealed in a survey made about nine years ago by Sir John Megaw, the highest medical authority under the Government of India. The investigation showed that only 39 per cent. of the people were adequately nourished, 41 per cent. poorly so, and 20 per cent. came under the category of "very badly nourished." This inadequacy of the food supply and its low nutritive value have gradually undermined the national health and made the people highly susceptible to "deficiency diseases." As a result, the death rate in India is very high—24 per 1,000 against 12.2 in the U.K. and 10.9 in the U.S.A.

Even as early as 1915-16, Dr. Mann stated that the character of land holdings has altogether changed. Now the number of holdings is more than doubled and eighty per cent. of these holdings are under ten acres in size, while no less than 60 per cent. are less than five acres. The situation has still worsened in the following years. It is thus seen that the cultivator, whether a tenant or a holder, has been since long living in a deficit economy and meeting his family expenditure by borrowing. The total rural debt of India has been steadily rising from Rs. 300 crores in 1911 to Rs. 1,200 crores today. It is estimated that only 25 per cent. of the holders are free from debts or whose debts are not burdensome.

Of the remedies suggested for this situation, emigration and industrialization are the most popular. The former course is not possible due to discriminatory legislation passed in other countries. As for industrial development, the optimism that it will absorb the surplus rural population is highly unfounded. Of the 17.2 million industrial workers in 1931, more than 15 millions are employed in small, mostly cottage industries. The number of artisans required by our villages cannot increase in proportion to the growth in population; as for organized industries, modern industrialization involves increased mechanization which means disbanding of manual labour. Even assuming that India builds new industries to displace the imports of manufactures valued at Rs. 40-60 crores a year and doubles the employment of workers in industry in one decade, we shall have found employment for hardly 3 million people more, *i.e.*, a year's increase in population. Industrialization, of course, is absolutely desirable for making our economy more balanced and the country self-sufficient; but as a means to absorb our growing population, its possibilities are limited.

Then wherein lies the hope of rehabilitating our economy. As stated already, land is the foundation of

our national wealth and welfare, and our hope lies in making its utmost development and use. The land resources are sufficiently rich and vast, but they are being exploited without any guidance or planned organization which could maximize production and distribute the fruits of labour equitably. Little has been done to utilize the "cultivable wastes," a considerable part of which could be reclaimed by modern methods of drainage, prevention of erosion, dry farming, and such other methods of land utilization. Irrigation from all sources which has covered only 22% of the total cultivated area in the country leaves unprotected more than 95% of the area under crops in Bombay, C.P. and Berar, Baroda and Coorg. Such complete dependence on rains is bound to affect the land yield in India. Insects and other crop pests cause a damage of over 200 crores of rupees annually in India, and yet only one out of 11 major provinces and four out of 700 States have adopted compulsory control to check this evil. Owing to our unorganized marketing of agricultural produce, a parasitic class of middlemen has come into existence, which is thriving at the expense of the cultivator, and it is estimated that only 18 per cent. of the total value of graded agricultural produce sold in the market was handled by the real producers and that the latter got only nine annas and a half in the rupee paid by the consumer for wheat. Lastly, India's yield in respect of almost all the crops is much below the world average, the main defect with our agriculture being that it has not adjusted itself to the modern methods of organization, science and experiment.

The problem of India's economy thus centres round fuller utilization of her resources both human and material. If the cultivator is to contribute his full share to the national dividend, he must be provided with the following basic things: the absolute ownership of the land he cultivates, an equitable system of taxation, and an honest and efficient sympathetic administration that would look afer him with a parental care. The present obstacles to profitable farming are the lack of a comprehensive agricultural survey including a land-utilization survey, want of a programme for the restoration of full ownership of land to the cultivator, mass illiteracy, inadequate irrigation facilities, absence of co-operative farming, and such other drawbacks the removal of which is a responsibility of the State. The Central Government have to make a move to expand the operations of their departments to include all rural problems as is done in other countries and do the real planning for the country.

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nvestments

(From Our Correspondents)

NEW DELHI, July 14.

Once again, the market is out of gear, and but for small gain here and a small gain there, the prices are n the downward path. Textiles are uninviting, steels re neglected, jutes have lost support and so have teas nd engineerings. And in result, the activity in the narket has shrunken. The fortunes of the textiles inustry still hang in the balance. In the jute industry, he problem of prices of raw jute and jute goods has ome to a head and needs immediate solution. Pendng this, buyers are resting on their oars, while sellers re keen to put through their deals, and consequently hare values have receded in the case of the bigger

Half-year ended	Raisings Tons	Despatches Tons
April, 1943 ..	933,626	1174,567
Oct., 1942 ..	879,111	1041,988
April, 1942 ..	975,692	1040,189

BOMBAY, July 14.

The stock market ruled easy during the week. One vould have expected that the invasion of Sicily might heer up the market. It has, however, lent no such olour because of other immediate factors which are ausing an all-round concern in the economic life. Govrnment is arming itself with more and more powers o stamp out all forms of economic activity which it onsiders as impeding the war effort by keeping prices igh and encouraging hoarding and speculation. Indiiduals including banks may be banned from advancng loans against commodities including the bullion. The Press Note issued on Saturday from New Delhi goes a step further and asserts that loans to the stock exchange are definitely anti-social at the present time. t is this declaration which is casting its shadow on the tock exchange. Its complications are serious if such policy is vigorously enforced. Measures of this nature whatever their final result succeed at least in he first instance in creating a feeling of nervousness. The battle against inflationary tendencies can ultimately e won only if Indians are made to feel that it is their war which is being fought today. This is impossible vithout a satisfactory solution of the present political leadlock.

Share Markets

The leading counters both in textiles and steels show small declines against last week's closing but miscellaneous textiles have met with little buying enquiry even at considerable lower prices. For example, the Sassoon group is particularly easy. E.D. Deferreds have dropped during the week to Rs. 3-7 against last week's closing of Rs. 3-11; E.D. ordinaries from Rs. 19-10 to today's closing of Rs. 17-12; Apollos from Rs. 5 to Rs. 4-9 and Elphinstone from Rs. 79 to today's closing of Rs. 99. Similar fall is noticeable in other textiles, Simplex having dropped to Rs. 280 against last week's closing of Rs. 309. In the Miscellaneous section, Associated Cements have dropped from Rs. 229 to Rs. 219, Scindias from Rs. 35-7 to Rs. 33-12, Shivrajpurs from Rs. 70 to Rs. 99 and Tata Chemicals from Rs. 37-8 to Rs. 39. Six monthly reports of the leading Bombay banks published during the week show a considerable increase in their profits. Central banks have made a record profit of over Rs. 31 lakhs in six months and interim dividend to Rs. 1-4 as against last year's interim of Re. 1; Central Banks were dealt in up to Rs. 75 though they closed at Rs. 73-8. Bank of Indias have also made large profits. Today's closing stocks by 15 to 20 points and in the case of the smaller ones by 3 to 5 points. Chitavalsahs, however, were well supported, and with good reason, for it has a good standard year while last half year's profits were also substantial.

In the Calcutta market, coals are well supported. Low priced issues have been a pretty busy counter, but Bengals eased on lower dividends. The Company has not paid the usual bonus of 2 per cent. for the half-year ended April 30, 1943. This is entirely due to the new Excess Profits Tax Ordinance which has compelled the Company to provide Rs. 14,00,000 for taxation and cesses against Rs. 9,50,000 for the half-year ended October 31, 1942, and Rs. 5,50,000 for the half year ended April 30, 1942. The comparative accounts are given below:—

Sales Rs.	Taxation Rs.	Depreciation Rs.	Net Profit Rs.
64,12,861	14,00,000	3,00,000	4,46,273
55,92,507	9,50,000	3,00,000	3,64,864
46,68,458	5,50,000	3,00,000	3,43,122

quotation for this share is Rs. 181-8. Imperial Banks are unchanged at Rs. 1,845 and Rs. 458, Reserve Banks unchanged at Rs. 119-8, Bank of Barodas around Rs. 135. The utility group is also very steady, Ahmedabad Electric quoting Rs. 201-4, even though last year's dividend was Rs. 7. Tata Hydros are quoting Rs. 202-8 though last year's dividend was Rs. 7-8. Gilt-edged section has ruled steady.

CALCUTTA, July 10.

Large supply of money and credit continues to be the main feature of the Indian money market. Call funds at ½% per annum attract no borrowers. In Bombay ¼% on Call is considered too costly. In Madras Call money rate remains nominal at ½% per annum.

Treasury Bills

Treasury Bills this week had a very poor response, and the total amount of subscriptions offered was under Rs. 5 crores against Rs. 8 crores advertised by the Government. In spite of it, the Government lowered its rate and accepted Rs. 3,12,25,000 at an average rate of 1% per annum. This shows the Government's determination to create as favourable conditions as possible for new loans. Poorer response for Treasuries is said to be principally due to banks and investors' putting in large applications for 1951-54 Defence Bonds, which was to close on 30th June and for 3½% Government Paper and 1963-65 Loan.

The amount of Intermediates sold during the week on 5th July was only Rs. 40½ lakhs, and the amount of Treasuries sold in favour of the issue department of the Reserve Bank was Rs. 3.15 crores.

Assam Government has again come out as borrowers of Treasury Bills to the extent of Rs. 75 lakhs. The last date for submission of tenders is 13th July in Calcutta and 14th July in Bombay.

Reserve Bank Of India

The statement of the Reserve Bank for the week ended 2nd July shows an increase of Rs. 11.40 crores in the amount of notes issued and of Rs. 13.3 crores in the volume of sterling securities. This large increase in the first week of the month, as contrasted with the absence of a large increase in the statements for the weeks ended 11th, 18th and 25th June, suggests

Investments

(From Our Correspondents)

NEW DELHI, Sept. 15.

The upsurge in prices which followed the fixation of ceiling prices for cloth and yarn has been checked and natural tendencies to reaction are evident, they are aggravated by special circumstances including the warning of the Textile Commissioner regarding possible downward revision of cloth prices, prohibition of *budla* transaction on the Bombay Stock Exchange and the collapse of Italy, which was interpreted as a bearish factor. Speculative issues in Textiles after recording see-saw movements declined sharply on heavy selling pressure. In Bombay Dyeings have met with heavy liquidation and on balance over the week's record a loss of over 100 points. Centuries were erratic, and so were Kohinoors and Swadeshis. In Calcutta, textiles fared no better. Rates are lower all round and the range of fluctuations is narrowed, Elgins being the worst sufferers. Locally, Delhi Cloths receded to Rs. 116 from Rs. 123, but again recovered to Rs. 120. Raza Textiles are firm around Rs. 69, Cawnpore Textiles at Rs. 12-4 and New Victorias around Rs. 8-4.

The issues of the Amrit Group of of Undertakings had an easy market, with prices showing considerable losses. Amrit Banaspati ordinaries dropped to Rs. 26-8 from the week's high of Rs. 29, Amrit Chemicals to Rs. 6-12 and Perfumery Ordinaries to Rs. 5-12.

The shares of the concerns under the managing agency of Messrs. Govan Bros., Ltd., which include, among others, Rampur Maize Products, Ltd. and Rampur Distillery and Chemical Works, Ltd., have of late caught the eye of the speculator and the investor alike.

CALCUTTA, Sept. 9.

The glorious news this morning of the unconditional surrender of Italy has come late in the week and, as we write, there has not been time for the market to adjust itself to this momentous change in the war outlook. Nevertheless, today's business has not been without its implications and the strong support which was immediately forthcoming for Jute shares may be taken as particularly significant. Earlier in the week the Coal and Cotton sections had figured prominently and there was a run on Sugar shares which lifted prices substantially in some instances. Tea shares too were more cheerful and Paper shares showed signs of recovery. Indian Iron and Steel and Steel Corporation shares, on the other hand, have, throughout, had a heavy appearance, prices, in spite of some large blocks of shares changing hands, moving little from last week's closing rates.

Government Securities.—Selling of medium-dated Loans has continued, but investment interest has been on a small scale and dealings in Gilt-Edge, as a whole, have not amounted to much.

Three and a half per cent. Paper remains steady at Rs. 97.

Preference Shares.—Further rises have to be recorded amongst preference shares and the undertone here continues to be one of considerable firmness.

Banks.—Imprial Fully-Paid and Contributory were in request up to Rs. 1,835 and Rs. 145, respectively, while Reserve were slightly higher, with buyers at Rs. 120-8; United Commercial registered a further advance to Rs. 15 premium, and a good business was put through.

Cotton Shares.—During the early portion of the week Cotton shares were a strong feature and prices advanced steadily. Subsequently, however, an easier tone has developed and quotations close in all cases well below the best.

Coal Shares.—A considerable business has been put through in Coal shares and prices have had an upward tendency.

Jute Shares. This group remained quiet until the news of Italy's capitulation, when buyers came out for a number of stocks, and prices developed an upward trend.

Engineering Shares.—Indian Iron and Steel are lower on balance at Rs. 34-15 and Steel Corporation at Rs. 26-10.

Interest in other Engineerings has been on a disappointing scale, with the exception of Kumardhubi, for which buyers were found at Rs. 8, and Indian Galvanizing which were asked for up to Rs. 40-8. Braithwaite, Jessop, Britannia Building and Burn and Company, on the other hand, had a dull appearance throughout.

Tea Shares.—The turnover here has shown definite improvement but quotations are, on the whole, not much altered.

Sugar Shares.—Cawnpore, Champaran, Balrampur and Ramnugger were strong inquiries during the early portion of the week but, later, prices came back under profit-taking.

Good business has passed also in Darbhanga, Ramnugger, United Provinces, Belsund, Raza and Buland at rates which show only small alterations.

Carew, after being marked up to Rs. 22-4 closed quiet round Rs. 21-6.

Miscellaneous.—Flour shares have again figured prominently, Bengal improving further to Rs. 20-8 and Hooghly to Rs. 24-12.

Titaghur and India Paper Pulp were the best amongst Paper shares.

In respect of other Industrials, there were good buyers for Aluminium Corporation, New Asiatic Insurance, Indian National Airways Ordinary, Frank Ross, Bararee Coke, Spencer and Company and Behar Rice.

Indo-Burma Petroleum were amongst the few shares which lost ground, the price receding to Rs. 70.

Mining shares were again active, Burma Corporation changing hands freely round Rs. 3-14, with Consolidated Tin at Rs. 2-10 and Indian Copper Corporation at Rs. 2-8.

Stock Exchange

MADRAS, Sept. 12.

The Stock Exchange was affected by the war news during the week. The Italian surrender and the developments in America were interpreted by the operators that the end of the war was in sight. Therefore, there was some slight selling and sentiment was disturbed. Prices after a firm tendency gave way and declines up to seven points were registered. In the textiles section, Cambodias were down to Rs. 38-8. Dhanalakshmis were lower at Rs. 522-8 c.d. Mettur Industries were done at Rs. 300 and Rajalakshmis at Rs. 284. Ranga Vilas were down to Rs. 208 but at the lower levels there was some covering. Saradas and Vasantas were quoted Rs. 274 and Rs. 345 respectively. The Planting section was also dull at the close and prices were marked down fractionally. Be Be Rubbers were put through at Rs. 13-12 and Cochin Malabars at Rs. 18-6. Midlands declined to Rs. 17 and Rajagiris were steady at Rs. 18-4. Coorg Rubbers were firm after the recent declaration of the dividend and resisted falls at Rs. 72-8 c.d. Amongst the tea and coffee shares, Fringfords declined by a point to Rs. 23-12 c.d. Periakaramalais were sticky at Rs. 32-8 c.d. Amongst the new issues Chandramalais were done at a premium of As. 4. Mysore Plantations had a fair turnover between Rs. 3-6 and Rs. 3-8.

There was a better volume of business in the Public Utilities section and the local electric companies figured prominently. South Madras had frequent markings. Amongst Bank shares, Reserves improved to Rs. 120-8. Indians big were done at Rs. 257. In the Miscellaneous section, the Mysore group of industrial shares continued to be active. Mysore Papers went up to Rs. 26 but declined to Rs. 25-6 with the general fall in the prices. Sugars and chemicals were as usual firm with a fair volume of business.

It would be remembered that sometime ago business was restricted on the Stock Exchange on the basis of cash delivery *i.e.*, delivery within seven days from the date of contract. The rule has now been relaxed and business can now be done on P.A.D. terms *i.e.*, delivery within 14 days from the date of contract.

Commodity Markets

BOMBAY, Sept. 11.

Seeds

This seeds market has received two new orders this week from the Government. The first is a ban on Futures trading in cotton seed, castor seed and sesamum. The prohibition came into effect after the close of bnsiness on September 6 by which time operators could voluntarily liquidate their contracts. All contracts remaining outstanding were to be settled at rates to be fixed by the Government. Another notification was issued whereby forward contracts for castorseed, cotton seed and sesamum of specific qualities or types and for specific delivery at a specific price, delivery orders, railway receipts or bills of lading against which contracts are not transferable to third parties, were exempted from the above order. Further, the Government of Bombay have amended their present order freezing stocks of cotton seeds exceeding 10 bags in quantity with the Bombay City and Bombay suburban districts. According to the amendment, the freezing order applies in the case of stocks exceeding "24 Bengal maunds" and not "10 bags" as mentioned in the original order.

MADRAS, Sept. 12.

Groundnuts

The groundnuts market continued to ride the high horse during the week under report. Calcutta interests continued to buy very heavily and anything offered was good enough for them. Business was particularly brisk during the early part of the week as the transport with the cargo was scheduled to leave during mid-week. The Calcutta buyers were also reported to be offering fancy prices for even the wet stock in the upcountry markets. The price went up to Rs. 97 in the local market. Holders were prepared to sell to these buyers rather than to the exporting firms as they find it profitable to sell to them even if they offer a lower rate than the firms, because the term do not include any clause relating to admixture, oil content, driage etc. The British Ministry of Food was not able to do any business and firms were able to buy only very small quantities at their limits of Rs. 87-8. The oil market was firm as here, too, large purchases were made for Calcutta for ready. It is stated that about 1,000 tons were booked during the week. The price of oil on the week's trading improved from Rs. 166 to Rs. 182. Cake was also very steady with good demand.

Hides and Skins

There was a fairly brisk volume of business in this market. Both local operators and exporters were interested and business was spread over in cow hides, sheep skins and goat skins. Representations made to America demanding a revision of their new ceiling prices have not been successful. Latest cable reports received show that there has been no intention on the part of the Office of Price Administration to revise their April 10 ceiling prices in regard to imports of East India tanned goat skins. The export trade in this line, as has been the case since that date, has continued to be at a standstill, except for sporadic sales on the new basis to keep up business connections. With the local market being firm and in fact on the ascendant and with the cost of production on the increase, the adamantine attitude of the O.P.A. is rather inexplicable. The demand for the various averages and proportions recently being insisted upon has also been discouraging export trade.

The following wholesale prices prevailed in the Madras Market on September 11, 1943 for the commodities noted below:

Groundnuts Rs. 97 per candy of 500 lbs. loose ex-Madras warehouse.

Tanned Hides: Rs. 0-13-6 to Rs. 1-3-0 per lb.

Tanned skins: Rs 1-9-0 to Rs. 2-5-0.

HAPUR, Sept. 13.

Juwar

Juwar market on the opening day of the week under review witnessed an upward trend, but later on it gradually declined under tired long liquidations and favourable crop reports. The market opened every day at higher rates than the previous closing rates on account of local speculators' purchases while the closing rates were marked with easier sentiment owing to gigantic sales by mofussil operators. The up-country traders were the main sellers here and the bull operators liquidated their transactions. The bear operators appear to be very cheerful and are taking keen interest in view of the excellent weather and crop conditions. Political news of this week could not wield any influence on the market. Juwar prices for Poos delivery opened at Rs. 6-15-3 and closed at Rs. 6-12-7½. The highest and the lowest levels touched during the week were Rs. 7-0-4½ and Rs. 6-10-7½, respectively.

Urad

The general trend in the local Urad market during the week under review was indefinite. The shorts and longs both took keen interest in the market and there was a regular tug of war between the two opposite sections. The crop conditions are quite favourable and the spot demand is now slackening. The spot rates for Dara Urad are quoted today at 3⅛ seers to a rupee. It is expected that the local traders would build Urad stocks in larger quantities. Urad Magh prices opened at Rs. 13-9 and closed at Rs. 13-5-6, touching the highest and the lowest Rs. 14-1 and Rs. 12-12-6, respectively.

Bardana

The tone of the market was steady owing to sporadic enquiry. The local stock is gradually decreasing. The general opinion on Bardana is towards weakness. The final report of Jute for the current year is estimated at 90,14,130 bales as against 54,74,015 bales last year.

GUR: Prices were firm following encouraging demand from outside stations.

WHEAT: The wheat market remained easy in sympathy with bearishness of other commodities and increased arrivals of maize. Arrivals averaged 300 maunds daily. Two Khattis of wheat were exported from here and the stock has come down to 206 Khattis. Last year there were only 11 Khattis in the market ain the petty consumers experienced shortage.

The following are today's quotations against those quoted last week:

	This week	Last week
	Rs. a. p.	Rs. a. p.
Wheat	13 7 6	13 14 6
Gram	10 10 0	10 15 0
Barley	9 12 0	10 0 0
Peas	10 8 0	10 9 0
Arhar	10 0 0	10 3 0
Gur	10 0 0	9 0 0
Juwar Poos	6 12 7½	6 15 4
Urad Magh	13 5 6	13 12 0
Bardana Mangsir ..	59 14 0	38 8 0

MADRAS, July 10.

The groundnuts market was very firm and the quotation ruled steady round about Rs. 88-8. Exporters continued to buy but oil-mongers showed no interest. It is reported that the British Ministry of Food have bought about 3,200 tons at £38-10-0. One or two prominent exporters seem to have bought Pollachi crop, expected to come on the market in September, for September-October delivery. Stocks were more freely forthcoming during the week than for some time past and merchants appeared to be anxious to liquidate their stocks in view of the bigger winter crop that will be coming and the possibilities of Government's intervention in the market by the fixation of ceiling prices. The oil market was uninteresting and weak. Stocks were coming from the southern districts and the quotation was sticky at Rs. 178. Cake was steady with few enquiries.

Yarn

Conditions in the yarn market showed no material changes over the past week. In the absence of fixation of ceiling prices as contemplated by the Government of India, there was a good deal of confusion. Dewan Bahadur C. S. Ratnasabhapati Mudaliar, President of the Southern India Millowners' Association, and Mr. J. M. Doak of the Madura Mills, issued a statement to the Press during mid-week which stated *inter alia* as follows: "The whole idea of the Cloth and Yarn Control Order so far as we can see is to maintain prices at reasonable levels some forty per cent. below the recent peaks. This indicates prices between Rs. 20 and Rs. 22 for 20's count and Rs. 28 and Rs. 30 for 40's count. We feel that the merchants need have no fear so long as they operate around these prices. If yarn prices again advance unduly we have no doubt, control measures will at once be intensified." Actually prices were ruling below the levels mentioned above on the day the statement was issued. Therefore, one should have expected the market to rise at least to those levels in view of the statement coming as it does from such important persons. But in fact, the market seems to have attached no importance to this and prices declined. On the week's trading, 20's declined by about 2½ annas per lb. to Rs. 18-8 per bundle of 10 lbs. and 40's declined by about 1½ annas per lb. to Rs. 25 per bundle of 10 lbs. There were some enquiries from weavers and a fair volume of business was done. Small quantities of yarn were also bought by those manufacturers of handloom goods as have orders from overseas.

Hides And Skins

There was nothing important in the skins and hides market during the period under report. There were enquiries from London but no important business resulted. Similarly, there were enquiries from America at the new prices fixed but here again business has been impossible. There have been no shipping opportunities during the past three weeks and there may be no opportunity in the next week. Exporters have already stocks with them enough to last for a shipment or two and they have not been operating in the market. Locally, movements of finished goods from the tanneries have been slow due to poor demand. Arrivals of raw goods have also been poor due to transport difficulties. On the whole, local business has also dwindled during the week.

Company Notes

Tata Iron And Steel Company Ltd.

The report and the accounts of the Tata Iron and Steel Co. Ltd. for the year 1942-43 make an impressive reading. The fall in profits is the result of the political strike of August last and the breakdown in one of the power generating sets. The following comparative figures will be of interest:

(In lakhs of rupees)

	1942-43*	1941-42	1940-41
Net profit after providing taxes, depreciation and agents' commission etc.	2,72	3,67	3,53
Depreciation on block ..	1,25	1,25	1,50
Provision for taxes ..	2,92	3,82	2,45
Agents' commission ..	46	61	56

Thus, the company has against a total paid-up capital of Rs. 10.47 crores, the gross block account, including collieries of Rs. 31.75 crores. Against this expenditure, Rs. 16.55 crores have till now been provided for depreciation account and the net block thus stands at Rs. 15.25 crores. During the last ten years, the block account of the Company has been increased to Rs. 31.75 crores from Rs. 22 crores without adding to debt liabilities. The Company has practically no capital debt. Out of the paid up capital of Rs. 10.45 crores, Rs. 7.78 crores form fixed-interest bearing capital involving an annual charge of only about Rs. 14 lakhs as interest. Thus against the flexible capital of Rs. 2.77 crores, the block account position can be considered as highly satisfactory. Owing to lower profits, provision made for reserves is only Rs. 35 lakhs as against Rs. 1 crore the previous year, but the total reserve fund now stands at Rs. 315 lakhs as against only Rs. 36 lakhs in 1936-37. Loans have gone up to Rs. 3.26 crores as against Rs. 2.25 crores last year mainly on account of the Bearer Deposit Certificates created last year, but as against that, the stock position is also comfortable.

During the year under review the Company was able to sell the main products of the value of Rs. 16.02 crores as against Rs. 18.17 crores but the sale of miscellaneous goods has gone up considerably to Rs. 1.15 crores as against Rs. 16 lakhs in the previous year. Purchases at Rs. 4 crores are higher by nearly Rs. 1 crore, while wages and salaries at Rs. 3.33 crores have gone up by nearly Rs. 55 lakhs. The Company voluntarily deposited with the Government Rs. 50 lakhs equivalent to 20 per cent. of the Excess Profits Tax paid last year to derive benefit at the time of the repayment of the sum. At the current cum dividend rates of Tata Deferreds at Rs. 2,000 and Ordinaries at Rs. 400, the net yield returns on the shares are 6¼ per cent. and 5¾ per cent. respectively.

CURRENT STATISTICS

BANK OF ENGLAND

(000's omitted)

	July 7, 1943.	June 30, 1943.	Aug. 30, 1939.	July 8, 1942.
	£	£	£	£
Total Bullion ..	1,181	1,156	263,700	1,616
Public Deposits ..	7,900	9,500	31,100	10,300
Other Deposits ..	213,900	293,400	129,100	194,400
Of which Banker's Deposits ..	161,300	238,100	90,100	146,500
Govt. Securities ..	166,900	233,400	113,100	171,700
Other Securities ..	16,800	27,500	31,000	21,100
Of which Discounts and Advances ..	4,300	4,900	6,400	5,600
Notes and coins ..	51,600	54,800	34,200	24,200
Notes in Circulation	949,600	946,300	529,500	807,400
Ratio of Reserve to Liabilities ..	23.24%	18.10%	21.38%	11.80%

U.S. FEDERAL RESERVE BOARD

(000's omitted)

	July 1, 1943.	June 24, 1943.	Aug. 31, 1939.	July 2, 1942.
	$	$	$	$
Resources:				
Total Reserves ..	20,582,000	20,610,000	14,660,610	20,825,000
Total Bills Discounted	5,000	19,000	6,190	3,000
Bills bought in open market ..	..	..	550	..
Total U.S. Government Securities	7,202,000	6,748,000	2,426,190	2,728,000
Liabilities:				
Federal Reserve Notes in actual Circulation	13,822,000	13,635,000	4,609,280	9,409,000
Deposits—				
Member Bank Reserve Account ..	12,084,000	12,223,000	10,951,000	12,191,000
Ratio of total Reserve to Deposit and Federal Reserve Note liabilities combined ..	73.8%	74.8%	86.9%	88.9%

RESERVE BANK OF INDIA

Weekly Statement of Account as on 2nd July, 1943.

ISSUE DEPARTMENT

Liabilities	Rs.	Rs.
Notes held in the Banking Department ..	12,54,49,000	
Notes in circulation ..	733,60,63,000	
Total Notes issued ..		746,15,12,000
Total Liabilities ..		746,15,12,000

Assets	Rs.	Rs.
A. Gold Coin and Bullion:		
(a) Held in India ..	44,41,43,000	
(b) Held outside India ..	..	
Sterling Securities ..	567,78,87,000	
Total of A. ..		612,20,30,000
B. Rupee Coin ..		15,53,67,000
Government of India Rupee Securities ..		118,41,15,000
Internal Bills of Exchange and other commercial Paper ..		..
Total Assets ..		746,15,12,000

Ratio of Total of A to Liabilities: 82.048 per cent.

BANKING DEPARTMENT

Liabilities	Rs.
Capital paid up	5,00,00,000
Reserve Fund	5,00,00,000
Deposits:—	
(a) Government	
(1) Central Government of India	15,42,73,000
(2) Government of Burma ..	57,24,000
(3) Other Government Accounts	9,39,22,000
(b) Banks	53,03,24,000
(c) Others	3,11,89,000
Bills Payable	1,85,11,000
Other Liabilities	10,65,42,000
Rupees ..	104,04,85,000

Assets	Rs.
Notes	12,54,49,000
Rupee Coin	10,23,000
Subsidiary Coin	1,67,000
Bills Purchased and Discounted:—	
(a) Internal	..
(b) External	..
(c) Government Treasury Bills ..	29,98,000
Balances held abroad*	81,83,06,000
Loans and Advances to Governments	..
Other Loans and Advances	13,00,000
Investments	7,37,68,000
Other Assets	1,74,74,000
Rupees ..	104,04,85,000

*Includes Cash and Short-term Securities.

ISSUE DEPT. COMPARATIVE STATEMENT

(000's omitted)

	July 2, 1943.	June 25, 1943.	July 3, 1942.	Sept. 1, 1939.
Notes held in the Banking Dept.	12,54,49	11,39,58	15,05,47	35,04,49
Notes in circulation ..	733,60,63	723,35,15	446,77,79	182,13,17
Total Notes ..	746,15,12	734,74,73	461,83,26	217,17,66
A. Gold Coin and Bullion ..	44,41,43	44,41,43	44,41,43	44,41,43
Sterling Securities	567,78,87	554,48,67	266,85,11	59,50,11
Total of A. ..	612,20,30	598,90,10	311,26,54	103,91,57
B. Rupee Coin ..	15,53,67	16,13,29	28,27,57	75,87,11
Rupee Securities	118,41,15	119,71,34	122,29,15	37,38,98
Ratio of Total of A to Liabilities	82.048	81.51	67.398	63.15

INDEX NUMBERS OF WHOLESALE PRICES AT CALCUTTA BY GROUPS OF ARTICLES.

(PRICES IN JULY 1914=100.)

Period.	Foodgrains. Cereals.	Pulses.	Sugar.§	Textiles. Tea.	Other Food Articles.	Oil-seeds.	Oil, mustard.	Jute, raw.	Jute manufactures.	Cotton, raw.	Cotton manufactures.	Other Textiles (Wool and Silk).	Hides and Skins.	Metals.	Other raw & manufactured articles.	Building materials (Teakwood).	All commodities.
No. of items included	8	6	5*	3	9	3	2	3	4	2	7*	2	3	6	8	1	72
1914, End of July ..	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
1939 „ „ ..	86	99	164	142	125	106	81	80	102	75	106	110	67	147	95	123	108
1940 „ „ ..	99	101	157	149	146	106	78	79	107	87	122	146	72	175	115	127	120
1941 „ „ ..	112	105	145	202	178	103	78	77	137	77	179	166	74	209	126	132	139
1942 „ „ ..	157	162	208	241	298	143	85‡	77	137	96	†	146	86	273	147	†	185
1943 January ..	260	238	258	299	434	196	†	125	175	143	†	194	95	322	159	†	250
February ..	266	280	260	246	444	178	†	110	167	152	†	204	98	331	162	†	253
March ..	334	309	298	199	457	189	148	122	168	166	†	246	100	331	170	†	272
April ..	375	307	280	189	505	252	189	144	184	185	†	257	98	339	183	†	293
May ..	473	374	311	192	545	281	197	147	195	199	†	262	95	354	183	†	325

* Two items have been dropped under Sugar since February, 1934, and one item under Cotton manufactures since September, 1936, as their quotations are no longer available and suitable substitutes cannot be found for them.

† Price quotations not available. ‡ Average of nine months.

§ Index compiled from quotations of Sugar as well as of Valley *Gur* (raw sugar). Owing to the control in the price of sugar, the present fluctuations in the group index are due entirely to variations in the prices of *Gur*.

INDEX NUMBERS OF WHOLESALE PRICES AT BOMBAY BY GROUPS OF ARTICLES.

(July 1914=100)

Commodities	No. of Items.	Mar., 1942	Apl., 1942	May, 1942	June, 1942	July, 1942	Aug., 1942	Sep., 1942	Oct., 1942	Nov., 1942	Dec., 1942	Jan., 1943	Feb., 1943	Mar., 1943
Food grains		142	133	152	167	180	180	178	171	186	219	209	212	211
Cereals	7	145	138	158	173	187	187	183	175	177	212	199	204	202
Pulses	2	132	117	135	146	155	155	157	157	216	244	242	242	244
Sugar	3	151	157	166	192	192	192	196	196	196	203	215	218	222
Other food ..	3	143	141	147	169	171	176	165	165	210	264	246	268	253
All food		143	138	153	171	179	181	178	173	193	226	218	225	222
Oilseeds ..	4	102	102	110	115	118	118	118	118	118	150	155	153	156
Textiles		104	103	108	117	129	128	136	143	162	162	162	169	174
Cotton, raw ..	5	71	71	76	84	94	94	94	94	94	94	94	94	94
Cotton, manufactures ..	6	159	156	161	173	186	185	205	223	275	276	276	293	307
Other textiles ..	2	83	83	83	83	83	83	83	83	83	83	83	83	83
Hides and skins	3	99	99	99	99	99	99	99	99	99	99	99	99	99
Metals	5	657	665	669	742	722	746	747	783	821	840	766	742	746
Other raw and manufactured articles ..	4	220	225	225	226	226	227	230	230	230	232	232	232	232
Non-food		226	228	231	249	249	254	257	266	279	288	274	271	274
General Index		197	196	204	222	225	228	229	233	249	266	255	255	256

INDEX NUMBERS OF WHOLESALE PRICES AT BANGALORE *

(Base year 1914=100)

Particulars.	Feb., 1943.	Jan., 1943	Feb., 1942.
1. Foodgrains and pulses	226	198	131
2. Oils and Oil Seeds	334	209	112
3. Other Food articles	226	214	114
4. Textiles	267	236	141
5. Others	250	248	175
6. General Index	238	222	136

* Compiled by the Department of Industries and Commerce, Mysore.

SUGAR POSITION—1942-43

(Figures in Tons)

Prducing Areas.	Production up to 30-6-1943.	Progressive total of despatches from 1-12-1942 to 30-6-1943.	Percentage of Progressive despatches to Production	Physical stock as on 30-6-1943.†
U.P. ..	6,13,248	3,18,818	52.0	2,94,430
Bihar ..	2,37,671	1,22,535	51.6	1,15,136
Bombay ..	77,110	45,802	59.4	31,308
Madras ..	31,528	18,522	58.7	13,006
Punjab ..	6,579	4,520	68.7	2,059
Bengal ..	16,537	2,366	14.3	14,171
N.W.F.P. ..	3,167	2,318	73.2	849
Orissa ..	2,092	1,628	77.8	464
Sind ..	2,008	776	38.6	1,232
Indian States* ..	81,574	49,120	60.2	32,454
Total ..	10,71,514	5,66,405	52.9	5,05,109

† Balance Physical Stock of 1941-42 Season Sugar as on 30-6-1943 was 1,087 tons.

* Information received from Indian States is not complete.

INDEX NUMBER OF COST OF LIVING (IN SOME PRINCIPAL COUNTRIES)

(Base 1929=100)

Composition of the Index	Union of S. Africa.	Canada.	United States.	China.	India.	Great Britain and N. Ireland.	Australia.	New Zealand.
1929	100	100	100	100	100	100	100	100
1939	94	83	84	192	106	96	89	98
1940	97	87	85	550	112	113	93	103
1941	102	92	89	1,840	122	121	98	107
1941:								
Nov.	104	95	93	..	126	123	100	109
Dec.	104	95	93	..	129	122	..	109
1942:								
Jan.	106	95	94	2,662	137	122	..	109
Feb.	107	95	95	2,757	135	122	102	108
Mar.	108	95	96	3,051	137	121	..	107
April	108	95	97	3,432	138	122	..	108
May	109	96	97	3,927	142	121	105	109
June	111	97	97	..	152	122	..	109
July	111	97	98	..	..	123	..	109
Aug.	110	96	98	..	..	122	..	..
Sept.	..	97	99	..	..	122	..	..
Oct.	..	97	99	..	..	..	..	..

WORKING CLASS COST OF LIVING.

Months.	Bombay (Base: Year ending June, 1934—100). 1941-42 (1)	1942-43 (2)	% change (1)	Ahmedabad (Base: Year ending July, 1927—100). 1941-42 (1)	1942-43. (2)	% change (1)	Cawnpore (Base: August 1939=100). 1941-42. (1)	1942-43. (2)	% change
April	121	132	+14	81	99	+22	107	149	+39
May	122	142	+16	82	102	+24	108	155	+44
June	122	152	+25	83	111	+34	114	175	+54
July	126	168	+33	88	117	+33	126	190	+51
August	131	168	+28	92	123	+34	130	203	+56
September ..	129	170	+32	92	117	+27	133	202	+52
October ..	125	172	+38	92	121	+32	134	206	+54
November ..	126	178	+41	94	137	+46	143	224	+57
December ..	129	188	+46	99	149	+51	151	224	+48
January	137	203	+49	95	173	+82	145	225	+55
February	135	205	+52	94	165		144	234	+62
March	137	208	+52	96	173		150	246	+64

Months.	Jamshedpur (Base: five years preceding 1914=100) 1941-42. (1)	1942.43. (2)	% change	Madras (Base: Year ending June 1936=100) 1941-42. (1)	1942-43. (2)	% change	Lahore (Base: 1931-35=100) 194142. (1)	1942-43. (2)	% change
April	121	146	+21	109	119	+9	144	178	+24
May	125	165	+32	108	121	+12	135	186	+38
June	132	192	+45	109	128	+17	131	194	+48
July	141	202	+43	113	133	+18	137	199	+45
August	145	223	+54	115	137	+19	144	212	+47
September ..	148	229	+55	115	146	+27	150	220	+47
October	152	244	+61	115	152	+32	160	223	+39
November ..	149	242	+62	118	156	+32	172	229	+33
December ..	149	226	+52	121	158	+31	172	302	+76
January	144	248	+72	117	161	+38	172	317	+84
February	138			115	164	+43	176		
March	140			115	170	+43	174		

PRICES OF PRINCIPAL COMMODITIES

Commodities.	Grade & Quality.	Market.	Unit.	This Week* Rs. a. p.	Last Week. Rs. a. p.	A year ago. Rs. a. p.	1939. Rs. a. p.
Rice (not in husk).	Kalma No. 1.	Calcutta.	per md.	31 0 0 to 32 0 0	31 0 0 to 32 0 0	8 0 0 to 9 0 0	4 14 0
Wheat.	White (1½% dirt & 2% barley).	Lyallpur.	„	9 15 0	10 4 0	5 0 0	2 5 9
Sugar.‡	Marhowrah Crystal No. 1.	Cawnpore.	„	14 8 6	14 8 6	12 3 6	9 13 0
Sugar raw (Gur).	Ahmadnagar.	„	„	16 8 0	17 11 0	8 0 0	7 0 0
Tea.	For export.	Calcutta.	per lb.	0 15 0	0 15 0	1 3 2	0 10 5
„	For consumption in India.	Calcutta.	„	0 9 10	0 9 10	0 15 7	0 4 4
Groundnuts.	Machine decorticated.	Madras.	per candy of 500 lbs.	81 15 0	81 15 0	40 8 0	29 0 0
Linseed.	Bold.	Bombay.	per cwt.	16 0 0	16 4 0	11 5 0	7 2 6†
„	Small Grain.	Calcutta.	per Ind. md.	15 0 0	12 0 0	11 0 0	6 13 6†
Rape and Mustard.	Toria 9% admixture.	Karachi.	per candy of 656 lbs.	91 8 0	92 0 0	52 6 0	36 12 0
Cotton (raw).	M.G. Jarilla Fine.	Bombay.	Fully pressed per candy of 784 lbs.	581 0 0	575 0 0	..	..
„	**Fine M.G. 4-F (Punjab) R.G.	Karachi.	„	581 4 0	581 4 0	..	..
Cotton Yarn.	No. 10⅛s.	Bombay.	per lb.	1 8 3	1 8 3	0 10 8	0 4 5
	No. 20s.	„	„	2 5 3	1 6 9	0 15 5	0 6 1
Cotton Piecegoods.	Grey domestics. 35"×40 yds.×12 lb.	„	„	2 2 3	2 8 0	1 3 5	0 7 0
„	Grey Dhoties ⅝% P.B. 44"×10 yds. ×1-11/16 lbs.	„	„	..	4 9 0	2 3 6	..
Jute.	Raw Firsts.	Calcutta.	bale of 400 lbs.	88 0 0	88 0 0	48 0 0	41 8 0
„ Bags	B. Twills 2¼ lbs. 44×20½, 6×8.	„	„	65 12 0†	66 8 0†	40 4 0†	28 13 0†
Wool (raw)	Kandhar (cleaned) Indian qlty.	Karachi.	per md.	55 0 0	55 0 0	50 0 0	32 0 0
Hides and skin (raw).	Cow hides (Agras).	Calcutta.	per 20 lbs.	9 8 0 to 10 8 0	9 8 0 to 10 8 0	9 8 0 to 10 8 0	7 8 0 to 8 8 0
	Goat skins (Good quality).	„	per 100 pieces	110 0 0 to 130 0 0	110 0 0 to 130 0 0	110 0 0 to 130 0 0	100 0 0 to 115 0 0
Hides & skin tanned.	Cow hides.	Madras. „	per lb.	0 14 6 to 1 4 0	0 14 6 to 1 4 0	0 13 11 to 1 2 6	0 9 8 to 0 12 10
	Goat skin.		„	1 14 6 to 2 4 6	1 14 6 to 2 4 6	1 7 0 to 1 12 0	1 7 6 to 1 12 0
Shellac.	T.N.	Calcutta.	per B. md.	64 0 0	64 0 0	58 0 0	14 0 0
Kerosene Oil.	Superior.	„	per 4 gallons in tin	5 5 9	5 5 9	4 4 9	2 13 3
Coal.	Selected Jharia.	„	per ton into wagon	9 12 0 to 10 8 0	9 12 0 to 10 8 0	4 8 0 to 6 0 0	4 0 0 to 4 12 0
Salt.	Aden Fine ex-Golah.	Calcutta.	per 100 mds.	380 0 0	360 0 0 to 380 0 0	..	..
Pig Iron.	Foundry No. 1.	„	per ton f.o.r.	94 0 0	94 0 0	94 0 0	89 0 0
Copra.	Fair average quality.	Cochin.	per candy of 500 lbs.	162 0 0	162 0 0	120 0 0	43 8 0
Cement.	Indian Swastika.	Calcutta.	per ton f.o.r.	60 0 0	60 0 0	44 0 0	..

Indian Trade Journal, July 8, 1943. †Ready
‡Factory delivery basis. ** Karachi Cotton Association.

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Cloth Control at Work

THE Department of Industries and Civil Supplies have acted with commendable promptness in putting through the cloth control measures. The Textile Control Board has been constituted and Regional Commissioners have been appointed. The various sub-committees of the Board on Industries, Distribution, Transport, etc., have met and may be expected to grapple with the multitudinous problems concerning them. Wholesale prices of cotton piecegoods in different centres have recorded at least a decline of 20 per cent., and the initial spell of uncertainty, nervousness and dislocation in the market has now disappeared, thanks to the assurances of Mr. Krishnaraj Thackersey. It is too early as yet to judge of the working of the scheme and its results, and, as Mr. Hydari said, one should wait at least six months before one can pronounce any verdict on the scheme.

The main objective of control is to make substantial quantities of cloth available to the public at prices appreciably lower than those obtaining in recent months. The test of success of control is prices, and the scheme will be judged by the country only by the measure of the price fall which it will bring about. Mr. Thackersey fixed unofficial ceilings at about 20 to 40 per cent. below those prevailing in recent months as the range beyond which changes should not be allowed to swing, and expressed the opinion that at that level of prices there will be nothing to complain against. The textile prices in the last so many months have been worked up to such dizzy heights that even a reduction of prices to the extent of 30 to 40 per cent. from those levels may not put cloth within the means of the mass of consumers. It is quite true that it is no longer possible to produce cloth anywhere near the price at which it used to be produced before the war, because all the elements of cost have increased. The wages of labour have nearly doubled, and the cost of essential mill stores has increased by about 150 per cent., though, according to other estimates (*vide* the Letter to the Editor on another page), it has increased five times. The fuel, war risk charges and increase in the price of cotton have added much to the cost. But it is diffi-

cult to resist the impression that even allowing for this increase in costs the fixation of prices at 300 to 400 per cent. above the pre-war rates does not truly measure the rise in costs and the conclusion that it will not satisfy the public. The Government have, for their part, offered the fullest aid to the industry. They have regulated the price of raw cotton at a level which, in the opinion of many cotton experts, is unfair to the cultivator, and so the industry can no longer cite the cotton price as an added cost. The Government have again banned all futures in cotton yarn and piecegoods and eliminated speculative elements inimical to the success of the scheme. They have undertaken to provide reasonable supplies of textile stores at controlled rates. The Cotton Textiles Directorate is already controlling the movement of raw cotton, the import and distribution of reeds, healds, shuttles, bobbins, etc. The production of textile stores had been neglected before the war, and thanks to the cessation of imports, the country has now been forced to produce a part at least of their stores internally. Some progress has been made in recent years, but not sufficient either to make the industry independent of foreign supplies or to facilitate a textile production drive. If the Government are anxious that the mass of consumers should get cloth at cheap prices, the most important single step they can take to help the industry to achieve the object will be to arrange for the increased production of the urgently required stores by securing the import of the requisite machinery and chemicals. It is to be hoped that the Control Board will take this up with Government as an essential condition of success.

The wage bill, an important element in the cost, can be kept within reasonable bounds by the co-operation of labour. As the Chairman of the Board has stated, the condition of the textile workers is, thanks to bonuses and dearness allowances, much better than that of workers in other industries, and while a reduction in them cannot be desired, further increases can at least be kept within bounds. Even at these higher rates, the textile labourer may not find it possible to maintain his standard of living. But the opening of cheap grain shops at all the textile centres must have eased his position, and the expected reduction in cloth prices will also help him. In any case, it is only fair to expect the textile worker to bear his share of the sacrifice in a period of all-round suffering in the interests of the community which has championed his rights in the past.

If all this is done, there is no reason why a substantial reduction in costs cannot be effected and the benefit passed on to the consumer. But this is not enough. The provisions pertaining to the declaration and disposal of stocks will have to be enforced with great vigour and expedition if the escape of goods to the black market is to be prevented. Government have very rightly refused to grant an extension of time for the disposal of stocks. Delay would simply arrest the decline of prices and help to drive the goods to corners not amenable to control. The control comprehends the native States also; but it is not clear that the States have so far taken the necessary measures to fall in line with the All-India scheme in respect of production and distribution. The Chairman of the Control Board stated that large stocks of piecegoods and yarn are lying in remote corners of Indian States, and advised his merchant friends in their own interests to bring them to the market. Stocks will be disgorged only if the Control Board institutes the necessary inspecting staff to verify the truth of stock declarations. Fortnightly or monthly declarations of stocks will also be necessary, and the Board must make sure that the amount of stocks as on 31st July is not written down by the dealers who will certainly try to remove them to unsuspected corners. The extension of time for the sale of seasonal goods must meet all legitimate criticism.

Control of the retail trade is, perhaps, the most knotty part of the scheme. Retailers are resisting the fall of prices, and in some places are building up stocks at depressed prices with a view to selling high, with the result that wholesalers have begun to sell retail. The retail trade is vast, diffused and widespread, and the verification of stock declarations and the enforcement of price in that section will condition the benefit to the consumer.

Too wide a margin should not be allowed between the wholesale and retail prices. In certain markets the dealers have asked for the unduly excessive margin of 25 per cent. In respect of 'standard cloth,' the retail price is arrived at by adding 6¼ per cent. to the ex-mill price of the cloth. Every province or State will receive the 'standard cloth' at certain selected railway centres at a uniform price made up of the ex-mill price plus 1¾ per cent. To this the province or State will add 4½ per cent. of the ex-mill price in order to arrive at the retail price, the manner of absorption of the 4½ per cent. being left to its discretion. There is no reason why a like margin or slightly larger one should not be adopted in the case of other cloth too. The Government must arrange for transport facilities without delay. Already complaints are pouring in that stocks cannot be cleared in the absence of sufficient railway bookings.

When the immediate effect of dehoarding spends itself, prices will tend to go up again, unless regular supplies flow into the market. This depends on the efficiency of production and the reduction of exports. The 'standard cloth' scheme is already in full swing and shortly 50 per cent. of the looms will be devoted to producing standard cloth. The rationalization of the other types of output has been left almost completely to the *Industries* Sub-Committee of the Board. The producers must use their expert knowledge to effect speedy adaptation and not be bound by individualist notions. Both the Government and the public count on the industry's public spirit, and will blame the industry only if it does not make full and proper use of its freedom. Exports should be drastically curtailed ,and the best way of doing this would be to prohibit them beyond a fixed amount. The suggestion made by Mr. Thackersey that a substantial duty should be levied on exports, sound in itself as a measure of raising prices to foreign consumers, is not likely to bring about, in the prevailing acute scarcity of cotton goods in the African markets, a large reduction in exports. Prohibition above a minimum would be effective.

The problems of control are extremely complicated, and success calls for a degree of co-operation and compromise among the producer, the wholesaler, the retailer and the Government without parallel in the history of this country. As Mr. Hydari pointed out, the textile industry is on its trial. The country regards the industry as peculiarly its own and has given it a volume of public support in a unique measure. It has a right to expect the industry to make some sacrifice and to forgo immediate profit for the permanent goodwill of the public. The public will be greatly disappointed if the Government and the industry fail to rise to the occasion.

U. S. Trade Policy and Currency Plans

ONE of the most hopeful and gratifying signs of the times is the realization by the United States that the stability of international economic conditions depends upon the reduction in her tariffs. The success of the British and U.S. currency plans depends in the last resort upon the securing and maintenance of international trade equilibrium. Temporary credits which will be made available to countries that are in deficit on current account will enable them to tide over a short period of disequilibrium. But no arrangement will be proof against recurrent or chronic deficits for which there is only one effective remedy and that is the restoration of a right balance of payments. Responsibility for securing this balance rests, of course, in the first instance, on the deficit countries which should take effective measures to increase their exports and reduce imports through their levels of internal costs and prices. But by themselves they may not be able to achieve the desired end; reduction in imports of raw materials essential for export industries cannot be brought about except at too high a cost. An increase in exports essential for equilibrium cannot be brought about unless countries with surplus balances are prepared in the last resort to buy the exports of other countries. Thus the responsibility of creditor countries for maintaining trade equilibrium is as great as, if not greater than, that of deficit countries.

The British plan by recognizing the special responsibility of creditor countries for securing the right balance of payments breaks new ground. Less conscious perhaps of this responsibility is the U.S. plan. But there is sufficient indication even here of the gravity of the problem by the frank recognition of the possible scarcity of the currencies of surplus countries. But the success of the plan depends entirely upon the manner in which and the extent to which this scarcity is replaced by sufficiency. There are not sufficient data in the plan itself to enable one to say how this problem will be met.

Fortunately, the pronouncements of the leading public men of America and the recent extension of the (Reciprocal) Trade Agreement Act of 1934 afford indication of the awareness of the problem. Speaking to the National Foreign Trade Convention in New York in October, 1941, Mr. Sumner Welles declared: "Our high tariff policy reached out to every corner of the earth and brought poverty and despair to innumerable communities. The basic conception is that your Government is determined to move towards a creation of conditions under which restrictive and unconscientious tariff preferences and discriminations are things of the past, under which no nation can seek to benefit itself at the expense of another. . . . The Atlantic Charter means that every nation has the right to expect that its legitimate trade will not be diverted and throttled by towering tariffs, preferences, discriminations or narrow bilateral practices." What the super-protectionism of the Hawley-Smoot Tariff of 1930 meant to America no less than to the rest of the world will be clear from the fact that no other country's export trade suffered an equal decline between the years 1929 and 1934 as that of the U.S.A. American exports slumped to less than 25 per cent. of their 1929 value, and what is more significant, her share in world exports declined from 15½ per cent. in 1929 to about 11 per cent. in 1934. The rest of the world having protested in vain against the high tariff of America resorted to every device of bilateralism, exchange clearance and other forms of trade control with a view to protecting their balance of payments. Every extension of such barriers to trade affected injuriously America's export trade. It was with a view to protecting American trade against such attacks and discrimination that Mr. Cordell Hull initiated in 1934 his new policy of reducing the gigantic barrier of the Hawley-Smoot Tariff by opening negotiations with every country with a view to enforcing the most-favoured-nation clause in the trade between the U.S.A. and other countries. The aim was to secure equality of treatment and enforcement of the doctrine of non-discrimination in trade relationship. The principle was applied that for the purpose of inaugurating a long-term policy of tariff reduction any concession made during the course of reciprocal bargaining in favour of one country should apply immediately to all foreign countries except those who discriminated against American exports. In this way an average reduction of about 20 per cent. in the ad valorem rates on dutiable goods was effected.

The success and potency of the Hull programme should not, however, be exaggerated. Tariff reductions have only affected just over 40 per cent. of dutiable imports and the average level of the American tariff has only fallen from 45 to 36 per cent. Even this limited success was possible because the tariff rates were so excessively high that even large concessions in duty would not greatly impair the substantial efficacy of the protective system, and because as the owner of world's largest gold stocks she was never compelled even to consider her own balance of payments position.

But would America reduce still further her tariff rates? Unless a drastic reduction in her tariffs is effected, the outlook for world recovery would be a poor one. The fundamental nature of the balance of payments problem is very simple. Imports and exports are like Siamese twins who grow or decline together. America must in the long run accept foreign goods or services in payment for its exports or else be faced with default; for it will be impossible for other countries, in that event, to abandon the restrictive measures which increased so alarmingly during the ten years before the present war; and which the United States is so anxious to avoid. After the present war the dollar will be the currency most in demand and an acute shortage of dollar exchange will become inevitable unless America is prepared to open her gates wide to receive freely the goods of the world. The issue is thus really fundamental. No amount of temporary makeshift arrangement by which deficit countries are placed with a supply of gold or unitas will be a lasting solution unless these countries are guaranteed a definite means of paying off their debt by the export of their goods. Another equally important condition of international economic equilibrium is the elimination of irregular and fluctuating American demand for the goods and services of other countries. The high variability of a country's economic activity and the fitful and irregular lending of creditor countries are other potent sources of mischief. The world can look forward to comparatively peaceful and undisturbed trade conditions only if creditor countries are prepared to adapt their internal economic policies so as to subserve larger international interests. Will the U.S.A. and to a lesser extent Great Britain rise to the heights of responsibility thrown upon them by recent world events?

The Week's Notes

PRE-REQUISITES OF RATIONING

Now that the Food Member has promised us to extend food rationing in all urban areas at an early date, it behoves us to note some of the difficult problems which will be besetting the Government. The *sine qua non* of an effective rationing scheme is, of course, practical control over supply by the administration. The most important thing to remember in this connection is that the Government procurement operations in relation to the last *kharif* crops have been a complete failure. This has been due to the Food Department and Provincial Governments not being adequately organized in time to procure the *kharif* crops during the main marketing season. The Government has met somewhat more success in respect of the last *rabi* crops, which account for about 40 per cent. of the total. The greatest failure in gathering reserves of stocks has been in the North-East Region covering Bihar, Orissa and the Eastern States, and in the U.P. and the C.P. also the signs of failure are almost patent. In the circumstances, the Government must be considered to be ill-equipped with the possession of sufficient strategic reserves of foodstuff which is essential if the rationing scheme is to run smoothly without any breakdown. Travancore and Cochin States have practically an empty larder and are perilously poised on the verge of starvation. City of Madras has probably a fortnight's stock in hand, and Bombay city's larder is unlikely to last 1½ months if supply from outside ceases. In Calcutta, the Bengal Government will probably soon launch the anti-hoarding drive, and only when the Government publishes the results of the drive, can we know the technical resources in the hand of the Bengal Government for the successful operation of a rationing scheme in Calcutta. The food situation in India during the next three months is likely to deteriorate further and the urgency of a rationing scheme cannot be overestimated. But we have also to admit that the Government is starting rationing in a very inclement environment and with pitifully inadequate technical resources.

The rationing scheme would have had an auspicious start if the Government could import foodstuffs from abroad. But the total import of wheat from abroad up to date has not amounted to much so far as civilian needs are concerned. After the de-control of wheat prices, Government was able to procure fairly large quantities of the old crop from the Punjab. There is a strong rumour going round that the Government, flushed by this "success," has already agreed, at the special request of the Secretary of State for India, to cancel the request originally made for the import of large supplies of Australian wheat between May and December, 1943. If that is so, the Government cannot now turn round and plead innocence in case the rationing scheme breaks down in actual operation.

Nor is the supply problem the only problem. There are tough administrative problems also. For in a poor country like India, with vast disparities between the standards of living of the various sections of people, the possibility of organized traffic in ration cards is something to seriously contend with. Again there is the problem of personnel; for the subordinates who are entrusted with the job of distribution are not all above board. There is a disturbing frequency in reports of quota grains entering through the front door of "control shops" only to vanish through the back door. All this means that the Government has a difficult job in perfecting the distributive machinery which will work without creaking or complete breakdown.

FOOD SITUATION IN BENGAL

Mr. H. S. Suhrawardy, the Minister for Civil Supplies, Bengal, was in a particularly buoyant mood when he addressed the Bengal Legislative Assembly on the food situation in the province. He, indeed, admitted that famine conditions obtained in various parts of Bengal, but he almost hinted that relief was only round the corner. We fear the basic facts of the situation do not warrant such optimism. The production of rice in Bengal in 1942-43 has been only 6.9 million tons as against 9.8 million tons in 1941-42. This signifies a deficiency of nearly 3 million tons, the deficiency for the whole of India being 8 lakh tons. What is still more serious is that Government procurement operations in respect of *kharif* crops have failed most seriously in the North-East Region—*i.e.*, Bihar, Orissa and the Eastern States—and also in the U.P. and the C.P. These are precisely the regions from which Bengal might expect succour. There is, of course, the last resort in the shape of direct access to the wheat of the Punjab. But the Punjab is the common resort for all provinces in difficulty, and there is danger in prophecy preceding achievement. Mr. Suhrawardy's vision of the immediate food prospects in his province is schematically neat: "In the first place, the neighbouring provinces have been asked to declare how much they can supply to Bengal. In the second place, the Government of India must be satisfied that their declarations conform to the facts. In the third place, the Provincial Governments must set their procurement plan into operation and stocks must be on the move to Bengal, and the Government of India again will judge whether sufficient steps have been taken to secure the supplies." The vision is so colourful as to arouse the suspicion that Mr. Suhrawardy had an eye more on the feelings of a partly hostile House than on the facts of the situation. Meanwhile, we shall be interested to know the results of his recent anti-hoarding drive and also, in due time, the results of his coming drive in Calcutta-Howrah.

COL. OLIVER STANLEY ON COLONIAL POLICY

During a debate on British colonial policy in the House of Commons on July 13, Col. Oliver Stanley, the Colonial Secretary, made a statement (published elsewhere in this issue) on post-war colonial policy which was primarily of political interest. Nevertheless, when one considers the enormous importance attached to colonies as sources of essential raw materials and markets for manufactures, one is led to think that on the proper treatment of the problem of colonies depends the solution of international economic disharmonies. In spite of protestations to the effect that colonial possessions confer little advantages, the will to retain them is a more eloquent testimony to their value than all the arguments to the contrary. The two world wars have shown that abiding peace cannot be built except on the unfettered development of the economic interests and political aspirations of the people of these colonies. Western nations have so far regarded them as pawns in their game of power politics. Fortunately, a more rational view is now coming to be taken and international guarantee is required to ensure their freedom both in the economic and political sphere.

In the circumstances, the declaration that Britain is going to maintain her sole responsibility for the administration of her colonies cannot be regarded as satisfactory. Col. Stanley has recalled Mr. Churchill's statement that the policy of the British Government was to administer her colonies in close co-operation with the neighbouring and friendly nations. He said that His Majesty's Government had in mind the possibility of establishing commissions for certain regions. These commissions would comprise not only those States with colonial territories in the region, but also other States which have within the region major strategic or economic interests. These commissions could only be set up as the result of consultations and agreement with other countries, especially the British Dominions. The peoples of the concerned territories would be associated with the work of the regional commissions, more and more as they moved towards greater and greater degrees of self-government. How far the benevolent care of such regional commissions is going to be consistent with the sincere promises of full internal self-government remains to be seen. The prospect of the association of the Dominions in matters that had so long been of exclusive British interest will not cheer natives in many colonies. The manner in which South Africa has been treating the fellow immigrants from the same empire hardly qualifies her to sit in conference dealing with the destinies of colonial peoples. Possibly, Oliver Stanley's policy will satisfy the economic interests of the other Allied Powers by holding out to them the prospect of being permitted to share opportunities with the British in their colonies. Dominions may as well rejoice at the prospect of ruling over the British colonies in partnership with the mother country. But it comes as a cruel disillusionment for the natives in colonial lands who are now contributing their best to save democracy.

COMPULSORY WAR LOANS IN U.P.

The U.P. Government has in recent months exhibited its anti-inflationary zeal in a number of ways, and the "collective subscriptions" and the enhanced entertainment tax were the principal measures. A report today says that the U.P. Government has issued instructions that every zamindar should invest in defence loans an amount equal to at least half the total amount of land revenue he has to pay to Government. Subscription to the war loans implies the existence of a surplus and the high prices have certainly put the large landed zamindari class in possession of much money. But there is no reason why a Provincial Government should seek by isolated action to compel the investment of the funds in Government bonds. There seems no reason to fix 50 per cent. of the land revenue as the amount of compulsory investment, because the surplus saving is not proportional to income, but dependent on the total commitments of the income-earner. Such isolated provincial action will create an undesirable disparity in the fiscal treatment of the zamindars in the different provinces, not to mention the overriding consideration that combating inflation is essentially a function to be tackled on an all-India scale by the Central Government. Something might, perhaps, be said for tapping the higher reaches of agricultural incomes for loans, just as the excess profits have been subjected to compulsory depoist. But it is part of the larger problem of bringing agricultural income within the purview of the financial system and cannot be taken up now. Meanwhile, such provincial measures of a compulsory character seem ill-advised.

BAN ON LOANS AGAINST COMMODITIES

Under a new rule added to the Defence of India Rules, it is laid down that the Central Government may, if it thinks it necessary, prohibit or restrict either generally or in respect of any specified class of persons or any specified class of transactions, the making of advances of money on the security of such commodities as may be specified, and require the repayment of any such advances outstanding on the date of the order within a specified period. It is difficult to see how the Government can by this method secure the purposes they have in view, *viz.*, the efficient prosecution of war and the maintenance of essential supplies. For what are the implications of this order to the economic life of the community in general and to the banking system in particular? The primary object of the commercial banks is to provide the working capital to industry and trade, and to secure the frictionless working of the productive machine and the smooth flow of goods. They facilitate the movement of goods from the port to the inland and from the inland to the port, from the factory to the consuming centre and from the farm to the factory. The advances against commodities are the most important short-term form of investment for the banks, offering a high degree of liquidity together with some remuneration. No doubt, partly due to the self-financing of industry and the 'progress' payments and other methods adopted by Government, these loans and advances have declined somewhat in importance, but still they form the rationale of short-term deposit banking. Perhaps the only objectionable feature of these transactions at present is that some funds are advanced to anti-social and speculative building up of stocks and hoards; but there is certainly no evidence of its widespread prevalence, and it is impossible in practice to distinguish advances for genuine trade from those for speculation. Even then such a blanket ban, if imposed, will simply choke the channels of credit and stop considerably the flow of goods unless Government undertakes the impossible task of advancing money to thousands of traders. It is true that all such advances are not prohibited by the order, but only those to be specified by Government. What are the tests to guide Government in its choice of categories of transactions and persons to be brought within the ambit of the order, and where is the guarantee that in the absence of objective criteria it will not lead to the arbitrary exercise of power and bureaucratic oppression? Except when administered by persons of the highest integrity and freedom from partisanship, the order is bound to result in the victimization of certain persons for political and other reasons. The Government seems only to be very dimly aware of the implications of its own rules, and to rely on practical experience to arrive at the proper tests. But much mischief will have been done before the period of experimental learning and bungling through is over. The bunglings in food control prove these fears. If Government is sincere in achieving satisfactory results, it would have entered into an informal understanding with the banks rather than resort to legislation of the kind attempted.

BAN ON BULLION LOANS

The ban on bullion loans is still more difficult to understand. It is impossible to say in their case, as

NEWS PAGE

Sir Jehangir Coyajee, the well-known economist, died at his residence in Bombay on the 14th June, at the age of 67. Sir Jehangir was a member of the Indian Fiscal Commission in 1921-22, of the Royal Commission on Indian Currency and Finance in 1925-26 and the Indian Coal Committee in 1936-37. He was for three successive years an Indian delegate to the Assembly of the League of Nations. He was president of the Indian Economic Conference in 1923. His publications include *The Indian Fiscal Problem, Indian Currency and Exchange* and *The World Depression.*

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The Central Government have evolved a proposal to set up a Labour Supply Committee in the Jubbulpore area. It is understood that the Committee will co-ordinate the recruitment of unskilled labour for all Government undertakings in the area and will arrange a priority for the utilisation of any other recruited labour and the existing labour forces. The Committee will advise the local undertakings on measures necessary to secure unskilled labour force, including amenities and conditions of service, grain shops, housing and medical relief. Where necessary it will advise on the scales of pay and dearness allowance. The Committee will be under the chairmanship of the Chairman, National Service Labour Tribunal, Central Provinces and Berar.

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A new post-war currency plan designed to facilitate international trade was submitted to the Canadian House of Commons by the Finance Minister, Mr. James Lorimer Isley, on July 12. The plan calls for the creation of an International Exchange Fund with initial capital of 8,000 million dollars, approximately 1,777 million sterling, and potential capital of 12,000 million dollar, approximately 2,666 million sterling. There would be a new international currency equivalent in value to 137-1/7 grains of gold. The Canadian plan contemplates nearly all important post-war decisions on monetary policy being made by the majority vote of members of a "Clearing Union. Whereas the American plan puts crucial decisions to a four-fifth's vote, giving virtual power of veto to such big creditor countries as the United States and Great Britain.

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A Bill to amend and consolidate the law relating to Central Government securities will be introduced and circulated for opinion in the ensuing session of the Central Assembly. It seeks to provide that, while parties disputing the title to a security right out the case legally, the Reserve Bank will not be involved in the dispute or incur any liability. At present unnecessary trouble is caused to the Bank by courts issuing injunctions on it. In one case even a fradulent order was served on the Bank cancelling a previous injunction.

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A White Paper issued on July 14 by the British Government on their war pensions policy said that Government accept the view that if a man is accepted for service in war this is evidence that at that time he was fit for work demanded in his medical category and that if he is later discharged on medical grounds "any deterioration in his health must be due to his service." The financial changes announced are claimed to be the biggest advance any country has ever made in war pensions and will affect thousands of pensioners and dependants from the middle of August. The death and disablement rates will now be on the same level as those of the last war. Thus a cent. per cent. disabled private soldier will get 40 shillings weekly instead of 37s. 6d. and there are corresponding increases in the family and other allowances. A widow with four children now receiving 52s. 6d. will, on the same basis, get 71s. 8d.

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The fourth meeting of the Governing Body of the Council of Scientific and Industrial Research was held recently in New Delhi with Sir Mohammed Azizul Haque in the chair. The Governing Body explained details of schemes prepared by special committees for a National Physical Laboratory and a National Metallurgical Research Laboratory and set up a committee for the scrutiny of a scheme which has been drawn up for a National Chemical Laboratory. A special committee was also appointed to prepare a detailed scheme for a Central Glass and Silicate Research Institute. The Governing Body sanctioned a substantial contribution to the University of Bombay for organizing a Department of Dye-Stuff Technology.

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In an interview he gave at Karachi recently, Dr. Aykroyd, Director of the Nutrition Research Laboratories, Coonoor, and delegate to the United Nations Food Conference at Hot Springs, said that the recommendations of the Hot Springs Conference numbering about 30 dealt with a variety of subjects on such general lines as co-operative movements, land tenure, the conserving of land, agricultural credit, changes in production, short-term and long-term production policy, improvement of national diet, etc. Many of the subjects, though treated on global consideration, related to India's agricultural problems and their actual bearing has got to be considered by India herself so that they might fit in with her policy.

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The creation of a post-war reconstruction fund with an initial capital of Rs. 30,00,000, the provision of Rs. 10,00,000 to develop newly attached areas under the scheme of merger of smaller States announced by the Government of India and a further provision of Rs. 38,95 lakhs for expenditure in connection with the war are some outstanding items on the Baroda State budget estimates for 1943-44 which was placed before the State Assembly on July 19.

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According to the returns received in the Department of Commercial Intelligence and Statistics, India, the total gross Indian Sea and Land Customs revenue, excluding salt revenue, collected in British India during June, 1943, amounted to Rs. 3,48,00,000 as compared with Rs. 3,00,00,000 in May, 1943, and Rs. 2,53,00,000 in June, 1942.

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The Finance Secretary, Mr. Liakatullah, introducing the Excess Profits Tax Bill in the Hyderabad Legislative Council on July 19, said that it would apply only to trades and businesses, and even in these cases profits less than Rs. 24,000 annually would not be liable to the tax. The exemption limit would be further raised in the case of trades showing a pre-war annual profit of more than Rs. 24,000. Forty per cent. of the excess profits would be demanded towards the tax and another 20 per cent would be demanded to be held as deposit repayable at any time within three years of the end of war with simple interest at 2 per cent per annum.

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The Board of Directors of the Reserve Bank of India at their meeting held in Bombay on July 20, decided to recommend the appointment of Mr. C. D. Deshmukh as Governor, and Messrs. R. Trevor and Wajahat Hussain, I.C.S., as Deputy Governors of the Reserve Bank of India.

Special Article

A Minerals Policy for India

(Contributed)

THE development of Mineral Industry forms the foundation of all other industries in any country, for it provides not only the source of raw materials for many varieties of consumption goods, but also for capital goods, such as tools and machinery, which are essential for building up a well-balanced industrial economy in a country. The demand for minerals is progressively expanding in all countries, and experience of the present war indicates that this demand will continue to expand even after the war when the general desire in all parts of the world to increase the standard of living of the people will assert itself.

The distribution of world's resources of minerals in various countries cannot be taken as static. Although it is commonly believed that the sources of mineral deposits remaining to be found cannot be many and that the world's resources of these mineral deposits may be depleting at a progressively increasing rate, it is acknowledged by competent authorities that the scope of developing India's minerals is indeed considerable. On account of the accidents of the historical developments of the industries in various countries, mining at present is concentrated in those areas where large deposits are found. But, as these become exhausted and as the demand for minerals increases, it will be necessary to develop smaller and hitherto unexploited deposits.

The varieties of minerals, which are today exploited for commercial purposes, are large, but it cannot be said that a particular country is hundred per cent. self-sufficient in respect of all the varieties commonly used. Some countries have a surplus in some minerals, and are deficient in others. In fact, the degree of a country's self-sufficiency in minerals is determined not only by geological factors but also by economic factors. As the economic factors change, what is considered uneconomic today might become a commercial possibility tomorrow. This is amply shown by the fact that Europe has been made more self-supporting during war-time than was thought possible by economists who had based their calculations on the statistics of past production.

The question whether India is rich or poor in minerals is, it will be appreciated, academic and unrealistic. Some of India's minerals are important and are used in the world's industries. In fact, even when potential and unexplored sources are left out of consideration, India's share of world's mineral resources is considered to be about the average, although considering the size of the country, it may seem less than the average.

In respect of gold, magnesite and columbite, India has an excess of exportable surplus, while, in respect of barium, aluminium ore, graphite, gypsum, iron ore, talc and probably tungsten, India is not only self-sufficient but the resources can be further developed. India has a large excess of supplies in respect of manganese and chromite. India is also one of the important suppliers of titanium, monazite and mica.

The above summary would suffice to provide a rough appreciation of India's place in respect of various minerals. At least four of the above minerals mined in the country, *viz.*, mica, ilmenite, monazite and manganese ore, are of vital importance to the world's industries, and substantial amounts of these are being exported from India. It is unfortunate that minerals like mica, ilmenite and manganese are almost entirely exported as raw materials, although the country can easily develop an extensive micanite industry by utilizing mica splitting, develop titanium oxide industry by using ilmenite, and manufacture products like serium and enthoria from monazite. A large part of our manganese ore can be exported not in its raw form, but in the form of ferro-manganese. There are no great technical difficulties that cannot be readily overcome in this respect, provided only if India has a mineral development policy of her own. In fact, even in respect of established mining industries, such as iron ore and coal, further development should depend more on their industrial use in the country itself than on their export market in raw stages. Furthermore, the development and extension of mining in respect of many of the above-mentioned minerals is inter-linked and unless the country has an all-embracing plan to develop and utilize them in a co-ordinated manner, it is impossible to hope either for a development of one mineral or of all together.

India has been importing many materials from outside, and, as a result, her dependence on the outside sources has revealed the weakness as well as the unwisdom of not developing her own resources. If the experience of Europe, or of America and England, has any lesson for India, it is this. Necessity is the mother of invention. There are many mineral products imported into India which can be manufactured in this country from her own minerals available. For instance, the manufacture of natural abrasives, such as silican carbide and fused alumina, can be undertaken in the country, as adequate raw materials are available. Polishing materials, such as silica, garnets, corundum, lime, talc and magnesia, can certainly be produced in the country, not only for her own use, but even for export. India's resources of aluminium ore, bauxite, are large enough to make her an important producer of aluminium, as well as to expand aluminium industry, which has already shown good results. And once this is achieved, she could also supply by-products, such as titanium oxide and vanadium oxide. Similarly, the development of chromium industry, for the manufacture of bichromite and other salts, which are used in tanning, dyeing, paints, etc., can be easily undertaken in the country, provided there is a national policy.

The need for raw materials for glass manufacture has been keenly felt during the war and should lead to energetic research. The glass industry of the country is gradually expanding and is bound to expand still further in the future. It is also eminently desirable that efforts now should be directed towards increasing the output of better quality glasses, and, if it is done, India can certainly hope to establish an optical instrument industry independent of any imported parts.

Sources of gypsium in the country are now being utilized in the manufacture of cement and plasters. Gypsium might prove to be the most important source of sulphur and sulphuric acid, whose vital importance in the chemical industry cannot be exaggerated.

In the same way, as the cement industry of the country has made enormous progress during recent years, the use of lime for chemical purposes can be expanded, especially in view of the fact that the demand for such materials as bleaching powder, calcium carbide and cynamide, is bound to increase.

While magnesite industry has already established itself in the country, it is not generally realized that the high quality magnesite, available in Southern India, is ideal for smelting of metallic magnesium, when calcium carbide, manufactured in the country, is utilized in the process. Magnesia ore in India is of such high quality that there is a considerable scope for its wide application in domestic industry, such as the manufacture of dry batteries, the manufacture of ferro-manganese, production of manganese steel and other alloys.

In respect of mica, India's position is very important. At present, our mica industry is practically under foreign control. It is, indeed, unfortunate that India should export mica in its raw stage instead of using the same in the manufacture of various forms of micanites. India possesses adequate raw materials which can be of great value in the manufacture of paints, lacquer basis and other pigments. Attention may also be devoted to mineral waters available from numerous springs scattered throughout the length and breadth of the country. Investigation of some of these waters has revealed their valuable medicinal properties. The use of these springs, in supplying "Vichy Waters," could certainly be developed without great cost in the form of machinery and capital goods.

The above suggestions do not exhaust all the possibilities of development, but certainly illustrate the scope for the future expansion of the mineral industries of the country. Unless energetic steps are taken by the Government, these hopes will remain unrealized. Immediate exploitation of all these mineral resources may not be expected. But, it would be necessary to co-ordinate the development of each with that of the related industries, which again should be fitted in the plan of general industrial development of the country. In this connection, the problem of location of a particular industry using a particular mineral, and the availability of fuel such as coal or hydro-electrical power, shall have to be borne in mind.

Another aspect of the problem, which is peculiar to India, is that, apart from the organized mining industries, such as coal and iron, most of the other sources are exploited by small producers. These small producers have experienced difficulty, particularly in regard to finding a market for these minerals. Some form of co-operative marketing or the institution of a Mineral Exchange would undoubtedly be useful, for, in a country like India, the producers are either at the mercy of the consumers or have to depend upon exports, and the prices of many mineral raw materials are some times at an absurdly low figure.

Due to the competition from outside sources, which is bound to increase in the future, it should be the duty of the Government to provide protective measures such as tariffs and subsidies, in order to develop the mineral industries. Some of the excellent research studies of the Geological Survey of India still remain unused in the pigeon-holes of the Government Libraries. It is true, of course, that the Mining Industry, as a whole, is a riskier proposition than the other orgnized industries such as textiles, etc. It is also true, to a certain extent, that investment in the mining industries in India has been considered more speculative than in other countries. But, this is partly due to the general insecurity felt by investors in regard to the Government policy of industrial development. Difficulties of technique and the lack of experienced personnel to prospect the mineral areas are often exaggerated and can certainly be overcome with the help of the Government Departments concerned, like the Department of Geological Survey. The terms on which mining rights are given at present need a careful re-examination and a uniform practice should be evolved for the whole country,—clearly defining, even liberalizing, wherever necessary, the terms regarding royalties, lease, rents, etc.

Apart from the publication of the results of the research work conducted by the Geological Department of the Government of India, collection and publication of authentic statistics concerning all phases of mineral industries is essential, if the country's mineral supplies, production and utilization are to be extended on sound lines. From the commercial viewpoint, such information would help the prospective industrialists to anticipate immediate as well as future demand and thereby help them to calculate the financial requirements of a particular venture.

Last but not the least, there is a need for a mineral research institute in the country. While other industries such as agriculture, forestry, jute, etc., are provided with research institutes, it is unfortunate that the mineral industry, which constitutes the real foundation of industrial expansion, should have no such facilities at its disposal. Such an institute might also include a bureau of mineral information, which would serve as a source of information regarding minerals and allied subjects.

It may be premature, at this stage, to anticipate the future trend in mineral production or to discuss how far suggestions like a world mineral policy would be implemented in the various post-war plans that are put forward. But, it is certainly reasonable to expect the development of mineral resources within the national sphere of this country's own industrial progress. India has realized her weakness in respect of minerals, and even frantic efforts have been made at times to search deposits like sulphur, etc., owing to the closure of the foreign sources of supply, as also owing to the increased demand on account of war. If the experiences of war are to be of any use to the country, they should certainly lead the Government to an immediate realization of the vital importance of an active minerals policy for the country.

Post-War Planning Section

IV

Cottage Industries and the Plan

THE place which cottage industries should properly occupy in our economic structure, and especially the appropriate function of cottage and handicraft industries in a well-planned scheme of intensive industrialization, has been very much debated of late. We could, indeed, discern two distinct economic ideologies in India. The one, the Gandhian school, with their intensive distrust of the machine and industrialism, have sought to draw an idyllic picture of the pre-mechanical age and have made the spinning wheel their symbol. On the other hand, there is the modern school who see in intensive industrialization the only hope of uplifting the masses steeped in poverty and degradation, and of providing them the leisure and the material foundations of an adequate and satisfying cultural life.

Conflict of Economic Ideologies

It is not for us to criticize here the Gandhian school, which have been so much impressed by the social evils and the human cost of unplanned nineteenth century capitalism that they regard these evils as inseparable from industrialism. They, therefore, deny the validity of higher standard of living as an ideal and plead for a new set of values altogether. They envisage our future in terms of decentralized social and economic power, and more or less self-sufficient villages and regions based on simple needs catered by cottage industries.

But even the modern school, which clearly see that the achievements of scientific technique have been so overpowering that, even if we would, we could not isolate ourselves from the currents of the world and "economically become a hermit nation"—even this school are not clear in their mind what place the cottage industries should occupy progressively in our economic structure.

There are, on the one hand, the "technocrats" who are impatient with the spinning wheel and similar crude technological processes and would ask us immediately to scrap them wholesale and install in their place highly automatic machines, embodying the latest technological triumph. The other group of "sober economists" are impressed by the special circumstances of India—the problems of our social inertia, of the re-absorption of labour displaced by the newly-installed machines and of the existence of a large volume of unemployed and underemployed labour, quite apart from the rapid growth of population. Of course, there is a well-defined sphere in which small-scale industries are necessarily appropriate, *e.g.*, repairing and servicing industry, manufacture of artistic wares, etc. But even in the rest of the economy, they feel, rather instinctively, that cottage industries *should* have a place. They apprehend vast technological unemployment on account of the use of machine production and that this displaced labour could not be quickly re-absorbed in other fields; cottage industries are, therefore, envisaged as a sort of dumping ground for this volume of displaced labour.

The difference between the view-points of the "technocrats" and the "sober economists" is, in reality, due to an inadequate grasp of the technical problems in the field of capital, involved in any planned economy and in their failure to see the matter in its true dynamic perspective. As has already been pointed out in the first article in this Series, the problem is briefly that of determining the scheme of technological time-perference in a directed economy, *i.e.*, the optimum manner of distribution of capital-intensiveness throughout the economy and overtime in the Plan itself. The entire problem can, of course, be discussed on the formal and technical plane; but here we shall be concerned only with general considerations and the way in which the Planning Commission can tackle the problem in a rough and ready manner. Throughout we shall ignore the additional problems created by the rate of depreciation of machine and obsolescence of technological process and also by the peculiar but rare case of capital-saving technical inventions.

Problem of Technological Time - Preference

It is clear that in a country like India where capital is much the scarcer factor of production than labour, the optimum adaptation of scarce means to unlimited ends, would be achieved only when we use capital-economizing and labour-intensive methods of production; in other words, we shall have to use less capitalistic methods of production or cruder technological methods. During the first Five-Year Plan we shall be woefully short of capital and we shall have to economize capital to the best of our ability. But as the Plan proceeds under way, an increasingly larger fund of capital would become available and the Planning Commission would be enabled to contemplate increasingly more "capitalistic" (or "round-about") methods of production.

Given the volume of capital available and the available supply of labour, there is an optimum "round-aboutness" of method of production or, as we may call, an optimum "technological time-preference." In the capitalistic society, this optimum technological time-preference is brought about through the mechanism of factor-price formation. If labour is more abundant relatively to capital, the rate of wages will be lower relatively to the rate of interest; it will, therefore, be more profitable to use cruder technological methods which use more labour relatively to capital.

In an individualistic economic system, the rate of interest is the regulator of capital structure. In the idealized individualism of the Austrian school, the rate of interest is determined by the interaction in the market of millions of individual time-preferences. In the real system of capitalism, however, individual

time-preferences are overshadowed by the strategic reserve policy of company directors, the action of banks and insurance companies and similar other rigidities in the capital market. Similarly also there may be rigidities in the labour market. On account of these rigidities, in any capitalistic society, too advanced technologcal methods may come to be used, with the result that we sometimes see the unclassical phenomenon of "technological unemployment."

But apart from these rigidities in the labour and capital markets, we may say that in a capitalistic system, there is a mechanism through which it is ensured that the system uses the optimum round-aboutness of the method of production, *i.e.*, uses neither too crude technology (like the spinning wheel) nor more advanced technology than is appropriate for it at the existent level of economic progress. Of course, at any moment, all firms and all industries do not use the same degree of round-aboutness; the intra-marginal firms use more advanced methods, while other firms use cruder technology and are on the intensive margin of production. But corresponding to the "representative" firm, there is a "representative" round-aboutness or capital-intensivity. As the country makes economic progress, its "representative" capital-intensivity increases--marginal firms using cruder technology one by one go out of production and intra-marginal firms use more and more advanced technological methods.

The Problem in a Planned Economy

But in a planned economy, there is no mechanism which automatically determines the representative "technological time-preference" which is proper at any stage of economic progress and this poses a fundamental problem for the Planning Commission. We know, of course, in a general way that the cottage industries as well as the modern industries must use progressively more and more advanced technological methods. It will not do to think of a spinning wheel at a pre-determined technological level; the spinning wheel must be increasingly mechanized and made more and more automatic. In the cottage industries and handicraft industries using cruder technology, the Ratio is lower, output is greater relatively to amount of capital used, and we have economy of capital. But output per man-hour and, therefore, standard of living is also lower. The standard of living can be increased in the main only by progressive capital-intensification. All this we know in a general way. But the real question is: What considerations and factors should weigh with the Planning Commission in *determining* precisely the scheme of technological time-preference in the Plan?

In determining the optimum scheme of "technological time-preference", the problem before the Planning Commission is three-fold: *firstly*, it must determine the appropriate representative "technological time-preference" which will ensure maximum economy of capital and maximum production; *secondly*, it must determine the optimum rate of caiptal-intensification; and *thirdly*, it must ensure an even distribution of capital-intensivity throughout the economy, so that we may not see the phenomenon of a modern textile mill using costly, highly automatic, machine embodying the latest technological triumph, while simultaneously the spinners and handloom weavers use very crude technological methods.

An Illustration

In order to give concreteness to our mental picture, let us take an example. At present in India, textile fabrics are manufactured, broadly speaking, by four different methods of production involving an ascending degree of round-aboutness or technological time-preference. Firstly, there is the ordinary handloom cottage industry, using crude methods, low capital-intensivity (*i.e.*, capital investment per head of worker), low output per head, low Ratio and using a large number of workers. Secondly, there is the improved handloom, or automatic handloom with higher capital intensivity, *e.g.*, the Salvation Army loom, Chittaranjan loom and the Hattersley loom. In the Hattersley loom, almost all the motions are automatic and capital-intensivity is also rather high. Thirdly, there is the small scale industry --single-unit power-looms worked in cottages and small-loom factories. Fourthly, there is the modern textile mill. Relevant details are roughly as follows:-

Method of Production.	Capital-intensivity (or capital investment per head of worker).	Output (net value added) per head.	Ratio.	Amount of labour employed per unit of capital.
	Rs.	Rs.		
1. Modern mill (large scale industry ..	1,200	650	1.9	1
2. Power-loom (small scale industry) ..	300	200	1.5	3
3. Automatic loom (cottage industry)	90	80	1.1	15
4. Handloom (cottage industry) ..	35	45	0.8	25

Now, suppose the Planning Authority has allotted to it a certain volume of labour and a certain amount of capital for investment in the textile industry. What "technological time-preference" or "capital-intensivity" will the Authority choose? In other words, what place will the Authority give to the cottage industry, what to the small-scale industry and what to the large-scale industry? If the Planning Authority invests the whole of the capital sum in the handloom industry, a simple calculation will show that aggregate output will be highest relatively to the amount of capital invested; but it would require 25 times more labour than if the whole of the investment was in the large-scale industry; and so there might be shortage of manpower. If the Planning Authority uses too crude technology, there would be shortage of manpower; on the other hand, if it uses too advanced technology, there would be surplus of manpower. *The optimum "round-aboutness" or "technological time-preference" would be such that there is neither surplus nor shortage of manpower.* Only with this round-aboutness, could we achieve maximum economy of capital, and maximum production.

In this way, the Planning Authority will determine the representative "technological time-preference" appropriate at any particular stage of the Plan. This will automatically determine the place of cottage industry, small-scale industry and large-scale industry in the Plan at that particular stage.

Secondly, the Planning Authority will have to determine the optimum rate of capital-intensification. This will be determined by the tempo of industrialzation which we envisage and will be a matter of social policy. The State will determine if we should slacken the pace during the initial years in order to minimize sufferings. The State will exercise tme-preference on behalf of the people and determine how much should be invested in the heavy capital goods industries and how much in the light consumers' goods industries.

Method of Control

Thirdly, the Planning Authority will have to ensure that the variations from the representative capital-intensivity in the various parts of the economy are kept as small as possible. Let us assume that the total stock of capital in our country is Rs 3,000 crores and working population is 20 crores. Therefore, average capital-intensivity at present is about Rs. 150 per head of working population. Assume that the Authority decides to double the national income in every five years and that this requires the increase of capital-intensivity at the rate of 150 per cent. approximately every five years. The scheme of technological time-preference will, then, be as under.

	Representative capital-intensivity (or capital per head of working population.)
	Rs.
1. Base Year ..	150
2. First Five-Year Plan ..	375
3. Second Five-Year Plan..	900
4. Third Five-Year Plan ..	2,300
5. Fourth Five-Year Plan..	5,500

Having determined that the representative capital-intensivity should be Rs. 375 per head during the first Five-Year Plan, the Planning Authority will have to ensure that the different firms and industries deviate as little as possible from the "control figures" so fixed; for only thus can we achieve maximum economy of capital. Of course, there will be many technical hurdles to overcome. For example, we may find that in the steel or cement industry there are unusually great advantages of large-scale production, which requires a capital intensivity of Rs. 750 or Rs. 1,200 per head. Or, in a certain industry, our engineers may be able to produce only two kinds of machines—with capital-intensivity of Rs. 100 and Rs. 750 respectively and they cannot produce any machine with a suitable intermediate degree of round-aboutness. In such cases, we may use the machine with the higher capital-intensivity, and take recourse to double or triple shift of labour as need may be and thus bring down the effective capital-intensivity nearer the representative "control figure."

Conclusions

This problem of technological time-preference is no academic issue, but one of the most fundamental problems facing the Planning Commission. In Russia, the Bolshevists and the technocrats who had no intellectual grasp of the theory of capital structure, in their break-neck enthusiasm started the insane craze of building the "biggest" and the "most up-to-date" factories. Some of the undertakings were so colossal that they were not finished till eight or ten years later. Thus a huge amount of capital was locked up and, for all pracical purposes, lost during these eight or ten years. This meant an enormous avoidable suffering for the masses. If the Russians had used less roundabout methods of production during the initial years and built smaller factories, these factories could come into production within 1 or 1½ years and thus substantially relieve the sufferings and privations of the masses. If the Bolshevists had known a little more about the pure theory of capital structure, the Russian national income, and, therefore, Russia's economic and military power would probably have been twice what it actually was on the eve of the German attack on Russia; and in that case, the Red Army might have reached Berlin long ago and the course of world history might have been vastly different.

Like the Russians, we have also our own "technocrats" to contend with. For example, Prof. K. T. Shah writes that (except in artistic wares industries, etc., where small-scale production is appropriate), "agriculture, and all manufacturing industries, utilities, services or amenities should be organized and worked on as large a scale as possible, as part of the planned national economy. The latest and the most efficient machinery, the most scientific techniqut, the best skilled labour, and rationalized operation, must be the universal rule in all such enterprise."* Here is the dulcet voice of the technocrat unabashed! Let us beware of him and bend ourselves for an intellectual grasp of the fundamental problem of technological time-preference and the place which cottage industries, small-scale industries and large-scale industries should occupy progressively in a scientific economic plan.

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* *Principles of Planning*, page 68.

FROM THE PROVINCIAL ANGLE

Madras Letter

ADVISER REVIEWS FOOD POSITION—AGRICULTURISTS' DIFFICULTIES—INTENSIVE DRIVE AGAINST INFLATION—

(From Our Correspondent)

MADRAS, July 17.

"FREE trade in foodgrains is dead and buried." Sir Hugh Hood, Adviser to H.E. the Governor of Madras who returned to the city this week, after attending the All-India Food Conference at Delhi, thus explained the position relating to Madras at a Press Conference. The statement made by the Adviser is the first detailed authorized version of the food situation and hence its importance. Sir Hugh Hood stated that the rice situation in the Presidency was not all rosy. Last year there were not the usual imports of 350,000 tons from Burma but export up to last May of about 300,000 tons to neighbouring states and Ceylon had made serious inroads into the stocks of the province. On the top of it came the failure of the north-east monsoon resulting in a diminution in the total yield by about another 300,000 tons. With stocks thus greatly reduced and with no prospect of any augmentation from outside, the province must carry on till the next big harvest. There was, however, only one obligation and that was to the Army to the extent of 3,500 tons of rice per month. Sir Hugh said that the Government never attempted to build up any big reserves. For the first time, there has now been an admission that the Government had considerable difficulties in buying even for the current requirements, to which I made references in my previous letters, and that 15 per cent. of the requirements were commandeered. This was not much but the Government desired to proceed in this matter cautiously and slowly. Sir Hugh hoped that the Government would not be forced to commandeering on a large scale and warned the holders that the Government meant business. The Adviser, however, did not go into the main grievance of the producers but dismissed the claim of the ryots for a higher price as unreasonable. Regarding the millets position, it was stated that the province was short by about 700,000 tons and efforts were being made to get this from the other provinces as quickly as possible, as the shortage of millets was leading to a pressure on rice. The Adviser was not outspoken with regard to rationing for obvious reasons but I am informed by a high official charged with the task of civil supplies to the city that rationing will be in force at the most between a fortnight and a month from now. Sir Hugh Hood pointed out certain defects in the distribution system and said that even the fair price shops did not work well. The subordinates entrusted with the task of distribution were not above board as whole bags marked for retail sales went underground. Sir Hugh said that the next three months were a very difficult period and they were endeavouring their best to prevent the position from becoming more awkward than it was now.

Agriculturists' Difficulties

In the meantime, the lot of the agriculturist far from improving is showing signs of deterioration. Despite the grow more food campaign, much remains to be done to better his position. Among the many handicaps he is suffering under, difficulty has been felt in obtaining steel and timber needed for agricultural operations. It has been urged on behalf of the ryots that these should be sold at every *firka* headquarters at controlled rates. In *manavari* tracts, where irrigation has been developed in recent years by oil engines, the difficulty of obtaining fuel oil at moderate rates has been seriously felt. The Government has been requested to reconsider their decision in regard to the withdrawal of the land revenue concessions already announced. There has also been a phenomenal rise in the price of cattle in recent months causing greater hardship to the agriculturists and agricultural operations. It would be profitable if the Government can go into these questions and give the much-needed relief to the agriculturists, thus enabling them to grow more food in these days of scarcity. As was pointed out by a prominent local journalist of the city at a public meeting the Government can liberally subsidise food production in wartime as enlightened countries like England and America are doing. "An expenditure of say Rs. 5 crores on the production of vegetables, milk, oil and other food products, in which this country was always seriously deficit, would be a more wise and fruitful investment."

Need for Control of Rents

Tenants living in Madras City have been faced with a crisis due to rising rents for houses, and the economy of the small and average families is threatened. It may be remembered that when in April last year, the city was threatened by an enemy invasion and the Government advised the non-essential people to leave the city, there began a large-scale evacuation never known before. Several Government offices and private firms and banks were also shifted to upcountry centres. At that time, the rents for dwelling houses in the city were reduced by a maximum of fifty per cent. With the return of normal conditions this year, rents have been on the upgrade and has now reached the pre-evacuation level. But with the return of certain Government offices to the city during last month the position has worsened. There has also been an increase in the number of service personnel. It is now estimated that at least there would be an extra population of a lakh of people. Commensurate with the increase in the population, no new constructions have been possible and even additions have become impossible, due to the non-availability of building materials and even if available, the cost is prohibitive. Thus in the race for dwelling apartments, landlords not content with the pre-evacuation rents have raised the rents by 10 to 15 per cent. over those levels in certain areas which are away from the foreshore. This has been brought to the notice of the local Government who are now considering whether it is not yet time to control the rents in the city. Already such controls exist in the hill stations and in Bangalore and it will be quite easy for the Government to take some such action with regard to the city.

Drive Against Inflation

The decision of the Government of India to take power under the Defence of India Rules to ban the advance of money on commodities including bullion, probably in their drive against inflation, is viewed with concern in local banking circles. A conference of leading bankers and banking institutions is being convened in the city to discuss this and other allied matters. In the meanwhile, the deflation fever has caught the Madras Government too. According to a Press *communiqué* issued today, the Government have decided to launch an intensive drive to get as much as possible of the surplus money now in circulation in both urban and rural areas invested in defence loans and defence savings certificates etc., to help to meet the cost of the war and to keep down prices. In order to assist the members of the public who are prepared to buy the bonds or the certificates but find the procedure troublesome, canvassers specially authorized by the Collectors of each district will establish contact with the public. The Government hope that it will be possible by means of this drive to withdraw from circulation Rs. 10 crores of excess purchasing power in this province by the end of December, 1943 and make an appreciable contribution to the success of the Central Government's plans for stopping the rise in prices.

Extension of Mulberry Cultivation

The Government have decided on a scheme of encouraging the extension of mulberry cultivation for the production of pure Mysore seed cocoons and for the maintenance of a farm in Hosur in the Salem district, for the production of white seed cocoons. They have sanctioned for the purpose a grant of Rs. 60,000 for acquisition under the Defence of India Rules of a compact block of 80 acres of wet and 20 acres of dry lands for the proposed seed farm, a grant to the ryots of loahs under the Agricultural Loans Act up to a total of Rs. 10,000 and the remission of the entire assessment for a period of three years on the area newly brought under mulberry cultivation for the production of pure Mysore seed cocoons.

Piecegoods and Yarn Trade

The piecegoods and yarn trade is passing through a crisis in Madras. Lingering doubts have been set at rest by a news item issued by the *Associated Press* that the Government of India have declined to extend the period (*viz.*, August 31, 1943) during which stocks of cotton piecegoods must be cleared. This would of course apply to full bales only. The piecegoods market is all one way and sellers predominate. Some of the big holders are reported to be holding out but they will be sooner or later forced to dispose of their stocks. It is stated by some prominent merchants that stocks in Madras would be enough for at least two years' requirements. Prices have been declining hourly during the past ten days or so and the fall has been by about forty per cent. from the peak levels. And fresh difficulties have now arisen. There has been fairly large arrivals from Bombay during the past few days and the city is threatened with a very large consignment, amounting to a train load, of textile goods in the near future. Added to this, it is stated that banks have given notice to the merchants to take delivery of the goods in their possession by squaring up the accounts before the end of August, 1943. Thus, the market may be flooded with textile goods which will push down the prices to very low levels and according to some, even to pre-war levels. Another factor, which is likely to accentuate the depression in the market, is standard cloth which is expected to come on the market in a few days. During the period under report, wholesale business has been poor but retailers have been plying a brisk trade. Retail prices have declined by about 10 to 15 per cent. only but the heavy reduction in the wholesale prices is bound to be reflected here in a week or two. It is understood that the Textile Commissioner has asked the various Chambers of Commerce to send him the pre-war, peak and current prices in their areas of certain lines of piecegoods and also some special varieties sold in those areas.

Regarding yarn trade, Madras Presidency is suffering under certain particular and peculiar handicaps. According to the rules now in force, a permit is necessary to export yarn from the Presidency. Stocks have been accumulating with the mills and the dealers, due to the uncertainties prevailing in the past month or two, and it may be difficult to clear the stocks in bales by August 31, 1943. The Southern India Millowners' Association has sent a telegram to the Department of Industries and Civil Supplies, Government of India stating that the action of the Provincial Government in not issuing permits for booking yarn manufactured against contracts was making it difficult for the mills to comply with the recent Ordinance of the Central Government to clear stocks before the stipulated time, that the action of the Madras Government was in direct conflict with the Ordinance and therefore the existing anomaly should be removed by speedy action. The Madras Yarn Merchants' Association has also sent a similar telegram. Now that the yarn trade has taken an all-India character, it is high time that these anomalies are removed. While the millowners feel the above difficulty, the dealers are complaining that their earlier contracts for delivery till August booked at higher prices would land them in serious financial loss and therefore they plead that the contract rates should be scaled down. As in the case of piecegoods, banking facilities are threatened to be curtailed. In the meantime, prices have been declining further and the following are the closing prices this week, the figures in brackets representing the peak prices: 20's 10 lbs. Rs. 17 ((Rs. 30-8), 40's 10 lbs. Rs. 20-12 (Rs. 48-12), 60's 5 lbs. Rs. 23 (Rs. 42) and 80's 5 lbs. Rs. 35 (Rs. 60). With the fall in the prices of mill piecegoods and the expected arrival of standard cloth, handloom goods have receded to the background and there has been practically no demand from the weavers, weaving cloth for internal consumption. Prices are therefore expected to go down further and it is only in this hope that big exporters of handloom goods to foreign countries are still keeping away from the market and are content with making purchases on a small-scale. In the result, the market may collapse if this state of affairs should continue and the Government instead of fixing ceiling prices may be forced to fix flooring prices. The future outlook is very gloomy and no one knows as to what the morrow will bring.

Bombay Letter

THE NEW DEFENCE OF INDIA RULE—PROHIBITION OF ADVANCES ON COMMODITIES—MARKET REACTIONS—FUTURE OF CO-OPERATION

(From Our Correspondent)

BOMBAY, July 17.

THE city markets are in a subdued, or shall we say, subjugated mood; the big stick of the Government is having its effect surely and severely. On Monday, a Press Note was published by the Government of India which tried to explain the Ordinance regarding Control of Capital Issues. The note is platitudinous in character and what matters is the exact operation of this Ordinance rather than a paper statement of the theoretical principle involved. This is followed by the promulgation of a new rule today under the Defence of India Act

which empowers the Central Government, whenever it thinks necessary to do so, to prohibit or restrict either generally or in respect of any specified class of persons, or any specified transactions, the making of advances of money on the security of such commodities including bullion as may be specified. Also it empowers the Central Government to require the repayment of any such advances outstanding on the date of the order within a specified period. This rule aims at the very foundation of the economic life of the country's credit structure. It is true that speculative purchases are financed by banks and private moneylenders, in the same way as the industrial products of India are being helped to be marketed by the country's banking system. To deny advances for raw materials and produce as is contemplated by the new rule, would have very serious repercussions on the whole economic structure. The anti-inflation enthusiasts imply that all those who trade with borrowed capital are hoarders and speculators and should be mercilessly attacked. If the banking system and credit structure have to be presented in such a distorted manner to justify such a drastic Ordinance, it is indeed a poor justification. Any precipitous attack made on the credit structure by a forced requirement of the repayment of loans would result in a severe financial crisis and one wonders whether the anti-inflationists visualize the full consequences of such an act.

Future of Co-operation

During the week the Bombay Provincial Co-operative Institute celebrated its Silver Jubilee over which Sir Janardan Madan presided. The President made a call to the co-operative workers that in co-operation lay the salvation of rural India. Mr. R. G. Saraiya, O.B.E., Chairman of the Bombay Provincial Co-operative Bank, drew attention to the views expressed at the Conference of Science and World Order which was arranged by the British Association for the advancement of Science in September, 1941 in London. That conference at which some of the leading scientists of the world met, opined that the co-operative movement was bound to play a leading part in the post-war world, whether in Europe or in India. Secondly, in order that the best fruits of co-operation may be realized, the farmer should be educated to a sense of collective responsibility and of citizenship. Mr. Saraiya told the workers that theirs was the responsibility to educate the farmers in collective responsibility and of public duty. He went on to point out that there were over two million men in active service and many more in the auxiliary and other technical services. Most of these will return to villages after being disbanded when the war is over and he said they provided the ideal human material for co-operative work, as the energies of the trained personnel returning from the war can be canalised and directed to the promotion of the countryside.

Post-war Indo-British Trade

Rarely do we in India agree with Mr. Amery on Indo-British matters, but an exception is provided in his speech to the Institute of Export on July 15, when he brought a bold and statesmanlike outlook to bear on post-war trade relationship. Its importance lies in the fact that it discards the imperialist notions of trade relationship and is a radical departure from the die-hard views. Mr. Amery did not mince matters. He asked British traders in their own interest to accept it as a fact that more and more other countries, both foreign and within the British Empire, will follow the policy of domestic expansion by producing for themselves many types of articles which they previously imported. This, he said, was no danger to the British export trade and he called for the adaptation of the export trade to the changing needs and situations. He asserted that India has in her all the latent resources of raw materials, of power and human skill to make her a great industrial country. He added that the development of India's own industries to the fullest extent both for their own sake and in order to raise the standard of living of her agricultural masses was the natural and proper ambition of all patriotic Indians. The fulfilment of this expectation would no doubt involve a very considerable diversion in the character of India's import trade, of which Britain should not be afraid, although it might affect old established lines. On the contrary, he called for Britain's co-operation in industrialization of India and profiting by it. He foresaw in the immediate post-war period great opportunities in the provision for capital goods that India will most urgently need for industrial requirement and expansion and later on in the provision of more specialized types of consumers' goods that the growth of India's prosperity may call for.

Stock Exchange and Money Market

The unmistakable trend in the money market is "back to gilt-edge." This is a complete reversal of the trend current during the inflation fever of the January|April period. Most people, on reading Prof. Vakil's "Falling Rupee" and overwhelmed by the mounting weekly figures of currency expansion sold all Government paper and bought anything tangible or equities. The fever promised a sort of runaway conditions in India with the precipitous rise in bullion and on the Stock Exchange and in certain commodities. Since then, the Government have used the big stick of Ordinances to counteract the inflation fever. People from sheer fear of Government interference in other markets are now buying the gilt-edge. In this connection, conditions in this market differ from those of London. A London cable this week says that industrials were the main feature of a generally cheerful stock market meeting good demand on post-war prospects. Among the industrials that were in demand were stores, motors, electricals, building shares and a number of miscellaneous issues. *Reuter's* industrial index recorded the largest upwards in six months. Conditions in the money market continue to be extremely easy and the gilt-edge securities continue to present a cheerful appearance. The volume of transactions is reported to be quite substantial.

Bullion Market

The Bombay bullion market displayed a sagging tendency throughout the week on the encouraging war news of the landing in Sicily. Rumours that banks will be called upon to restrict advances against bullion also restrained the activities of operators. Further there were continued sales of silver from the upcountry. It is reported that some of the Native States also disgorged a part of their gold holdings and the closing values yesterday were Rs. 115-12 for ready silver and Rs. 76 for ready gold. Since then, the Ordinance published today empowering the Central Government to prevent loans being granted against certain commodities including bullion, led to a complete break in the market and at the time of writing, ready silver is quoted at Rs. 109 and ready gold at Rs. 71.

Bengal Letter

GOVT.'S FOOD POLICY—MODIFICATION WARRANTED—MINISTRY'S PLANS FOR PRICE CONTROL

(From Our Correspondent)

CALCUTTA, July 18.

SO FAR as the average observer here can see the Delhi Food Conference has made no difference to the Bengal Ministry's plans. The food debate in the Assembly, spread over three days, produced the impression that the Central Government's good intentions have not been completely translated into practice, and Bengal is more dependent on Punjab wheat than on rice from Orissa or Assam whose surpluses have to be negotiated for separately. There is, however, the realization that free trade has not produced the results expected in May, and modification of policy is warranted by the ascent of prices in provinces other than Bengal. The food debate made it clear that big employers have not gathered large stocks to the disadvantage of the general public. Mr. I. G. Kennedy revealed that the firms grouped in the Bengal Chamber's scheme have got only 4½ weeks' supplies at hand on the basis of stocks held on June 30. The order against exports from the city and the industrial areas should be welcome. To defeat the former allegations of forestalling and engrossing, the members of the European Group came out as critics of the decision to exclude Calcutta and Howrah from the anti-hoarding drive. The Minister has effected radical changes by asking for an inventory and declaration; and the Regional Commissioner's prompt ban on removal implies that stocks in the two cities are like other stocks in the province, liable to use for the general benefit.

Relief Measures

Certain districts in the province may be treated as famine-stricken areas. Control of all the rice mills has been recommended by the European Group which believes that hoarding should be eliminated before other proposals can be given effect to. As for the future, much depends on the harvest and more on the plans to increase the *rabi* crops. A manure week is to be conducted with the help of the jute regulation staff. Agriculturists are to be given lectures and demonstrations for the purpose. The Ministry's defence was that there has been energetic action if accurate statistics are lacking. The British Indian Association's honorary secretary, reviewing the recent controversy, concludes that shortage should force Bengal to look for outside supplies. Dr. Radhakamal Mukerjee puts the deficit in the current year at 3 million tons, Mr. D. N. Sen, M.L.A., at 2.53 million tons, and Major-General Wood at .55 million tons (to be made good by the Government of India). Anyway, production and stocks fall short of the estimated consumption of 9 million tons. There is no means of determining the supplies apart from the crop forecast issued many months ago. Mr. Suhrawardy has confirmed the statements as to shortage, and explained that Government is undertaking responsibility for the situation. The limits of central assistance were indicated after the refusal to extend the free trade zone. Free trade is to survive the conference's decision mainly because contracts made have to be carried out. The arrival of a ship with grain must make a difference in regard to wheat because the Minister declared that only 15,000 tons out of the 2,24,000 tons promised by the Central Government had reached Bengal.

Control of Prices

The most significant and most welcome part of Mr. Suhrawardy's speech was an offer to fix maximum prices for the whole region. Other Governments have agreed and the price is to be progressively lowered. The apprehension that the price of rice will rise (it is not Rs. 28 per maund as was proclaimed during the debate) is not supported by the Minister's statement. Prices might, however, influence supplies but the employers who agree to bear the loss are likely to call a halt. The jute mill workers have manifested some uneasiness, their wages having suffered owing to the stoppage of work and have asked for a review of the scheme of rations and controlled supplies. The exact position of the Government Agent has been made known. It has been stated that the Bengal Government is a debtor of the firm in question which is precluded from dealing on its own account but the range of operations was unlimited. Purchases outside the eastern zone could be certainly made, but the Government of Bengal has to be notified.

Non-official Relief Measures

The major plan for relief is that of Birla Bros., whose offer to Government has been made known. South Calcutta is to get, for 4 months only, the supply of rice at Rs. 16 per maund. The difference between the market price and the proposed price is to be borne by Birla Bros., because they are anxious to help middle-class families who cannot buy at market prices or take advantage of controlled supplies. The Government of Bengal has been asked to give certain facilities. Volunteers will be enrolled to look after the actual distribution meant to help 20,000 persons. There will be coupons, etc., for this selective, private rationing scheme worked through selected shops or distributing centres. The minimum provided at a time will not be less than 5 seers and supplies at 10 seers per head for 5,000 families (with four members each) for 4 months assume that 20,000 maunds only need be got and execution should not interfere with the official plans to set up shops and distribute the supplies procured by Government.

The Jute Forecast

The preliminary jute forecast revealing only a slight fall in the area has conspired with the crop reports available to the trade to produce a slump in jute. Dealings in new crop below the agreed maxima of June have been reported. The fall appears ominous to friends of the jutegrower who are again criticizing the acreage decision; and some drew attention to the conditions laid down in connection with the fulfilment of the U.S. order for 70 crores yards of hessian. That the area under rice has not increased and that under jute is only slightly less than in 1942 will be deplored by those who argue that jute prices must be in parity with food prices. The high prices of April-May do not excite alarm as the U.S.A. has turned again to Indian jute. The I.J.M.A. has acquired a strategic position as the U.K. will not pay more than the Indian mills; and the state of export demand will not affect at any time local prices. The presumed increase in jute consumption in the mills will not touch the price level but the promise of stability is lacking. The anti-inflationary sentiment affects local jute prices so that the demand for a minimum of Rs. 20 per maund appears remote from reality. Arguments overflowed into the Press, and a communique as regards jute prices has been issued that prices fixed on June 14 are those

fixed by the I.J.M.A. not by Government and the Government did not countenance the schedule of Rs. 19 for gat tops, Rs. 17 for middles and Rs. 14 for bottoms. The mills were asked to give hessian (11 porters at Rs. 26) at a certain price and they naturally adjusted their prices for raw jute. Government's disclaimer is meant to remove prejudice as to the alliance between the Muslim League and the European Group. It cannot influence the course of prices. Hessian has been easier this week and prices are working towards the unofficial maxima mentioned last month (Rs. 26 for 11 porters and 19 for 9 porters) though the shipping position must be better and the supply position must be damaged by the shortage of coal in Calcutta. The jute mills' consumption might fall. Demand for jute cannot be as large as expected, and lower jute prices certainly entail a a decline in hessian.

Share Market

The stock exchange, however, registers appropriate pessimism in regard to jute shares. An increase in dividend has not raised National and the repayment of debentures has not helped Presidency. Big shares like Anglo-India and Belvedere have shed 10 points in a week, and buying support is hardly large, though the yields offering on Howrah and Hooghly (to take two very sound shares) are over 5½ per cent., and interest rates today are so low that a constant, assured return of 5-1|2 per cent. puts jute shares well above Reserve Bank shares in respect of investment status. The drop in Iron and Steel shares is generally attributed to the Tisco report and the sustained fall in jute shares. An exception has been latterly provided by Saran Engineering in view of the increase in the dividend from 6 annas to 8 annas per share (Rs. 2 paid-up) for the year ended March 1943. The general position in the sugar industry must operate to the advantage of his concern, managed by the Cawnpore firm, Begg Sutherland and Co. The report issued in June pointed to a very sound position and the outlook for minor engineering concerns is known to be good. The rating of Textile Machinery Corporation's ordinary shares (Rs. 17 per 10-rupee shares) on which the dividend for year ended December 1942 was 5 per cent. suggests that much but many will argue that the latter concern is near Calcutta and its earning position cannot be measured by the 5 per cent. distribution because of the debit balance of 1941. Market interest in the 5½ per cent. Preferences quoted for the present at 118 is independent of the arrears of dividend, while the complete reserve of sellers in the case of ordinary shares indicates that they are not mindful of post-war prospects for a company producing appliances, tools and equipment for industries.

U.P. Letter

POLITICAL DEADLOCK AND THE CONGRESS—THE WAR SAVINGS DRIVE—RATIONING IN URBAN AREAS

(From Our Correspondent)

CAWNPORE, July 17.

RAJA OF KOTRA appears apparently to have failed in his efforts to bring about a Coalition Ministry in the United Provinces. It is significant that at a recent Hindu Mahasabha meeting at Cawnpore, where he was present, a resolution was passed strongly opposing the formation of a Coalition Ministry in the province when most of the leaders are behind the prison bars. It is also surmised that feeling that in the ultimate measurement of strength any Coalition Ministry may crumble down and visualizing the constitutional and political complications that might ensue if the Governor of the province decided to keep the Coalition Ministry going as long as such a Ministry suited his administrative ideals, any proposal for the formation of a Coalition Ministry is not countenanced with any encouragement. In the meanwhile, Mr. G. N. Srivastava, a provincial Congress M.L.A., has been forced to come out with an apologetic statement that when he and his associates sponsored the proposal to suspend the Congress resolution of August 8, they did not mean going against Gandhiji or the Congress High Command, and that it was not their intention to bring about a rift in the U.P. Congress circles. Meetings of Congressmen were held in two or three towns and particularly in Cawnpore sometime last week strongly opposing the move of Mr. Gopi Nath Srivastava and others. The opposition appeared to be in majority. They appear to have issued a rejoinder in which they remind the sponsors of the proposal of the vain but vigorous move of the Non-Party leaders to end the present deadlock, the Viceroy's action in explicitly refusing to deliver Mahatma Gandhi's letter to Mr. M. A. Jinnah and the recent statements of Messrs. Churchill and Amery and ask what chances are there in the face of these facts for any political settlement and what guarantee is there that the Government will move an inch towards solving the political deadlock if the Congress resolution of August 8 is rescinded? They further state that A.-I.C.C., being an illegal body in the eyes of the Government, A.-I.C.C. cannot meet constitutionally under existing ordinance rule to discuss any such move and that it will be unwise to ignore the leaders who are now in jail. Congress circles in the province believe that while there will be no opposition to Mahatma Gandhi committing the Congress for the withdrawal of the resolution of August 8 on his own responsibility there is something sinister in the move of certain individual Congressmen suggesting such palliatives.

The War Savings Drive

While the political situation is hanging thus in balance, the Governor of U.P. is out on his monsoon tour having covered Shahjehanpur, Fatehgarh, Cawnpore and Jhansi by now. As usual, Sir Maurice Hallett is conducting vigorously the publicity campaign for the war savings drive, and the official weight attached to his personality and utterances whips the otherwise docile administration of U.P., into action as far as savings drive goes. While the zamindar is reported to be forced, though not by statutes, to put in 25 per cent. of his total rental value in the Defence Savings Bonds and Certificates and War Fund collections, the ubiquitous Tahsildar must see to it that the *ryot* under all circumstances contributes a similar quota for the collective savings of his village, which, he is assured, will return to him at some future date after the war in the form of a collective benefit for the whole village.

Rationing in Urban Areas

Details are now available regarding the Government Scheme of Rationing in the towns of the United Provinces. In brief, the Government Scheme is to make available to the poorer sections of the population in the main towns in the province (a) ration of *atta* consisting of 50 per cent. wheat and 50 per cent. barley, gram, juar and bajra and|or (b) medium or coarse rice at prices cheaper than the market rate. The adult ration is at present 12 chhataks per head per day. The prices at present fixed are 3 seers and 8 chhataks the rupee for *atta*, 2 seers and 8 chhataks the rupee for rice. The Government is reported to have accumulated reserves of over 100,000 tons of wheat and an appreciable quantity of rice. This stock is estimated to last up to 31st May, 1944. The number of persons eligible under this scheme is obviously limited by the stocks available. It is expected that these Government stocks should be sufficient for about 25 per cent. of the population of the main towns and the only criterion for selection is that the poorer section of the population should be the one included in this scheme. Instructions have been issued only on this basis, and no hard and fast limits of income have been laid down. Obviously local conditions vary greatly, and the details in each case must be worked out by the district authorities.

Piecegoods Market

The cotton piecegoods markets still remain greatly disturbed and conditions do not appear to show any chance of settling down in spite of the fact that applications have been made and licences obtained by dealers, selling agents and commission agents. Various difficulties in the working of the order have been represented to the Provincial Government. The Provincial Government is convening a meeting of the Provincial Standard Cloth Committee, which is now an expanded body, to consider at Lucknow on the 19th the draft of the U.P. Supplementary Piecegoods Control Order, 1943, which is reported to be framed in such a way as to avoid any overlapping of measures imposed by the order of the Government of India on the subject and to discuss the various problems arising out of the distribution of Standard Cloth. There is a general and bitter complaint that while the wholesale prices have come down appreciably, retail prices do not show any appreciable decrease to help the consumer. Such a trend in prices is attributed to the nervous condition of the markets in which every one appears to be a seller and nobody a buyer.

Control of Gur

The U.P. Gur Movement Control Order issued sometime last year and modified later to allow exports of *gur* from U.P., if the *gur* prices did not go beyond the ceiling of Rs. 8 per maund fixed by the Government and if the exports to places outside the U.P. were carried through recognized banks, appears to be unworkable in practice with the result that huge stocks have accumulated in certain towns of U.P. There does not appear any prospect of *gur* moving to markets outside the province, specially Gujarat, Bombay and C.P., where *gur* is in very great demand as a food item. Representations have been made to the Government of U.P., but they appear to have flatly refused to countenance any proposal to put up the ceiling or to allow any exports under conditions other than the one prevailing under the Gur Movement Control Order in force now. It is understood that the Sugar Controller for India fimly believes that if the *gur* prices are kept below the ceiling, it will ultimately discourage the conversion of cane into *gur* in the province and would as a consequence canalize the supply of all the cane into factories for crushing purposes. Experts are also reported to believe that this move would enable the cultivators to turn to the production of other essential foodcrops. With either of these contentions practical economists and business men are not in agreement. The matter is being taken up with the Government of U.P., and the Government of India by the various trade organizations including the *gur* interests of the province.

Sind Letter

REVISION OF LAND REVENUE ASSESSMENT—'ASSEMBLY POSTPONES CONSIDERATION —ZAMINDARS' OBJECTIONS.

(From Our Correspondent)

KARACHI, July 17.

SIR Ghulam Hussain's Muslim League Ministry sustained its first defeat on Monday last under strange circumstances shaped by economic considerations. The Revenue Minister brought before consideration of the Assembly, Government proposals regarding revision of land revenue assessment, and it had been taken for granted that the Government, enjoying as it does, an overwhelming majority, would carry the House with them. But a surprise was in store, and after two unsuccessful attempts to hinder adoption of the proposals, the Assembly adopted by 24 votes to 12 a motion by Mir Bandehali Khan Talpur, a former Premier and a leading scion of the rulers of Sind before British annexation, to postpone consideration to a subsequent date. And as there was no other subject on the agenda, the Speaker adjourned the House *sine die*. Apart from political reactions and constitutional implications of a Ministry being unable to carry the House with it on such a vital subject of revision of land revenue settlement, the incident marks the culmination of the grievances and objections of the zamindars, the landed aristocracy of the Province.

Land Revenue Policy

Government had long felt the existing method of land revenue assessment as unsatisfactory, as it was inelastic, and tended to handicap realization of adequate revenue from land as and when land increased in yield and the landholder thereby realized greater income, while on all occasions when rains were inadequate or there were other troubles, like invasion of locusts or floods, there was invariably remission, full or partial, of land revenue. In order to vary the method of assessment, settlement of land was commenced about two years ago, and on the basis of the reports of the settlement officers, the Government introduced new principles in their land revenue policy. The guiding principle is the application of the sliding scale to all crops. As the prices of the different commodities vary, the assessment would also be altered and would be one-third of the net income of a zamindar from the land. The net proceeds of a zamindar are to be determined as follows: An average yield of the crop is ascertained and determined, and then an average price is assumed after reviewing past prices in recent years and the present tendencies. The out-turn, multiplied by the price represents the gross income from cultivation. The zamindar's share of the gross produce being normally one-half, his share of the expenses of the cultivation is deducted as amounting to one half of the gross income, and the remainder is taken as net proceeds for purposes of taxation. The assessment would vary year to year according to the average price of the crop concerned as recorded over

a prescribed period every year, for the simple reason that the net income of a zamindar would vary with the price of the crop concerned. The sliding scale principle is to be applied to cotton, wheat and rice. Karachi is to be the centre for recording the average prices of cotton and wheat. The average price is to be calculated from the price per *khandi* as recorded in the price bulletin of the Karachi Chamber of Commerce. In the case of rice, the price is to be recorded at several places in the districts. These rates based on the sliding scale would be related to standard rates fixed by averages of previous yields and the net income of the zamindar, and would oscillate round about this norm according as the prices rise or fall. These proposals are to apply to those lands which have been classed as B according to classification of the soil. Lands estimated as of superior fertility with irrigation resources would be classed as A, and have to pay an assessment 25 per cent. higher than lands classed as B, while lands classified as C with lower fertility, would be granted a rebate to the extent of 25 per cent. on the assessment fixed in respect of B class lands. The Government expect that as a result of these new policies, land revenue would yield at least Rs. 1½ crores, nearly 75 per cent. of the total revenue of the province, excluding the subvention received from the Central Government. This additional revenue, along with the income which the Government would derive as a result of their trading in foodgrains through the various syndicates, is expected to enable them to develop irrigational facilities as well as to pay larger sums towards the Barrage Debt.

Governor To Intervene?

The above proposals of the Government were ready over two months ago and the Assembly was summoned this month especially to appraise the members of the new scheme and obtain their sanction so that they could be enforced with effect from August 1 this year. In view of the fact that the Assembly carried by a majority the proposal for postponement of consideration a decision could not be obtained. However, it is expected that because most of the land in Sind comes under the Barrage, except in two districts, and the Barrage is ultimately the Governor's special responsibility, His Excellency would betimes come forward and an executive order would be issued by the Government enforcing these proposals. In the meantime, prolonged and almost daily talks are said to be going on between the Government and the Ministers as to how best to manage a situation which is mixed up with complex political repercussions. For, it is clear that the bulk of the members of the Ministerialist Party are not in favour of quick enforcement of these proposals, and if the Ministers were to ditto the Governor's decision, they might eventually be faced with desertion by the party and a no-confidence motion, which, by no means, is a strange or exceptional happening in the chequered history of provincial autonomy in Sind, which has seen change of Ministers five times in six years.

Zamindars' Objections

The zamindars' opposition has been mainly based on the allegation that the Government proposals are being rushed with great and indecent haste, and no time adequate to the complexity and elaborateness of the principles involved in the methods and fixation of average yields and prices and sliding scale has been given the concerned interests to examine the new scheme. It is alleged that no due publicity to the new scheme has been given. Besides, it is stated that the decision to enforce these new assessment proposals with effect from August 1 this year would adversely affect the interests of zamindars, as the assessment would be fixed with reference to a crop which actually started seven months or so ago, and for which even forward contracts had been entered into with merchants and middlemen. The zamindars have also complained that even the smallest *khatedar* would be affected and suggest, in the alternative, a graduated method of assessment, exempting the small *khatedar*, and varying the assessment in proportion to the extent of the land held. It is, however, most unlikely that any of these proposals would receive favour at the hands of the Government, whose policy is already settled and only awaits announcement in the form of an executive order, whether or not the Assembly has favoured the proposals.

Electricity Rates

The Government of Sind have announced several changes in the use and taxation of electricity. In the first place, they have fixed the maximum prices to be charged by Electricity Companies in different towns in the Province. In view of the present difficulty of obtaining fuel oil and spare parts of electric power plants, the Government have issued an order under the Defence of India Rules regulating quantities, times and conditions of electric energy distributed by the suppliers. The order also restricts the use of electric energy for lights in cinemas and other places of public amusement, public rooms in hotels and for purposes of advertisement and display. It prohibits the use of electric energy for water heaters, cookers and ovens. The most controversial decision taken by the Government in this connection is the levying, with retrospective effect from April 1, a flat rate of one pice as tax on every unit of electricity consumed for industrial purposes in the Province. Commercial organizations, however, have raised their voice of protest, and they state that the tax would hamper the development of industries in Sind.

Views on Food Crisis

The Karachi Indian Merchants' Association has submitted to Sir Azizul Haque, Food Member, a comprehensive memorandum embodying their views on the solution of the countrywide food shortage. The Association has pointed out that "the imperative need of the hour is one central co-ordinated policy for procurement of surpluses, prompt and efficient transport, equitable and well-devised plans of distribution, maintenance of a reasonable level of prices both for procurement and distribution with due regard to the relationship between the two, the co-operation and assistance of the normal trade channels, elimination of waste and undue profiteering both on the part of merchant hoarders and Governments and energetic pursuit of the 'Grow More Food' campaign. The Committee particularly draw attention to the anamoly allowed to persist in the nature of allowing surplus provinces freedom to determine their own maxima of prices and to profit at the expense of the deficit areas. They further point out that "apart from profiteering of this kind, the way the local Governments play fast and loose with prices, putting merchants to heavy losses is questionable. The Association observe, in conclusion, that "it cannot be denied that the problem of food supply is becoming graver and graver every day, and unless thorough and comprehensive measures are devised and adopted to ensure adequate supply and equitable distribution, it will give rise to very undesirable results and seriously undermine the morale of the public. In tackling the problem, the Government, as also private traders, should be motivated and guided by a spirit of service. Governments of surplus provinces should give up the idea of trading and profiteering, and, instead, regulate distribution through *bona fide* merchants at a reasonable and moderate margin of profit, allowing a fair economic price to the producer."

Causerie

The Next Food Conference

An Expert Memorandum

By G. L. M.

[*IT has been already announced that the next Food Conference will be held in Delhi some time in September—the food and transport conditions permitting. As by then, the "long-term" Committee will have completed a "short-range" view of the problem, the Conference will be in full possession of all data, statistics, criticisms, suggestions, proposals, views, etc., in regard to its economic, geographical, historical, dietetic aspects. With a view, however, to assist the Conference to take a far-sighted, deep-breathing and highly appetising view of the whole question, we have been able to secure the memorandum of a well-known food .expert, .Lieut.-Col. Knutt, who conducted the Gluttons' Inn in Glasgow before the war and being present at Hong Kong, Sarawak, Singapore, Rangoon and Akyab, has made a wide and deep (120 ft. by 80 ft.) study of the entire food question. We are fortunate—though we are not sure if our readers are—in that we are able to publish extracts from this memorandum which we are sure will create a profound impression.*]

It is time that on this so-called food shortage question or d——d muddle, we get down to a few brass tacks. I am aware of the fact that brass is also controlled as a non-ferrous metal but we have to realise that for a satisfactory solution, what we require above all in this country is brass: the more brass, the better.

I understand that the number of official, departmental and informal Conferences held in regard to food since the commencement of the war or the imposition of controls (whichever was earlier) has been in the neighbourhood of 47. More than 27 committees have met, taken lunch and dispersed in order to tackle this vital question. The total weight of memoranda, notes, speeches, resolutions, etc., on this question comes to about 1½ tons. I am indebted to the Food Department for this invaluable information. I am gratified to learn that this (waste) paper is to be utilised for further war work. This is only so far as New Delhi is concerned, not taking into account all the literature in the Provinces. This is no small achievement and is a complete and final refutation of the ill-informed and malicious charge that the Government in this country are indifferent to this important problem. If I may be permitted to use a little poetry in an Official Note, may I say—

"For every time the pale East fired
It seemed to me, with hints of morn,
An expert Committee had expired
A baby Conference was born.
And every time the West was changed
To crimson by the sunset's touch
A new procedure was arranged
For not deciding very much!"

The fundamentals of the food question in India are clear. People cannot live without food, much less work and produce without food. Those who imagine that the different *peoples* in India can live without food for a long time, are entirely mistaken, appearances and past experience notwithstanding. The first essential, therefore, is that food should be produced in maximum quantity and of minimum quality; secondly, that it should be parted with by cultivators, middle-men, merchants, wholesalers, retailers, hoarders, profiteers, etc.; thirdly, that it should be distributed all over the country as far as possible and as quickly as our present railway system would permit and lastly, that it should be consumed (and digested). The last consideration, however, may be omitted at present.

We have further to remember the vast size of India, the number of Provinces, the variety of Indian States, the differences in tastes of people, communal wrangles, sectional tangles, administrative angles, not to mention the enormous diversities in the height, weight and chest measurements of the *peoples* in this great sub-continent comprising one-sixth of the human race and a substantial portion of the British Empire of which we need hardly feel ashamed, any more than the British Prime Minister. All these factors have an important, indeed, a decisive bearing on what is popularly described as the food problem. India is not England—no, thank God—it is not even Germany, United States or Abyssinia.

Again, the fact cannot be too often (or too strongly) emphasised that there is *actually* no food shortage in India. To this fundamental fact testimony has been borne by no less an eminent authority than the Secretary of State for India, Mr. Amery, who is in close and constant touch with Indian affairs and conditions. Statistics also prove beyond doubt that there can be no *net* shortage of food in India. This is so conclusive that attempts must be made to publish these statistics as widely as possible in order that the educated classes at any rate can devour those figures instead of food. In Calcutta, for example, photos of rice bags being unloaded from railway wagons were published by the daily papers which gave genuine satisfaction to those suffering from temporary pangs of hunger and reassured them that food stocks were being replenished. Much

less is there any starvation in India. The myth of food shortage and starvation has been started by seditionists, agitators, professional politicians, fifth-columnists—in other words, by Congressmen. The Congress responsibility for the present acute food position is not small. Their movement led to dislocation of transport and although the effects were only temporary and superficial from the viewpoint of war effort, they are being even now felt so far as the civil population is concerned. Trains are still running late owing to their sabotage of last August-September. It is true that the Congress Ministries are not functioning and in the Provinces, we have either our own administration or of our faithful allies of the Muslim League. The Congress is undoubtedly crushed, it is in a hopeless and helpless minority and has no influence with the people and does not cut ice. But its capacity of mischief is in inverse ratio to its following and it is still teaching the cultivators not to part with grains or accept currency notes or coins; the cultivators, of course, detest the Congress and have found it out but they seem to follow its advice. One clear lesson of the food situation, therefore, is to keep the Congress leaders in jail as long as the war or the food shortage lasts (whichever is later) to enable effective handling of the complicated food question which, in fact, is very simple. We do not, like Marie Antoinette, ask people to eat cakes if they have no bread. We are more scientific and analytical and tell them that it is their own fault if they don't get bread. Let them search their hearts along with their stomachs.

The scarcity of food about which there are loud and pre-meditated laments is strictly speaking, artificial like hunger. Indeed, those who go on hunger-strikes and resort to fasting to gain their objectives and coerce authority have no right to complain if occasionally those whom they mislead suffer from lack of food. Of course, these agitators (Hindu and Congress) do not represent the masses who are disunited except in their hatred of Fascism and have full faith in Mr. Churchill, Mr. Amery, the out-going and in-coming Viceroys, Food Controller, Regional Commissioners, Deputy Directors, etc. Indeed, considering the spiritual nature of Indians and the fascination exercised by fasts, an "Eat Less Food" campaign is overdue as complementary to the "Grow More Food" drive. It is seldom realised that if rationing in India is to ensure minimum quantity of food to every human being, the total consumption will increase rather than diminish.

It will be evident, therefore, that no uniform action is possible in a country like India except, of course, in regard to suppression of unlawful activities, defence measures, civil service rules, etc. What is wanted is a comprehensive policy (or rather plan) for food control and distribution which will be all-India in its basis but suited to the divergent and varying needs and interests of provinces, states, districts, clubs and gymkhanas. It should be rigid in its fundamentals but flexible in its application. It should involve a "ceiling" price without laying down a maximum; it should provide for controls and particularly, controllers who should preferably be not Indians because they do not have an open mind and are amenable to the influences of their own countrymen which is highly objectionable in their own country. The demand for stoppage of exports of foodstuff is prompted by political motive in order to impede the war effort of the United Nations. The exports, no doubt, are negligible but they cannot be stopped without a slur to the fair name of India which should be our main concern. The U.K.C.C. will enable us to maintain India's reputation for good neighbourliness. "Thy need is greater than mine" is true of nations as well as individuals.

Lastly, I have one concrete suggestion to make. I have watched with dismay the indisciplined queues at shops and in bazaars. Indians have not yet learnt or formed the queue habit. It is time they did. I suggest that an expert be called from (of course) U. K. with sufficient experience to advise the Central and Provincial Governments about the best methods of forming queues and as to how to stand, sit down and sleep there. I am sure the London Police authorities can be induced to spare a capable, senior officer with wide outlook, despite the strain on man-power at Home. Since women outnumber men in these queues, it would be worthwhile having a lady also so as to advise and guide the womenfolk in India; under her, suitable Anglo-Indian girl officers can be trained up. This will have a real psychological effect in relieving the tension created by queues and will tend to ease the food situation to a considerable extent.

Letter to the Editor

To

The Editor,

The Eastern Economist.

Sir,

With reference to the para in the week notes about the cloth prices, there are certain factors which the writer of the paragraph ought to know. It is proposed by the Government to take about 20 per cent. of the cloth for Government military needs. This they are taking, more or less, at cost price. Between 35 to 50 per cent. is proposed to be taken in the shape of standard cloth. This is to be taken at a price below cost. And yet this "below cost" would mean 3½ times the price of pre-war. The rest, about 30 per cent., is proposed to be left free, and it is about this that Mr. Thackersey said in his speech that the prices would be less by 30 to 40 per cent. as compared with the peak. Now this 30 per cent. will give the mills profit which will make up for the sacrifice in the standard and the I.S.D. cloth. If the prices are maintained at 35 per cent. below the market price, the mills are not likely to earn any extravagant profit. While it is true that the reasonable price of manufacturers is never likely to become the reasonable price of masses, I fear it is a thing beyond the control of the textile industry. They cannot do anything more than sell 70 per cent. of their production at cost or below cost. The price of cotton landed in Bombay has risen to a level three times the pre-war price. The price of stores is five times the pre-war price. The price of coal has risen enormously. The wages are 2¼ times the wages of pre-war. So whatever one may do, I fear it is not possible to expect the prices of cloth to go below 3½ times the pre-war price unless the cost falls.

Yours sincerely,

ONE WHO KNOWS.

[The point raised here is important; but some aspects of it have been dealt with in the leading article on *Cloth Control*.—Ed.]

A DELHI DIARY

NEW DELHI, July 22.

THE agenda papers issued by the Assembly Department give a fairly clear idea of the subjects agitating non-official members. The Muslim League group is responsible for two important resolutions—one recommending to the Governor-General-in-Council to modify their currency policy and concentrate their attention more on the stability of prices than on the stability of the bank rate of interest, and the other recommending to them to abolish the Food Department and leave the country to find its own method for the distribution of food. There is also a motion for the appointment of a representative committee of officials and non-officials to discuss post-war reconstruction in education. There is more than one resolution on the Army "with a view to strengthening the efficiency of the war-effort." Many of these resolutions may not survive the ballot, but they are bound to come up for discussion as there are other opportunities available. As the Food Member, Sir Azizul Haque, has an official motion in his name all aspects of the question including the resolutions tabled by the Muslim League Party can be dealt with in the course of that debate. It is also understood that the new Commander-in-Chief will agree to the holding of a secret session of the Assembly and the Council of State for full discussion of war questions. That would give an opportunity to the members to raise questions like racial discrimination complaints, increase in pay and other amenities for Indian soldiers and other points mentioned in resolutions. As regards South Africa, there is no information yet whether the Member, Dr. Khare, would prefer to face an adjournment motion or bring forward an official motion himself, but as there is the possibility of an amending bill to remove certain legal difficulties in the Reciprocity Act being introduced, that may provide an occasion also for raising the South African issue. So far as one can see the coming session does not promise to be very exciting or eventful. On the first day seven official Bills are to be introduced—one Bill by the Finance Member to consolidate and amend the law relating to Government Securities and to the management by the Reserve Bank of India of the Public Debt of the Central Government, two Bills by the Labour Member, one to amend the Mines Maternity Benefit Act and the other to amend the Motor Vehicles (Drivers) Ordinance, one by the Law Member to amend the Code of Criminal Procedure, one by the Education Secretary to amend the Agricultural Produce Act and the last by the War Secretary to amend the Indian Army Act and the Indian Air Force Act. After the introduction of these Bills will move for reference to a select committee a Bill to make certain provisions for appeals in criminal cases tried by a High Court exercising criminal jurisdiction. There is very little in these official Bills to provoke any controversy.

The meeting of the Standing Finance Committee which concluded last week was of unusual interest owing to the decision taken for the construction of locomotives in India. The rolling stock programme for 1944-45 which will cost about Rs. 12 crores provides for the import of 195 locomotives from abroad and 25 locomotives under construction in India. Even two years ago the Railway Member mentioned in his Budget speech in the Assembly that the Ajmere workshops might be able to manufacture a small number of broadgauge locomotives, but as there was delay in getting certain materials from England and the United States this could not be accomplished. Evidently it is now possible to push on with the locomotive construction programme in Ajmere and release at least 25 locomotives for use next year. According to talks in Assembly circles, the question of releasing a few Railway workshops (now in the hands of military authorities for munitions production) for locomotive manufacture as recommended by the Locomotive Manufacture Committee may be soon taken up, for as the military situation has greatly improved and the shipping position is also getting brighter, the time is propitious for starting this industry on a big scale. It will greatly help the replacement programme if the Railway workshops can seriously take up the work of locomotive reconstruction. According to the figures placed before the Standing Finance Committee, Railway earnings have been even better than expected. Gross receipts in 1942-43 were Rs. 151.85 crores as against working expenditure (excluding appropriation to the depreciation fund) of Rs. 69.31 crores. This leaves a surplus of Rs. 40.76 crores as against the anticipated surplus of Rs. 36.28 crores. The gross earnings for the three months ending June 1943 show an increase of over Rs. 5 crores compared with the actuals of the previous year—a big improvement which is due to increased military traffic, mela passengers and also greater goods traffic in oilseeds, iron and salt, coal, wheat, mineral oils and petrol. The Food Committee is still engaged in taking the evidence of official witnesses, both Central and Provincial. It has had an initial misfortune in the illness of its Chairman, Mr. Vigor, Sir Thomas Gregory has, in the absence of Mr. Vigor, been presiding over the meetings. As at present arranged there is no proposal to set up any sub-committees, but it would appear that as soon as the stage of taking evidence has been completed the committee will have general discussion and then suspend their sittings. On the lines of the general discussion the Chairman will prepare a report which will be considered by the committee at a later meeting early in September. It is too early to say what the final recommendations of the committee will be but it will not be surprising if the committee recommends greater Central control subject to the rights of the provinces for regulating their supplies according to their needs. It is also known that the Government of India is again arranging for large wheat imports from Australia which will certainly have a steadying effect on the market. I understand that very soon Sir Thomes Gregory will be leaving for the United States to attend the United Nations Conference to discuss post-war currency questions.

ARGUS.

Gleanings

DISABILITIES OF INDIAN EXPORTERS

In a communication addressed to the Government of India, the Federation of Indian Chambers of Commerce and Industry has drawn the Government's attention to the disabilities to which Indian exporters are being subjected as a result of the various measures introduced in this country by the Government of India, and those abroad. While realizing that the availability of shipping is the main limiting factor in regard to Indian exports, the Federation feels that the mere fact that authority to allocate shipping is vested in London and Washington will create a situation in which the needs of the Indian exporters have the least chance of being carefully considered. It has been brought to the notice of the Federation that, in allocating shipping space, British and American exporting firms, some of which had previously hardly any export to show to their credit, as compared with Indian exporters, are more favourably treated. In regard to the grant of Export Quotas, Export Licences, etc., the Federation would like to be assured that the Government would see that the granting of quotas and export licences is based upon the proportion of export trade handled before the war by the Indian Shippers to the total export trade of the country in respect of various commodities.

The Federation emphatically protests against the policy followed by the Government of India in making Indian goods available to the U.K. and U.S.A. at prices lower than the prevailing market rates in the country. The communication cites the examples of shellac, tea, hemp, jute manufactures and mica in this connection, where producers do not obtain a fair price for their products. As this will cause a diminution of production at a time when every effort should be made to increase supplies, the Federation feels that the whole system of control of these commodities needs revision in the light of the country's requirements. In general, the Federation urges upon the Government to revise their whole policy in regard to Export and Import Controls, in consultation with representatives of Indian commercial interests.

TAXATION OF INDUSTRY

A most important issue of taxation policy is to be raised in the House of Commons during the Finance Bill debates by an all-party group of members, who include Mr. Benson, Mr. Spencer Summers, Sir George Schuster and Mr. Graham White. The issue is that of the taxation of industry, and particularly the effect of taxation on the replacement of industrial equipment. A larger and a smaller question are equally involved. The larger question is whether it is really in the interests of public policy to continue the assumption on which the British income tax has hitherto been based—namely, that all income, however arising, whether corporate or individual, should equally be subject to income-tax. In the days when a standard rate of 1 Shilling in the pound was normal, the argument of administrative convenience was dominant. Between the wars, with the standard rate fluctuating between 4 Shillings and 5 Shillings, the principle was much more questionable, but the needs of the revenue permitted no relaxation. But now that the standard rate is 10 Shillings in the pound and that the prospects of reducing it below 7 Shillings 6 pence seem slight, it has become very necessary and urgent to ask what are likely to be the ultimate economic effects of putting such high fiscal obstacles in the way of industrial development. The soundest of all forms of business growth is through the "ploughing back" of profits; is it really wise to make the process so very difficult? This is not an argument that individuals who derive their personal incomes from corporate enterprise should have those personal incomes taxed any less heavily than other personal incomes. Nor, of course, is it a plea that the barriers against tax evasion should be lowered. But it is a suggestion that the common interest would be served if profits genuinely re-invested in fruitful enterprise were more leniently treated.

Whether Mr. Benson and his colleagues will venture on to this wider field remains to be seen. They may content themselves with the more restricted, but still very important, topic of the fiscal treatment of depreciation and obsolescence. The Income Tax Acts permit specified rates of depreciation of machinery and fixed plant to be deducted from profits before tax is assessed. The allowances are small, and in virtually every case considerably less than the most progressive firms actually provided for depreciation—which means that they have to pay tax on a part of what they actually provide for depreciation. Clearly, with any rate of tax, and more particularly with a standard rate of 10 Shillings, this acts to slow down the speed with which the productive equipment of British industry is replaced. The case for changing this practice and positively encouraging the modernization of British industry, especially in the years immediately after the war, is quite overwhelming, and the reconstruction of the public finances which will in any event be necessary after the war should provide means by which the immediate loss to the revenue can be offset. Even if the Inland Revenue cannot go so far as to exempt from taxation all expenditure that is genuinely devoted to replacement and modernization, they should be prepared to levy on such expenditure a rate of taxation below the normal, and the ability to raise and lower this rate of taxation in accordance with the state of general trade would provide a most effective weapon of trade cycle control. These are not matters that can be settled in a couple of paragraphs or in a single Parliamentary debate. But they well deserve the closest examination.—*The Economist*, May 15, 1943.

U.S. GOVERNMENT AND INFLATION

"Whatever affects the soundness of the American war economy is the concern of all of the United Nations," writes Leo Cherne, Executive Secretary of the Research Institute of America, in his weekly column. "It is important that there should be no misunderstanding of the meaning of the recent developments in the anti-inflation fight which is being waged on the United States home front. The United States Office of Price Administration has had its ups and downs, but for the most part it has done a satisfactory job in keeping the cost of living from rising to inflationary levels. In recent months, however, there has been an increasing demand from various groups in the economy for raising price ceilings—on the ground that business operations are difficult under the prices set on many commodities. The Administration responded by offering a programme of subsidies; Government payments to producers which would enable them to operate at a reasonable profit without the necessity of raising prices. Subsidies were not a new device on the American scene. They were used successfully in many pre-war years and helped to keep the production of vital commodities at a high level after America entered the war."

"The Administration's programme to extend the use of subsidies to 'roll back' prices on almost all basic commodities aroused opposition in Congress. But the Government is as firmly determined as ever to prevent any real inflationary spiral from starting in the United States. To this end the authorities have been working out an indirect subsidy approach which may be more acceptable to both industry and Congress. The U. S. Government has already taken steps to inaugurate such a programme. Basic commodities, such as beef, fruits, vegetables and livestock, are on the list for such action. It is too early to say just what the reaction of Congress and private industry will be to this new administration proposal, but there are indications that it may meet with less resistance than the direct subsidy programme. As to the practicability of the plan, there are already in the United States many areas in which existing mechanisms could easily be changed into Government corporations which would be fairly simple in structure and operation. Aside from the anti-inflationary aims of the programme, it gives the Government means of smoothing out distribution. Under the plan, the Government corporations can allocate stocks of needed commodities to the areas where they are most urgently required or can direct the wholesalers to whom they sell to do so."—*USOWI.*

THE RICHES OF RUHR

From the Ruhr and the Rhenish Westphalian area comes over two-thirds of Germany's and over one-third of the whole Axis-controlled Europe's total output of certain basic materials. For instance, 67 per cent. of Germany's total output of hard coal and 34 per cent. of Axis-Europe's; 80 per cent. of Germany's coke and 50 per cent. of Axis-Europe's; 60 per cent. of Germany's pig iron and 37 per cent. of Axis-Europe's; 59 per cent. of Germany's steel ingots and castings and 34 per cent. of Axis-Europe's; and 60 per cent. of Germany's special steels and 27 per cent. of Axis-Europe's are produced in the Ruhr. In fact, 93 per cent. of Germany's total coke output comes from the Ruhr, plus Aachen, plus the Saar, and only seven per cent. from Silesia. For Axis-Europe 85 per cent. comes from the Ruhr, plus Aachen, plus the Saar, plus France, plus Belgium and plus Luxembourg. For steel the corresponding figures are: 80 per cent. from the Rhenish Westphalia, plus the Saar, plus France, plus Belgium and plus Luxembourg. The Ruhr also has a very large electric power output from pithead and other generating stations, supplemented by a large volume imported from the brown coal generating stations situated west of Cologne and through the high tension grid from hydro-electric stations of the Upper Rhine and Austrian Tyrol. Another important feature is the Ruhr gas grid fed by numerous coke ovens—the world's most extensive system. Compared with Britain, the Ruhr produced more steel annually than the whole of U.K. in the best pre-war years, nearly two-thirds as much coal and twice as much metallurgical coke.

The fact that the Ruhr possesses greater industrial facilities than any other one section in Europe means that it has the greatest degree of industrial concentration. This concentration consists of a belt, 10 to 15 miles deep and 40 miles long, lying mainly between the rivers Ruhr and Rhine and the Herne canal, and stretching as far east as Dortmund. Within it the areas around Essen and Gelsenkirchen are devoted mainly to coal mining; and those around Duisburg to the west and Dortmund and Bochum to the east to steel production. Within the belt also lies the most important canal and railway network. Duisburg, for example, is Europe's largest inland port; the Essen railway division dispatches nearly 25 per cent. and receives 15 per cent. of the Reich's total freight traffic; the marshalling yards of Hamm, Scwarte and Seest are the channels for practically all the iron ore requirements of the Ruhr steel production. To the north of the belt and on the Rhine west bank are newer extensions of the original Ruhr coalfields marked by scattered colliery development. To the south of the belt is the narrow Wuppertal—an area of mixed development with important pharmaceutical and accumulator factories and fine steel industries of Remschied and Soligen. Other towns in the area are Hagen, Elberfeld and Barmen—the latter two from the city of Wuppertal—and, further south, Dusseldorf, the administrative headquarters of the whole Ruhr steel industry. The southernmost point is marked by the brown coalfields mentioned above and these factories also supply power to the Lower Rhineland and Brauweiler Switching Station—the nerve centre of the whole area and city of Cologne. This is not only the administrative headquarters for the whole of the Rhineland but also is notable for the large-scale manufacture of diesel engines and electric cables. In addition, it is the most important communication centre of the lines connecting the Reich with Western Europe.

The number of inhabitants per square mile is inevitably high—400 per square mile—and the belt referred to in the previous paragraph is practically all built-up, exceptions being the immediate Ruhr valley and some of the areas around Dortmund, and contains alone 750,000 people, that is, an average of approximately 5,200 per square mile.

BRITISH COLONIAL POLICY

Replying to the debate on Colonial Policy in the House of Commons on July 13, Col. Stanley, the Colonial Secretary, recalled that Mr. Churchill had said that the Government were convinced that the administration of British colonies must continue to be the sole responsibility of Great Britain and that the policy of the Government was to work in close co-operation with neighbouring and friendly nations. "We realize under the present circumstances," said Col. Stanley, "that such co-operation is not only desirable but essential. The developments of modern transport and communications have brought close together vast areas which before were widely separated. The problems of security, transport, economics and health far transcend the boundaries of political units. His Majesty's Government would therefore welcome the establishment of machinery enabling such problems to be discussed and solved by common effort.

"What they have in mind is the possibility of establishing commissions for certain regions. These commissions would comprise not only those States with colonial territories in the region but also other States which have within the region major strategic or economic interests. While each State will remain responsible for the administration of its own territory, such a commission will provide an effective and permanent machinery for consultation and collaboration, so that the States concerned may work together to promote the well-being of colonial territories. The important consideration in designing the machinery of each commission will be to give the peoples of the colonial territories in the region an opportunity to be associated with its work."

Answering a question, Col. Stanley said: "These commissions can only be set up as the result of consultations and agreement with other countries, especially our own Dominions, and the machinery can only be settled by discussion with them." Replying to a further question as to how the native population would be associated with the commissions, Col. Stanley said that in the matter of development in each territory, no doubt the association would be different as they moved towards greater and greater degrees of self-government and more and more people were there. One could not generalize. The matter was concerned not only with the British colonies but colonial territories of all other Powers, who would have to be consulted and associated with such commissions.

WOMEN'S WAGES IN AUSTRALIA AND THE U.S.A.

The Women's Employment Board in Australia issued an important award on July 17, 1942, in virtue of its power to fix the wages and other conditions of employment of those women in industries who during the war replace male workers or are engaged on work ordinarily performed by men or on work which used not to be performed in Australia at all. The Board laid down the principle of fixing wages according to work done and output. It concluded, however, that women are as a whole not as productive as men, the chief reason for the smaller output being absenteeism.

The principle of fixing wages according to work done and output is substantially different from the method of wages fixing ordinarily adopted in Australia by the competent authorities, which is based on the principle of living wage, the basic living wage being fixed at different levels for the two classes.

The American War Labour Board recently declared its opinion that women who "in comparable jobs produce work of the same quantity and quality as that performed by men" should receive the same wages.

—*Indian Labour Gazette*, July 1943.

BAJPAI'S SPEECH AT INTERIM COMMISSION

The initial session of the United Nations Interim Commission on Food and Agriculture, which was created at the recent International Food Conference at Hot Springs, Virginia, for the purpose of drawing up plans for a permanent world organization, was welcomed by U.S. Assistant Secretary of State Dean Acheson. Mr. Acheson pointed out that the United Nations are as truly united in the war against fear of want as in the war against aggression. India's representative, Sir Girja Shankar Bajpai, answered the welcoming address on behalf of the delegates from 44 countries who were present at the initial session. He said:

"Barely six weeks ago the United Nations Conference on Food and Agriculture concluded its labours. The fact that, within this brief period, in spite of the stress of anxieties of this cruel war, we should be assembled here to continue the work of that conference has threefold significance: It is proof of the confidence of the United Nations in victory; it is proof of their determination to strive. . . . for the achievement of freedom from want, and last but by no means least, it is another testimony to the far-sighted, resolute and energetic leadership of the President of the United States. . . . . What is the scope and purpose of our work? In broad terms it is to suggest practical steps for the fulfilment of the conference aims. Specifically we have been charged to prepare, for consideration by the Governments and authorities which we represent, first, a plan for a permanent organization in the field of food and agriculture; second, a formal declaration or agreement recognizing the obligation of each Government and authority which is represented at the conference to its own people and to other Governments and authorities to collaborate in raising the level of nutrition and the standards of living and to report to one another on the progress achieved; third, such other proposals or reports as may be necessary to give effect to the other conference recommendations. . . .

"The conference recognized the organic unity of agriculture and other branches of economic activity; that is an axiom which we must not forget ourselves nor fail constantly to impress on others. The Food Conference also emphasized the need for effective collaboration among the nations; that collaboration it must be our constant endeavour to ensure. If we work together in this spirit we may be able to make some contribution, however modest, to free mankind from the haunting fear of want and thus encourage the pursuit of happiness which the fathers of this American nation wisely ranked amongst man's highest activities."

—*USOWI.*

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EXTRACT FROM THE STATUTORY REPORT

(Under Section 77 of the Indian Companies Act)

2. The Receipts and Payments of the Company up to the 30th June, 1943, are as follows:—

Receipts	Rs. A. P.	Payments	Rs. A. P.
Ordinary Shares—		Preliminary Expenses	34,041 9 6
Called up Capital..	1,00,00,000 0 0	Brokerage on Shares	1,56,670 0 0
Less allotment money in arrears	2,250 0 0	*Capital Expenditure—*	
	99,97,750 0 0	Improvement and alterations to Building	17,000 0 0
Current, Savings and Fixed Deposits	1,79,13,369 3 2	Dead Stock	44,152 5 9
Other Sources—		*Other Items—*	
Discount on Treasury Bills and other income	10,207 12 5	Investments, in Govt. of India and Provincial Government Securities and in Treasury Bills	1,96,68,726 8 0
		Accrued interest paid on Govt. Securities	76,512 11 1
		Advances Fully Secured	10,97,176 0 3
		Bills Purchased	84,423 12 8
		Sundry debtors including part payment for furniture and goods supplied	21,271 5 6
		Stock of Stationery	20,196 13 9
		Working Expenses	94,818 7 0
		Cash in hand	15,17,266 7 3
		Cash with Banks	50,89,070 14 10
Total ..	2,79,21,326 15 7	Total ..	2,79,21,326 15 7

G. D. Birla, *Chairman.*

B. T. Thakur
General Manager.

R. B. Shah
Chief Accountant.

Baijnath Jalan
Ananta Churn Law
M. A. Ispahani
Adamjee Hajee Dawood
M. L. Tapuriah
R. G. Saraiya
M. L. Dahanukar
Navinchandra Mafatlal
M. R. Kuia
Iswari Prasad Goenka

DIRECTORS.

G. P. Kapadia & Co.,
K. N. Gutgutia & Co.,
Ray & Ray,
Auditors.

Investments

(From Our Correspondents)

NEW DELHI, July 21.

A series of projects have been launched to fight inflation and more are under consideration at New Delhi. The Durbars of Indian States have also been roped in to follow suit. Some of them have already imposed Excess Profits Tax within their territories. The sky is thick with rumours of dividend ceilings. The cumulative effect of all this has been a widespread distortion of price levels with the business activity on the ebb. The war situation has no perceptible influence, and, in fact, the market is under the dominance of financial rather than military factors.

Stocks and Shares

"Sell blindly" is the slogan acted upon by the holders of textiles shares. Bombay Dyeings, despite its short position, is not an attraction, and along with other issues is marked down by rapid strides almost from hour to hour. Locally, Delhi Cloths and Raza Textiles fare no better, and with the sentiment so disturbed as it is today, no one knows where it will lead us to. There is a tremendous selling onrush for Steels. Jutes and Teas continue to be neglected, while some support is forthcoming, in the Calcutta market, for Coal Shares, the features being Dhemo Main and Bakaro and Ramnuggur. In the Engineering Section, Kumardhubi Preference is the feature. The price has jumped from Rs. 199 to Rs. 246 on reports that arrears of preference dividends would be wiped off and instead holders would receive ordinary shares. The preference dividends are in arrears since June 1, 1920. The Company has the option to redeem the preference shares at any time at a premium of Rs. 5 per share. The following balance figures for 1941 and 1942 will be read with interest:—

Liabilities.	30-11-1941 Rs.	30-11-1940 Rs.
Capital	27,00,000	27,00,000
Reserves	38,444	34,226
Debts	42,39,225	29,68,408
Total ..	69,77,669	57,02,634
Assets		
Block (Net)	21,21,000	22,95,800
Stocks	35,35,527	19,65,236
Outstandings	10,80,089	10,25,765
Cash and Investment ..	65,932	1,15,389
Debit Balance	1,75,421	3,00,444
Total ..	69,77,669	57,02,634

There was profit taking in banks, insurance and power shares with resultant drops in prices all round. The tea companies continue to show satisfactory results. The accounts of the New Terai Association, Ltd. (Managing Agents: Messrs. Kilburn & Co.) for the year ended December 31, 1942, is yet another proof that the Indian tea industry has reaped the full benefit of the boom conditions ushered in by the war. The result of the season's working after deducting the manager's and staff's commissions, is a profit of Rs. 2,67,028-0-11. This, with the adjustment of the accounts for the previous year and provision for taxation and the contribution to the retiring allowance fund brings the amount at credit of profit and loss account to Rs. 2,24,609, from which an interim dividend of 10 per cent. absorbing Rs. 45,000 has already been paid, leaving a balance of Rs. 1,79,609 which has been allocated as follows:—

To payment of a final dividend of 20 per cent. making 30 per cent. for the year	Rs.	90,000
General Reserve	„	50,000
Improvement Fund	„	25,000
Subscription to War Funds	„	5,000
Carry Forward	„	9,609

In spite of the increased expenditure resulting from the larger crop, the higher cost of stores and tea chests and compulsory war risks insurance on the Company's buildings, plant and machinery, the all-in cost of production, it will be noted, was 6.95 per lb. as compared with 7.81 per lb. in 1941 for which the management deserves shareholders' thanks. The outturn position of the company has been eminently satisfactory. Quota releases for the year totalled 112.68 per cent. of the Estate's best crop basis and, including unused balances carried forward from season 1941 amount to 7,687 mds. 331 lbs. made up of 5,709 mds. 78 lbs. for exports and 1,977 mds. 35 lbs. for internal consumption. During the year under review, the final crop weighed out at 7,937 mds. 24 lbs. a record one for the estate, against an estimate of 6,500 mds. and an actual crop of 6,510 mds.

BOMBAY, July 21.

Market has ruled weak during the week. The expected Ordinance banning advances whenever Government deems it necessary is published. It has assisted in creating a psychology of depression. Inflation mentality was largely responsible for an all-round sharp rise in prices which occurred recently. The inevitable reaction has now set in. The break in bullion and piecegoods prices compelled the bull operators to liquidate. On the Stock Exchange, the leading counters fell considerably; Bombay Dyeings at one time dropped to Rs. 1,895 but closed somewhat better at Rs. 1,905; Centurys were dealt up to Rs. 728; Kohinoors touched Rs. 740 after having improved to Rs. 765 on declaration of an interim dividend of Rs. 12 (same as last year) and on the news that the company has now received Government sanction to issue new capital in the ratio of one new share for every two shares held at a premium of Rs. 100 per share, i.e., at Rs. 200 per share. Khataus have also received Government permission to capitalise a part of their reserves by distributing one free bonus share of Rs. 100 for every two shares held. Miscellaneous Textiles ruled comparatively steady and showed little change against previous week's closing. The point is worth considering whether after the recent decline Textile shares have now reached an investment level on the basis of 1942 dividends. The shares yield between 5 per cent. and 7 per cent. Very large profits in the first half of 1943 will probably enable the companies to maintain these dividends for the current year despite recent slump in cotton goods. Nineteen hundred and forty-four prospects no doubt look gloomy judging from conditions ruling today but so long as the war lasts, Indian Textile industry will enjoy an enviable position as a supplier both to the internal and external market. As for the post-war future so much will depend upon when and how the war will end that it is best to leave everyone to form his own judgment. The Gilts continue to be active; 3½ per cent. Government Paper has improved to Rs. 93-8-0. With the rise in prices of Government Loans and fall in the prices of Equities spread in the yields between the two is tending to widen.

MADRAS, July 17.

The sterling exchange market was steady with a fair volume of inter-market business at four to one. A small turnover was also done in merchant T. T. and on remittance account. The rates remained unchanged. The money market continued to be easy and the call rate was quoted ½ per cent. A fairly large volume of business resulted and a strange phenomenon was that the Indian banks were the borrowers and the exchange banks were the lenders.

Stocks and Shares

The Government Securities market continued to be firm and a very steady investment demand was seen. There was a fairly large volume of business in 3½ per cent. Paper at Rs. 95 and Rs. 95-1. Absence of stock has caused Mysore Loans to further advance and the 5 per cent. Loans recorded a steep rise by Rs. 2-8 to Rs. 132-8. Madras Loans were in good demand but as scrip was not forthcoming, business was very poor. The week has seen a further recession in prices in all the sections with the exception of banks and fixed interest securities. The feeling of uncertainty and nervousness as to Government's intentions has destroyed any remaining confidence. There have been continued rumours of further measures to be introduced to check inflation and more particularly that of limitation of dividends. Textile shares have suffered most but Plantations have also received a fair share of the setback. It is only a few selected scrips that can still maintain the levels. In the textiles section, Cambodias have declined from Rs. 39 to Rs. 35-12. Lakshmi Old, Coimbatore Spinnings, Sitarams, Mettur Industries and Sri Saradas have all declined by over thirty points and the other shares have declined by fifteen to twenty-five points. It will be well to remember that these falls have come on the top of the heavy falls during the past two months. The Planting section did not escape the debacle. The new issues which were already weak have suffered further losses but many of the old strong companies with good balance sheets and records of past dividends have not been able to maintain prices and declines have been registered. The only redeeming feature was the appearance of buyers at lower levels. Bank shares were a strong feature and Indian banks made a sharp improvement from Rs. 265 to Rs. 280. There was a large turnover in these shares. The enquiries in demand for a scrip in the fixed interest securities section has been greater in accordance with the nervousness in the equity market. There was avid buying of preference shares of first class companies. In the Miscellaneous section, sugars and chemicals were dull with a fall in the turnover.

Commodity Markets

HAPUR, July 19.

(From Our Correspondents)

During the week under review, the local wheat market was irregular but towards the close, a definitely easier trend has supervened and prices have closed about Re. 0-7-6 per maund lower as compared to last week. The favourable weather conditions in the upcountry centres and the lethargic demand by the Government Agent caused this easiness in prices. Owing to rainy weather, arrivals are pouring here in small parcels, the average of daily arrivals being not more than 700 maunds. On the whole, this year the arrivals from villages were larger than last year's but from the areas across the Ganges they were negligible due to remunerative prices of wheat in nearby *mandis*. The stock position of Hapur may be said to be better than other *mandis*. The present stock is computed at 230 *khattis*, out of which more than 200 *khattis* are in the hands of Government Agents. Last year on the corresponding date the local stock was put at 35 *khattis*. The other commodities except peas were quiet to easy. Government Agents purchased peas in larger quantities this week also. Out of 117 *khattis*, 85 *khattis* have gone to the hands of Government Agents. This year the arrivals of Arhar have broken all previous records. The Arhar stock is placed at 282 *khattis*, while last year the stock was quoted at 8 *khattis* only.

Bardana

A pessimistic tone was visible in the local Bardana market during the early part of the week but towards the week-end, there was a slight reaction in prices on short coverings and feeling of shortage of steam coal in Calcutta mills. The lowest rate touched during the week was at Rs. 51 for Bhadon delivery. The undersentiment appears to be quite bearish as huge stocks are lying in local godowns.

Juwar

The Juwar prices remained very easy throughout the week following favourable weather and crop reports from the Punjab and U.P. Centres. Punjab operators acted as main sellers here. Trading during the week was on a better scale than the previous week. The bears who suffered considerable loss during the past weeks showed keen interest and sold in large quantities. Bulls are hesitating to enter the market for heavy purchases. The following are the latest quotations:—

	This week Rs. a. p.	Last week Rs. a. p.
Wheat	13 12 0	14 3 6
Gram	10 10 0	10 10 9
Barley	9 8 0	9 11 0
Peas	10 6 0	10 0 9
Arhar	9 0 0	9 0 3
Juwar: Poos	6 2 8	6 4 3¾
Bardana: Bhadon ..	53 12 0	54 13 0

BOMBAY, July, 17.

The yarn market has continued down and depressed. A sharp decline in prices has set in mostly due to the continued and heavy pressure of sales in all markets throughout the country from the mills, dealers and middlemen. The time allowed by the Cotton Control Order for the clearing of wholesale goods is before August 31. When it is known that stocks are to be cleared by a certain date, there remains nobody to touch the stocks till the prices go down to absurd levels. Conditions in the yarn market can be described as being in a melting pot.

Seeds

Except for purchases by the Ministry of Food, the local seeds market has been featureless in sympathy with most of the local markets. Substantial quantities of groundnuts and castorseed were purchased by the Ministry of Food. About 10,000 tons of groundnut were bought by the Ministry of Food mostly from the West Coast at £38 for shipment. Later, it bought about 1,000 tons of groundnuts at £37-10. It also bought about 2,000 tons of castorseed at £39. Its buying limit has been further reduced. There has been a poor demand from crushers and stockists are anxious to dispose of their stocks because of rumours current in the market about some sort of Government control which may affect this market. Khandesh quality groundnut which was sold at Rs. 103 per candy a week ago, hardly fetched Rs. 96 during the current week. Bold was quoted at Rs. 92. In the castorseed section, some business was done towards the close for Madras, Marmagoa delivery at Rs. 18-11 per cwt. Local linseed market continues to remain extremely dull. The oil market, both in the City and in Kathiawar, was quiet and prices were lower than a week ago.

Piecegoods

Conditions in the cloth market are disorganised. There is little demand from consuming districts or local buyers and everyone seems to be waiting for a further fall in the prices. The merchants hoped that as a result of the representations made by the All-India Yarn and Cloth Merchants' Conference last week, an extension would be given in the time allowed to them to clear their stocks. The latest news is that this will not be so and it is anticipated this may lead to a further break in the cloth market. It does not require a very technical or deep study to appreciate that all stocks cannot be cleared within such a short period as is allowed under the Cotton Control Order which is August 31, 1943. Especially is this true of the production during July. Further, this is the slack season when the demand from the upcountry is poor. Under these conditions, it is generally presumed that either the market will break sharply or that exporters may intervene when prices fall abruptly. It is generally believed that if goods fit for the export trade go down to a certain level, the U.K.C.C. would step in as it is not affected by the Government of India's Ordinances.

Cotton

Conditions in the cotton market have ruled very easy owing to the absence of demand and the anxiety of the sellers to clear their stocks before the new season sets in. The normal protection of the cotton merchant by means of hedge sale against his holdings is now no more so that the merchant has to press his cotton for sale in the ready market. Under the circumstances, one looks for easy prices in the cotton market, even below the rates recommended by the Government of India. Within three months' time the new crop Sind will begin to move and one by one crops in other districts of India will move. It is characteristic of the produce market that the crop has to be marketed within a short period whereas the demand is spread over the whole year. Mills generally used to buy cotton for a long time ahead "on call," but owing to the absence of the "futures" market, they will not be able to do so and for them to buy the cotton in the volume in which they used to buy before would be too much of speculation. The merchants themselves will not be able to bear the weight of the crop without the protection offered by the "futures" market so that one has a gloomy view of cotton prices, especially if the next crop turns out to be bigger than this year's.

Cotton circles are perturbed as to whether the Defence of India Rule promulgated today regarding the Central Government taking over powers to prohibit or restrict advances on commodities might be applied to cotton. If this happens, the marketing of the next crop would be very severely hampered from the point of view of the cotton growers. Any hasty action by Delhi to beat down prices and to work up to an anti-climax of the January-April period would be merely to victimise the producers.

MADRAS, July 17.

The Madras groundnut market was weak and there were more sellers during the week. Buyers, particularly the exporters, reduced their prices but even at the reduced prices they were able to effect good purchases. The price declined from Rs. 87 to Rs. 83-4 during the week. The British Ministry of Food was able to take advantage of the lower prices prevailing and made huge purchases amounting to over 10,000 tons at £37-10-0. The oil market was easy and the quotation dropped from Rs. 179 to Rs. 157. Heavy stocks are reported and with a declining seeds market, further falls in oil may be seen. Fairly good quantities of oils were sold to Bombay during the week. The oil-cake market was steady with a fair demand from the agriculturists. The price was quoted at Rs. 135.

Skins and Hides

There was no change to report in the skins and hides market. There may be shipping opportunities early next week and when the exporters having disposed of their goods come into the market again, there may be some life in the market. Local business has been poor and has been confined to goat, sheep and cow hides. Prices have shown no material changes. Enquiries from both London and New York have been there but there has been little improvement in business materialising due to wide variations of prices.

Company Notes

The United Commercial Bank

The United Commercial Bank, of which Mr. G. D. Birla is the Chairman and Mr. B. T. Thakur is the head of the executive, is verily an infant prodigy. It is the first Joint Stock Bank in India to make its debut with a paid up capital of rupees 1 crore. It is also the first bank to mobilize deposits for nearly rupees 2 crores within 3 weeks of its admission to the Clearing Banks' Association. It has already investments for rupees 2 crores in Government Securities, none of which are now terminable loans most of which are short to medium dated. The Bank has opened a branch in Bombay and is assured of a warm welcome by virtue of its influential connections. The immediate programme of Branch activity includes Delhi and Karachi.

CURRENT STATISTICS

BANK OF ENGLAND

(000's omitted)

	July 14, 1943 £	July 7, 1943 £	Aug. 30, 1939 £	July 15, 1942 £
Total Bullion ..	1,192	1,181	263,700	1,516
Public Deposits ..	5,300	7,900	31,100	9,100
Other Deposits ..	200,500	213,900	129,100	168,300
Of which Banker's Deposits ..	146,400	161,300	90,100	120,800
Govt. Securities ..	154,500	166,100	113,000	150,000
Other Securities	17,000	16,800	31,000	20,900
Of which Discounts and Advances..	41,000	4,300	6,400	5,300
Notes and coins ..	48,300	51,600	34,200	18,900
Notes in Circulation	952,900	949,600	529,500	812,600
Ratio of Reserve to Liabilities ..	23.45%	23.24%	21.38%	10.98%

U.S. FEDERAL RESERVE BOARD

(000's omitted)

	July 15, 1943. $	July 8, 1943. $	Aug. 31, 1939. $	July 16, 1942. $
Resources:				
Total Reserves ..	20,555,000	20,565,000	14,660,610	20,834,000
Total Bills Discounted	10,000	34,000	6,190	4,000
Bills bought in open market ..	..	..	550	..
Total U.S. Government Securities	7,645,000	7,676,000	2,426,190	3,038,000
Liabilities:				
Federal Reserve Notes in actual Circulation	14,094,000	14,034,000	4,699,280	9,508,000
Deposits— Member Bank Reserve Account ..	12,260,000	12,107,000	10,951,000	12,042,000
Ratio of total Reserve to Deposit and Federal Reserve Note liabilities combined ..	72.3%	72.4%	86.9%	87.6%

RESERVE BANK OF INDIA

Weekly Statement of Account as on July 9, 1943.

ISSUE DEPARTMENT

Liabilities	Rs.	Rs.
Notes held in the Banking Department ..	10,63,72,000	
Notes in circulation ..	737,61,94,000	
Total Notes issued ..		748,25,66,000
Total Liabilities ..		748,25,66,000

Assets	Rs.	Rs.
A. Gold Coin and Bullion:		
(a) Held in India ..	44,41,43,000	
(b) Held outside India ..	..	
Sterling Securities ..	570,78,87,000	
Total of A ..		615,20,30,000
B. Rupee Coin ..		14,63,74,000
Govt. of India Rupee Securities ..		118,41,62,000
Internal Bills of Exchange and other Commercial Paper..		..
Total Assets ..		748,25,66,000

Ratio of Total of A to Liabilities: 82.218 per cent.

BANKING DEPARTMENT

Liabilities	Rs.	Rs.
Capital paid up		5,00,00,000
Reserve Fund		5,00,00,000
Deposits:—		
(a) Government—		
(1) Central Government of India		16,34,49,000
(2) Government of Burma ..		31,47,000
(3) Other Government Accounts ..		7,79,09,000
(b) Banks		54,13,46,000
(c) Others		3,27,43,000
Bills Payable		1,97,64,000
Other Liabilities		11,40,81,000
Total ..		105,24,39,000

Assets	Rs.
Notes	10,63,72,000
Rupee Coin	9,99,000
Subsidiary Coin	1,99,000
Bills Purchased and Discounted:—	
(a) Internal	..
(b) External	..
(c) Government Treasury Bills ..	..
Balances held abroad*	84,66,86,000
Loans and Advances to Governments ..	64,00,000
Other Loans and Advances	10,00,000
Investments	7,39,09,000
Other Assets	1,63,74,000
Total ..	105,24,39,000

* Includes Cash and Short-term Securities.

ISSUE DEPT. COMPARATIVE STATEMENT

(000's omitted)

	July 9, 1943.	July 2, 1943.	July 10, 1942.	Sept. 1 1939.
Notes held in the Banking Dept.	10,63,72	12,54,49	11,00,71	35,04,49
Notes in circulation ..	737,61,94	733,60,63	450,71,11	182,13,17
Total Notes ..	748,25,66	746,15,12	461,71,82	217,17,66
A. Gold Coin and Bullion ..	44,41,43	44,41,43	44,41,43	44,41,43
Sterling Securities	570,78,87	567,78,87	266,85,11	59,50,11
Total of A. ..	615,20,30	612,20,30	311,26,54	103,91,57
B. Rupee Coin ..	14,63,74	15,53,67	28,16,11	75,87,11
Rupee Securities	118,41,62	118,41,15	122,29,17	37,38,98
Ratio of Total of A. to Liabilities	82.218	82.048	67.415	63.15

BANKING DEPT. COMPARATIVE STATEMENT

(000's omitted)

	July 9, 1943.	July 2, 1943.	July 10, 1942.	Sept. 1, 1939.
Cash ..	10,75,70	12,66,39	11,13,27	35,15,27
Bills Purchased and Discounted:				
(a) Internal ..	..	..	..	..
(b) External ..	..	..	..	..
(c) Govt. Treasury Bills	..	29,98	6,24	1,15,67
Balances held abroad* ..	84,66,86	81,83,06	79,47,10	10,08,33
Loans and Advances to Government ..	..	..	21,00	31,00
Investments ..	64,00	7,37,68	8,12,04	6,81,34
Deposits:—				
(a) Govt. ..	24,45,05	25,39,19	18,39,85	14,89,43
(b) Banks ..	54,13,46	53,03,24	63,92,25	26,91,43
(c) Others ..	3,27,43	3,11,89	2,16,85	1,24,37

* Includes cash and short-term securities.

STERLING PURCHASES

(000's of £)

	Total Amount Purchased.	Average rate.
1943:—		
January	8,132	1sh. 6d.
February	11,070	1sh. 6d.
March	17,779	1sh. 6d.
April	9,219	1sh. 6d.
May	8,721	1sh. 6d.

SCHEDULED BANKS

(COMPARATIVE STATEMENT)

(In thousand Rupees)

	9-7-1943	2-7-1943	10-7-1942	1-9-1939
Demand Liabilities in India ..	423,72,74	423,22,64	274,60,16	134,36,49
Time Liabilities in India ..	133,30,61	131,72,83	97,60,57	102,24,34
Cash in India ..	18,98,08	18,16,60	12,12,19	6,69,92
Balances with Reserve Bank ..	53,02,89	50,73,77	62,19,22	25,17,19
Advances in India	146,04,89	142,34,52	89,35,52	101,52,16
Bills discounted in India ..	4,46,32	4,66,22	1,86,50	3,57,29

IMPERIAL BANK OF INDIA

As on 2nd July 1943.

Liabilities	Rs.	Rs.
CAPITAL—		
Authorized — 2,25,000 shares of Rs. 500 each	11,25,00,000	
Issued and Subscribed —2,25,000 shares of Rs. 500 each ..	11,25,00,000	
Called up—75,000 shares of Rs. 500 each, fully paid ..	3,75,00,000	
1,50,000 shares of Rs. 500 each, Rs. 125 paid ..	1,87,50,000	
		5,62,50,000
Reserve Liability of Shareholders—Rs. 375 per share on 1,50,000 shares	5,62,50,000	
Reserve Fund		5,75,00,000
Fixed Deposit, Savings Bank, Current and other Accounts ..		190,53,24,000
Loans against Securities per contra		..
Acceptances for Constituents		..
Sundries		2,82,67,000
Total Rs. ..		206,66,89,000

Assets	Rs.	Rs.
INVESTMENTS:—		
Government Securities	133,83,30,000	
Other Authorized Investments ..	2,09,82,000	
		135,93,12,000
ADVANCES—		
Loans	10,03,96,000	
Cash Credits and Overdrafts	24,20,03,000	
Bills Discounted and Purchased ..	3,11,01,000	
		37,35,00,000
Liability of Constituents for Acceptances per contra		..
Dead Stock		1,71,41,000
Sundries		9,11,00,000
Bullion		..
CASH—		
In hand and with the Reserve Bank of India	26,87,74,000	
Balance with other Banks	1,95,04,000	
		31,45,29,000
Total Rs. ..		204,73,41,000

TENDERS FOR TREASURY BILLS

(In thousands of rupees)

Week Ending	Amount Tendered	Amount Accepted	Average Rate	Inter.	Sold in favour of Issue Dept.
1943	Rs.	Rs.	Rs. a. p.	Rs.	Rs.
Mar. 2	12,15,50	8,00,00	1-1-11	3,69,25	7,96,00
„ 9	12,29,75	8,00,00	1-1-11	2,18,25	13,62,00
„ 16	11,39,75	8,00,00	1-1-11	35,00	14,42,00
„ 23	11,04,00	8,00,00	1-1-10	75,25	3,33,50
„ 30	1,80,25	1,63,25	1-1-11	64,00	22,92,00
Apl. 6	5,71,00	5,31,50	1-2-0	14,50	2,53,50
„ 13	9,01,00	8,00,00	1-2-0	2,24,75	39,98,00
„ 20	7,64,25	7,58,00	1-2-0	2,29,25	11,77,00
„ 27	12,54,50	8,00,00	1-2-0	1,22,00	5,41,00
May 4	15,12,00	8,00,00	1-1-9	4,44,00	2,35,50
„ 11	15,07,00	8,00,00	1-1-7	2,90,75	1,57,00
„ 18	12,79,75	8,00,00	1-1-0	2,75,50	10,64,00
„ 25	11,92,50	8,00,00	1-1-0	1,40,00	7,91,00
June 1	11,88,00	8,00,00	1-1-0	3,90,25	6,57,75
„ 8	12,31,50	8,00,00	1-1-0	5,70,50	6,66,75
„ 15	12,80,25	8,00,00	1-1-0	8,74,25	3,57,00
„ 22	11,11,00	8,00,00	1-1-0	4,11,50	6,83,50
„ 29	9,07,00	8,00,00	1-1-0	1,20,75	7,82,00
July 6	4,81,25	3,12,25	1-0-0	40,50,00	3,15,50
„ 13	13,22,25	8,00,00	0-15-11	..	35,59,00
„ 20	15,93,76	8,00,00	0-15-9	..	10,64,25

Dates of Maturity of Government of India Treasury Bills Outstanding

Date of Maturity	Amount (000's of rupees)
15th July, 1943	1,50
16th „ „	8,56,75
19th „ „	1,01,00
21st „ „	1,07,50
22nd „ „	7,55,50
24th „ „	4,00
26th „ „	5,00
27th „ „	8,00
28th „ „	1,92,00
29th „ „	65,00
30th „ „	9,09,00
1st August „	62,00
3rd „ „	16,00
5th „ „	1,33,50
6th „ „	1,04,50
7th „ „	8,19,75
8th „ „	28,00
10th „ „	5,00
12th „ „	2,16,50
13th „ „	90,25
14th „ „	7,28,25
17th „ „	40,50
19th „ „	1,14,25
20th „ „	7,89,25
24th „ „	36,50
26th „ „	2,69,25
27th „ „	1,15,00
28th „ „	7,51,00
29th „ „	50,00
31st „ „	5,00
Total ..	7,37,975

SUGAR POSITION—1942-43

(Figures in Tons)

Producing Areas.	Production up to 7-7-43.	Progressive total of despatches from 1-12-42 to 7-7-43.	Percentage of progressive despatches to Production.	Physical stock as on 7-7-43.†
U.P. ..	6,13,248	3,33,073	54.3	2,80,175
Bihar ..	2,37,671	1,27,748	53.7	1,09,923
Bombay ..	77,191	47,283	61.3	29,908
Madras ..	31,582	19,004	60.2	12,578
Punjab ..	6,579	4,745	72.1	1,834
Bengal ..	16,537	3,170	19.2	13,367
N.-W.F.P. ..	3,167	2,338	73.8	829
Orissa ..	2,092	1,628	77.8	464
Sind ..	2,008	777	38.7	1,231
Indian States*	81,585	49,781	61.0	31,804
Total ..	10,71,660	5,89,547	55.0	4,82,113

† Balance Physical Stock of 1941-42 Season as on 7-7-43 was 81,066 tons.

* Information received from Indian States is not complete.

INDUSTRIAL PRODUCTION IN INDIA

Months	Cotton manufactures (excluding twist and yarn.)			Cotton piecegoods.			Jute manufactures (including twist and yarn.)			Paper.		
	1941-42 (1)	1942-43 (2)	% change + or − of (2) over (1)	1941-42 (1)	1942-43 (2)	% change + or − of (2) over (1)	1941-42 (1)	1942-43 (2)	% change + or − of (2) over (1)	1941-42 (1)	1942-43 (2)	% change + or − of (2) over (1)
	lb (million)			yds. (million)			Tons (000)			Cwts (000)		
1942:												
April ..	80.62	83.35	+3	340.8	332.8	−2	101.43	97.41	−4	161.69	110.35	−32
May ..	82.90	87.13	+5	347.4	352.8	+2	100.75	82.98	−18	168.67	102.28	−39
June ..	87.48	95.11	+9	373.9	377.9	+1	94.51	79,66	−16	147.58	104.51	−29
July ..	92.54	98.4	+6	386.0	394.7	+2	105.54	87.57	−17	158.44	115.20	−27
August ..	94.45	74.23	−21	389.1	274.0	−30	97.52	85.98	−12	157.21	109.84	−30
September	96.28	72.11	−25	391.2	259.3	−34	102.00	87.65	−14	157.27	104.47	−34
October ..	89.52	69.68	−22	366.2	248.2	−32	107.43	75.65	−30	157.81	115.85	−27
November	97.94	75.24	−23	400.0	269.6	−33	115.18	85.58	−26	158.70	113.32	−29
December ..	107.96	99.60	−8	444.5	386.0	−13	123.00	87.61	−29	153.65	125.29	−18
1943:												
January ..	91.88	96.21	+5	367.6	386.0	+5	111.26	73.12	−34	159.51	113.66	−29
February ..	86.50	..	..	344.6	..	..	105.56	..	..	149.60	..	..
March ..	85.30	..	..	342.2	..	..	94.65	..	..	140.80	..	..

Figures for 1942-43 are provisional.

* Monthly survey of business conditions in India (January 1943).

VALUE AND VOLUME OF FOREIGN SEA-BORNE TRADE OF INDIA

EXPORTS

Commodities.	Volume. Jan. 1943.	Dec. 1942.	Jan. 1942.	Value. Jan. 1943. Rs. (000)	Dec. 1942. Rs. (000)	Jan. 1942. Rs. (000)
Jute raw ..	12155 tons	32,249 tons	32,664 tons	53,60	1,35,14	1,22.17
Jute manufactures including twist and yarn ..	32,804 tons	73,051 tons	71,574 tons	2,07,06	4,62,96	5,46,84
Cotton raw ..	945 tons	539 tons	5,412 tons	10,47	6,92	27,27
Rice not in husk ..	(a)	23,000 tons	23,000 tons	(a)	64,04	36,78
Wheat ..	(a)	394 tons	14,398 tons	(a)	63	21,54
Oilseeds ..	47,594 tons	40,524 tons	37,085 tons	1,02,44	82,82	58,06
Tea ..	17,857,000 lbs.	41,015,000 lbs.	25,504,000 lbs.	1,78,81	4,02,08	2,32,45
Hides tanned or dressed	1,148 tons	461 tons	1,617 tons	27,34	10,58	37,47
Skins tanned or dressed	426 tons	258 tons	341 tons	20,23	14,27	16,72
Lac ..	15,000 cwt.	19,000 cwt.	102,000 cwt.	14,40	19,29	83,16
Hides raw (cow) ..	..	141 tons	685 tons	..	1,54	5,91
Hides raw (buffalo) ..	53 tons	15 tons	93 tons	1,17	16	86
Skins raw (goat) ..	1,068 tons	1,612 tons	2,069 tons	18,48	28,88	32,18
Skins raw (sheep) ..	8 tons	14 tons	64 tons	10	32	2,06

IMPORTS

Cotton manufactures including twist and yarn	..	..	..	3,56	8,84	20,70
Cotton raw ..	11,063 tons	2,839 tons	12,705 tons	2,24,37	60,35	1,45,13
Cotton piecegoods ..	0.1 million yds.	0.6 million yds.	2.4 million yds.	90	3,90	10,70
Other Textiles ..	..	..	..	5,09	4,62	24,14
Metals and Ores ..	5,413 tons	8,340 tons	8,585 tons	37,11	53,22	62,26
Machinery and Millwork ..	..	..	..	62,95	65,91	84,80
Liquors ..	52,000 gallons	35,000 gallons	230,000 gallons	4,99	3,47	21,07
Vehicles including locomotives for railways	..	..	..	47,04	18,83	46,29
Motor-cars including taxi-cabs ..	..	1 (number)	183 (number)	..	13	4,35
Provisions and Oilman's Stores ..	..	..	..	4,70	4,37	26.98
Hardware excluding cutlery and electro-plated ware ..	..	..	..	5,09	7,80	11.99
Instruments, Apparatus and Appliances ..	..	..	..	28,19	24,61	28,17

STATISTICS OF STRIKES IN MAY 1943

Period	Number of strikes	Number in which wages were the cause	Number of workers involved	Number of working days lost	Results. Successful	Partially successful	Unsuccessful	Indefinite	In progress
Total for 1942 (Provisional) ..	654	381	8,20,495	52,93,027	84	164	303	5	98
May, 1942 ..	51	30	47,778	1,86,329	12	10	18	..	11
1943									
January ..	103	51	1,00,271	4,41,813	14	45	37	..	7
February ..	60	35	46,520	1,91,410	7	20	24	1	8
March ..	61	41	48,533	1,19,161	6	20	18	1	15
April ..	98	74	17,180	80,781	8	41	28	5	16
May ..	84*	65	20,575†	97,953‡	3	7	18	6	50

*Including strikes in 40 textile factories in Surat which began on the 12th May, 1943.

†Does not include figures in respect of 2 strikes each in Bengal and U.P.

‡Does not include figures in respect of 44 (including 40 strikes in textile factories in Surat), 2, 4 and 1 strikes in Bombay, Bengal, U.P. and Madras, respectively.

INDEX NUMBERS OF WHOLESALE PRICES BY GROUPS OF ARTICLES

ALL INDIA *

(Prices for week ending 19th August 1939=100)

	Jan. 1943.	Dec. 1942.	Jan. 1942.
I. Food and Tobacco	190.8	178.5	128.4
II. Other Agr. Com.	183.3	177.9	130.2
II. Raw Materials ..	171.5	171.4	158.7
IV. Manufactured Articles ..	224.1	221.5	158.6
V. Primary Commodities ..	182.0	175.6	139.8
VI. All Commodities	190.4	184.7	143.7
II. Chief Articles of Export ..	177.2	171.3	142.2

*Issued by the Economics Adviser, Govt. of India.

BOMBAY

(July 1914=100)

Commodities.	No. of Items.	Mar., 1943.	Feb., 1943.	Mar., 1942.
Foodgrains ..	..	211	212	142
Cereals ..	7	202	204	145
Pulses ..	2	244	242	132
Sugar ..	3	222	218	151
Other Food ..	3	253	268	143
All Food ..	..	222	225	143
Oilseeds ..	5	156	153	102
Textiles ..	..	174	169	104
Cotton, Raw ..	5	94	94	71
Cotton, Manufactures	6	307	293	159
Other Textiles ..	2	83	83	83
Hides and skins ..	3	99	99	99
Metals	5	746	742	657
Other Raw and Manufactured Articels ..	4	232	232	220
Non-food	..	274	271	226
General Index ..	..	256	255	197

CALCUTTA

(Prices in July 1914=100)

Commodities.	June 1943.	May 1943.	1942.	1939.
Cereals ..	447	473	157	86
Pulses ..	365	374	162	99
Tea ..	130	192	241	142
Other Food Articles ..	565	545	298	125
Oilseeds ..	272	281	143	106
Mustard Oil ..	192	197	85‡	81
Jute Raw	134	147	77	90
Jute Manufactures ..	193	195	137	102
Cotton Raw ..	199	199	96	75
Other Textiles (Wool & Silk)	220	262	146	110
Hides & Skins ..	95	95	86	67
Metals ..	342	354	273	147
Other Raw and Manufactured Articles ..	199	183	147	95
All Commodities	319	325	185	108

‡Average of 9 months.

BANGALORE *

(Base year 1914=100)

Particulars.	Feb. 1943.	Jan. 1943.	Feb. 1942.
Foodgrains & pulses	226	198	131
Oils & Oilseeds ..	334	209	112
Other Food Articles	226	214	114
Textiles ..	267	236	141
Others ..	250	248	175
General Index ..	238	222	136

*Compiled by the Department of Industries and Commerce, Mysore.

WORKING CLASS COST OF LIVING IN INDIA SINCE AUGUST 1939

(Base: August 1939=100)

	*Bombay				†Ahmedabad				‡Sholapur				Cawnpore			
	1939-40	1940-41	1941-42	1942-43	1939-40	1940-41	1941-42	1942-43	1939-40	1940-41	1941-42	1942-43	1939-40	1940-41	1941-42	1942-43
August ..	100	109	125	160	100	107	126	168	100	104	118	158	100	112	130	208
September ..	101	107	123	162	104	108	126	160	100	103	119	162	105	113	133	202
October ..	103	108	119	164	103	108	126	166	103	103	123	177	105	112	134	206
November ..	104	108	120	170	111	111	129	188	108	105	130	196	105	112	143	224
December ..	108	110	123	179	115	108	136	204	114	104	136	201	112	111	151	224
January ..	109	111	130	193	111	108	130	237	110	105	132	201	114	110	145	225
February ..	107	113	129	195	108	108	129	226	108	105	127	207	112	108	144	234
March ..	105	113	130	198	107	108	132	237	103	108	132	219	109	106	150	246
April ..	105	115	131	214	107	111	136	..	101	107	136	..	110	107	149	268
May ..	106	116	135	..	105	112	141	..	103	107	142	..	109	108	155	299
June ..	106	116	145	..	110	114	152	..	104	111	149	..	108	114	175	..
July ..	108	120	160	..	108	121	160	..	104	115	153	..	109	126	190	..

*Base: Year ending June 1934. †Base: Year ending July 1927. ‡Base: Year ending January 1928.

Month	*Nagpur				*Jubbulpore				†Lahore				†Madras			
	1939-40	1940-41	1941-42	1942-43	1939-40	1940-41	1941-42	1942-43	1939-40	1940-41	1941-42	1942-43	1939-40	1940-41	1941-42	1942-43
August ..	100	111	125	183	100	117	131	202	100	102	120	177	100	110	117	140
September ..	100	111	125	183	107	124	138	202	103	108	125	183	105	110	117	149
October ..	98	117	125	184	105	124	138	202	104	111	133	186	106	111	117	155
November ..	105	114	131	190	107	124	141	214	123	115	143	191	107	112	120	159
December ..	§116	113	136	208	§119	119	153	231	123	115	143	252	110	112	123	161
January ..	111	111	138	212	112	119	148	228	109	113	143	264	109	110	119	164
February ..	105	109	134	234	107	117	147	292	108	111	147	255	106	110	117	167
March ..	105	108	133	262	109	121	155	278	110	109	145	254	107	110	117	173
April ..	106	113	138	291	110	124	155	279	110	120	148	..	108	111	121†	176
May ..	111	113	145	..	112	122	158	..	101	113	155	..	109	110	123	..
June ..	109	116	160	..	116	126	178	..	100	109	162	..	109	111	131	..
July ..	108	120	181	..	119	134	199	..	102	114	166	..	109	115	136	..

*Base: Year ending January 1927. †Base 1931-35 †Base: Year ending June 1936 §Revised figure.

PRICES OF PRINCIPAL COMMODITIES

Commodities.	Grade & Quality.	Market.	Unit.	This Week* Rs. a. p.	Last Week. Rs. a. p.	A year ago. Rs. a. p.	1939. Rs. a. p.
Rice (not in husk).	Kalma No. 1.	Calcutta.	per md.	32 0 0 to 33 0 0	31 0 0 to 32 0 0	8 8 0 to 8 12 0	4 14 0
Wheat.	White (1½% dirt & 2% barley).	Lyallpur.	„	9 10 0	9 15 0	5 1 0	2 5 9
Sugar.‡	Marhowrah Crystal No. 1.	Cawnpore.	„	14 8 6	14 8 6	12 3 6	9 15 0
Sugar raw (Gur).	Ahmadnagar.	„	„	16 8 0	16 8 0	8 13 0	7 0 0
Tea.	For export.	Calcutta.	per lb.	0 15 0	0 15 0	1 2 1	0 10 5
„	For consumption in India.	Calcutta.	„	0 9 10	0 9 10	0 14 2	0 4 4
Groundnuts.	Machine decorticated.	Madras.	per candy of 500 lbs.	81 0 0	81 15 0	42 14 0	29 0 0
Linseed.	Bold.	Bombay.	per cwt.	15 4 0	16 0 0	12 4 0	7 2 6†
„	Small Grain.	Calcutta.	per Ind. md.	14 4 0	15 0 0	12 0 0	6 13 6†
Rape and Mustard.	Toria 9% admixture.	Karachi.	per candy of 656 lbs.	91 8 0	91 8 0	63 4 0	36 12 0
Cotton (raw).	M.G. Jarilla Fine.	Bombay.	Fully pressed per candy of 78488 lbs.	581 0 0	581 0 0	..	..
„	**Fine M.G. 4-F (Punjab) R.G.	Karachi.	„	571 12 0	581 4 0	..	..
Cotton Yarn.	No. 10½s.	Bombay.	per lb.	1 8 3	1 8 4	0 10 9	0 4 5
	No. 20s.	„	„	2 5 3	2 5 3	0 15 10	0 6 1
Cotton Piece-goods.	Grey domestics. 35" × 40 yds. × 12 lb.	„	„	2 2 3	2 2 3	1 5 5	0 7 0
„	Grey Dhoties 5% P.B. 44" × 10 yds. ×1-11|16 lbs.	„	„	..	..	2 5 0	..
Jute.	Raw Firsts.	Calcutta.	bale of 400 lbs.	87 0 0	88 0 0	51 0 0	41 8 0
„ Bags	B. Twills 2¼ lbs. 44×20½, 6×8.	„	„	64 0 0	65 12 0†	40 14 0‡	28 13 0†
Wool (raw)	Kandhar (cleaned) Indian qlty.	Karachi.	per md.	55 0 0	55 0 0	50 0 0	32 0 0
Hides and skin (raw).	Cow hides (Agras).	Calcutta.	per 20 lbs.	9 8 0 to 10 8 0	9 8 0 to 10 8 0	9 8 0 to 10 8 0	7 8 0 to 8 8 0
	Goat skins (Good quality).	„	per 100 pieces	110 0 0 to 130 0 0	110 0 0 to 130 0 0	110 0 0 to 130 0 0	100 0 0 to 115 0 0
Hides & skin tanned.	Cow hides.	Madras.	per lb.	0 14 6 to 1 3 6	0 14 6 to 1 4 0	0 14 6 to 1 2 9	0 9 8 to 0 12 10
	Goat skin.	„	„	1 14 6 to 2 4 0	1 14 6 to 2 4 6	1 9 0 to 1 12 0	1 7 6 to 1 12 0
Shellac.	T.N.	Calcutta.	per B. md.	64 0 0	64 0 0	64 0 0	14 0 0
Kerosene Oil.	Superior.	„	per 4 gallons in tin	5 5 9	5 5 9	4 4 9	2 13 3
Coal.	Selected Jharia.	„	per ton into wagon	9 12 0 to 10 8 0	9 12 0 to 10 8 0	4 8 0 to 6 0 0	4 0 0 to 4 12 0
Salt.	Aden Fine ex-Golah.	Calcutta.	per 100 mds.	..	380 0 0	..	..
Pig Iron.	Foundry No. 1.	„	per ton f.o.r.	94 0 0	94 0 0	94 0 0	89 0 0
Copra.	Fair average quality.	Cochin.	per candy of 500 lbs.	162 8 0	162 0 0	120 0 0	43 8 0
Cement.	Indian Swastika.	Calcutta.	per ton f.o.r.	62 0 0	60 0 0	44 0 0	..

Indian Trade Journal, July 15, 1943. †Ready
‡Factory delivery basis. **Karachi Cotton Association.

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The Future of Our Foreign Trade

TO any discussion of the prospects of India's foreign trade after the war, three questions are fundamental: (1) the state of external credits or debits; (2) the balance of trade, and (3) the direction of trade. The practical extinction of our external debt and our vast and growing sterling balances have fundamentally transformed the purpose and pattern of our foreign trade and financial relationship with Britain. The necessity of an annual export surplus which constituted the justification for an unhealthy pre-occupation with the balance of trade has now disappeared. Greater freedom of economic policy will be possible after the war, and foreign trade, in particular an export surplus will be a source of bargaining strength instead of the agent of deflation that it has been in the past.

How has this remarkable transformation come about? Despite the considerable shrinkage in the quantum of foreign trade, viz., about 70 per cent. in imports and 38 per cent. in exports in 1942-43 on the basis of the pre-war year 1938-39, the enormous rise in prices and the greater fall of imports than of exports have led to an increased favourable balance of trade:—

	Rs. Lakhs (including re-exports)
1938-39	17,38
1939-40	48,82
1940-41	42,13
1941-42	79,90
1942-43	84,21

[This does not take into account trade on Government account for which figures are not available.]

What is of greater significance than this absolute increase in the favourable balance of trade is its distribution among the different countries or groups of countries. The war has more or less stabilized the boundaries of the major trading blocks of the world —Continental Europe, the Americas, the British Empire, and the Far Eastern Region. Trade with the Far Eastern Region and the Continental Europe has practically been eliminated. While the absence of exchange restrictions within the sterling area has naturally fostered trade in inter-imperial channels, the acute shortage of shipping and the increased risks connected with long ocean transport have curtailed

trade with distant Empire countries like Britain and Canada. Because of the same factor, and also because of the policy of dollar conservation, trade with the U.S.A. has not grown to such an extent as would have been warranted by the closure of other markets. There was naturally a marked increase in imports from and exports to some of the Middle East countries like Iran, Iraq and Egypt and also Empire countries around the Indian Ocean like Australia, South Africa and Ceylon.

The following table exhibits the distribution of the favourable balance of trade among the principal countries:—

(Rs. Lakhs—excluding re-exports)

Year	United Kingdom	Ceylon	Australia	Canada	S. Africa	U. S. A.	Japan	Egypt	Other Pacific countries
38-39	902	391	56	123	114	410	82	96	1133
39-40	3087	491	311	275	244	1256	530	127	1170
40-41	2899	512	486	317	225	111	1254	+12	1676
41-42	4026	635	737	26	464	1198	719	+129	1491
42-43	2781	1007	1279	176	824	878	284	445	1112

It will be seen that India has a substantial favourable balance of trade with Britain, and to a lesser extent, with Australia, South Africa and the U.S.A. Trade with Egypt, Iran, etc., reflects the uncertainties of the war situation, and the passive balance of trade with Japan was rising until trade was cut off. The striking fact emerges that in spite of the closure of important markets India can by the wide range of her goods and customers always secure a strong and active trade balance.

The full significance of these developments can be readily seen if we view them against the historical background of India's trade in regard to the attainment of a favourable balance. In the years prior to the outbreak of the last world war, India's trade with Europe, America and Japan was gradually increasing. In the year 1913-14, India had an unfavourable trade balance with the United Kingdom to the tune of Rs. 59 crores, compensated by an active or favourable balance of Rs. 55 crores, Rs. 25 crores and Rs. 18 crores with Europe, other Empire countries and the U.S.A., respectively. The last war cut off trade with Europe and improved it with the U.S.A. and Japan. Imports into India from the U.K., and the adverse balance with her were progressively declining until in 1927-28 India's import surplus with U.K. was Rs. 37 crores. In the same year, India's active balance of trade with Europe, U.S.A. and Japan was respectively, Rs. 40 crores, Rs. 17 crores and Rs. 11 crores. That the creditor country, viz., the U.K., could have an export surplus with India in face of her annual interest receipts was based on the existence of multilateral trade and a high degree of commercial interdependence. The balance against India to the U.K. was usually settled by India's large export surplus to European and other countries, India's exports being paid for in sterling drafts on London.

The onset of the depression in 1929 and the progressive imposition of stringent measures of trade control undermined the working of the multilateral system, and the effect of the era of bilateralism, together with the Ottawa Preferences was reflected in the drastic decline of India's favourable trade balance from 1930 onwards with Europe and America. The phenomenal fall of imports in the first three years of the depression reduced India's adverse balance of trade with the U.K. to Rs. 11 crores in 1932-33, and recovery witnessed the transformation of the adverse balance into a favourable balance of Rs. 18 crores in 1936-37 for the first time in history. India's favourable balance of trade with the rest of the world in 1936-37, the year of boom, had not recovered to its pre-depression level:—

	India's Balance of Trade with United Kingdom (Rs. crores)	Balance with all other countries (Rs. crores)	Total Favourable Balance (Rs. crores)
1913-14 ..	59	+ 125	+ 66
1928-29 ..	41	+ 126	+ 85
1936-37 ..	+ 18	+ 59	+ 77

The increased export to the United Kingdom in the decade from 1928 was the inevitable development of the conditions caused by the breakdown of multilateralism. India a debtor country, deprived of her trade with other countries, could no longer allow an import surplus to Britain, and an export surplus remained the only means of discharging her annual obligations to her.

Just as the depression by short-circuiting the transfer routes compelled Britain to take her dues from India in the form of more imports, so might the present war make it obligatory on India's part to accept British goods in satisfaction of the sterling balances. Our sterling reserves with Great Britain are, like those of Argentine, a sort of "blocked" account, and a bilateral settlement of the account, as permitted in the case of Argentine, may perhaps be suitable without prejudice to the working or merits of any multilateral clearing to be set up after the war. In that case, India cannot maintain an export surplus to Britain, as she has been doing since 1936-37.

It is, however, not necessary that such a settlement should take place. In fact it is in averting such a contingency, in case it should prove disadvantageous that the transformation in India's status mentioned at the outset should help us. Britain could get raw materials and foodstuffs on extremely advantageous terms from us as the result of bilateralism; but India can never get capital goods on those terms. The experience of history goes against it. We must guard against the probability of our sterling assets being wiped out in payment possibly for second-hand lorries, automobiles and machinery at exorbitant prices. If, however, on strictly competitive grounds British goods should prove economical, India can surely buy from Britain,

What will happen to our favourable balance of trade then? The necessity for the suitable stimulation of our exports with a view to obtaining foreign exchange for capital imports to finance a plan of industrialization can hardly be overstated. For this purpose, a series of bilateral agreements with a number of individual countries may not be as useful as multilateral clearing. India's strength so far has consisted in her ability to sell her wares all the world over. Her exports are not so narrowly specialized as to be at the mercy of one individual customer or replaced by one substitute in the field. The diversification in the range of goods and customers has saved her from grave ruin. This strong point could be exploited only in multilateral trade, and not in bilateral strait jackets, because her weakness lay

in buying mainly from one market—Britain. But if we are to take full advantage of the varying specialized industrial skill of different countries, we shall have to distribute our purchases among them more evenly, thereby securing the advantages of a wide network of multilateral trade.

The multilateral mechanism grew out of British overseas investments, and out of her debtors' transfer of interest and dividends. It served also to bring about exchange of raw materials and other goods between nations on the basis of differences in natural resources and productive equipment. The system survived the temporary disruption of 1914-18, thanks largely to the outflow of American capital till 1928. The cessation of capital flow and the crisis of 1930 were the beginning of the further disintegration of the system. The war has on the whole weakened the structural bases of multilateral trade. Britain has drawn very largely on her overseas investments, and the United States' growing creditor position is not likely, due to the elimination of financial indebtedness under Lease-Lend, to necessitate the same roundabout transfer payment as before. Even the possible resumption of international lending may not give rise to the transfer problem as of old, as may be seen from the details of allied currency proposals.

The differences in natural resources and productive equipment also have narrowed down considerably with the spread of industrialization, the growth of autarchy and the development of synthetic materials such as artificial textile fibres, synthetic rubber, plastics, etc. The investment of an enormous amount of capital in the synthetic rubber industry in the warring countries and the prospects of commercial exploitation of many other products may revolutionize world trade in many raw materials.

Nevertheless the advantages of international division of labour are real and substantial. The broad dichotomy of old between agriculture and industry is no longer true today. There is manufacture and manufacture, and extreme specialisation of skill and equipment is the rule now. India can look forward to a number of countries competing to give her equipment and skill. Equally she can, even in an age of synthetics and plastics, count upon her exports of jute, cotton and piecegoods, tea, rubber, oilseeds and other goods peculiarly her own to help to finance her imports. Given a suitable commercial policy, it should be easy for her to have an export surplus with the United Kingdom and get it adjusted against an import surplus with the U.S.A. or the Continent, or Australia or any other country, if that is found advantageous. Where exactly we should buy from will depend upon a complex of considerations which cannot be decided in advance. The mode of purchase need not necessarily assume a triangular transaction. Whatever the mode of purchase, there is great need to conserve our external reserves, and this can be done only by safeguarding our sterling balances and maintaining exports. For political and other reasons India is unlikely to permit an influx of foreign capital in the future, and if, therefore, the pace of capital formation has to be limited to the volume of our own resources, an equalization of imports and exports under bilateralism will be forced upon us. Our demand must therefore be for an absolute and unconditional command over our foreign reserves. This when secured, and the resulting freedom to shape our trade and monetary policies in the way we choose, together will render our external balance sheet one of impregnable strength. It is to this sheet-anchor of industrialization that India should look with hope in the difficult era of reconstruction ahead.

Exchange Control in the Currency Plan

ONE of the essential conditions of success of the currency plans sponsored by America and Britain is how far they can reconcile the free economic systems and the controlled economic systems of different countries and fit them both into their schemes. There is no question that exchange restrictions and clearings and bilateral agreements are expected to be abandoned in the post-war world. British and American plans agree completely on that point. But what about the controls of exchange inevitable in circumstances of a country's embarking upon a programme of planned economic development? The case of Russia will provide the test by which we can measure the possibility or otherwise of success of the currency schemes. Russia's foreign trade is entirely a Government monopoly. Started in the initial stage as a measure to control and prevent the sabotaging of Government enterprise by the private sector which had been permitted for some time, it soon developed into a full-fledged plan and became part of the entire socialistic economy inside the country. Imports had to be regulated so as to permit the entry of such materials and machinery as were absolutely essential for Soviet planning. Exports had also to be controlled to a corresponding degree in order to get hold of foreign exchange for financing essential imports and also to use them as a bargaining counter in the purchase of machineries from abroad. Thus the entire foreign trade of Russia became a State monopoly and all transactions so far as Russia was concerned, had to be dealt with by a department of Government.

We in India are equally interested in this matter. Whatever be the shape of things to come in the future, it will be universally admitted that economic planning of some kind is an undispensable condition of all material progress. The relation between State enterprise and private sector may admit of a wide range of flexibility and elasticity. But the economic development which we plan cannot be directed on right lines unless the State reserves to itself the powers to plan its exports and imports of goods and services of all kinds

so as to subserve the success of the plan. This is the more necessary in India as the amount of foreign capital that we may import may become limited on account of our unwillingness to accept the conditions which may be imposed by the creditor countries. We shall, therefore, be compelled to use our export surplus in the most effective manner by restricting its use to the imports of essential materials and capital goods and by a system of priorities. India cannot accept any monetary arrangement which falls to confer this power on her.

In contrast to the American plan, the British plan is more sympathetic to the freedom of a country to regulate its own foreign trade. According to the British plan (1) there should be the least possible interference with internal national policies and the plan should not wander from the international terrain, (2) the technique of the plan must be capable of application irrespective of the type and principle of government or economic policy existing in the prospective member-States. These features should make the British plan the more acceptable for Russia and countries like India. The American plan for a world stabilization fund, would require radical alterations in the Russian organization of foreign trade and also prevent in other countries the development of a government foreign trade policy as instrument of planning internal economy. Apart from two such cases there is no doubt that debtor nations (whether they adopt a planned economy or not) will have to keep a close hold on the movements of their foreign trade. State intervention in foreign trade will therefore continue and be widespread after the war.

The question whether such controls of foreign trade as are implied in economic planning are desirable in the post-war period and whether countries should not turn their backs upon these controls is in our judgment merely an academic one. We have to face the hard realities of the situation. It is unbelievable that Russia which has made so great a sacrifice in the war can either be ignored or compelled to fit herself into the strait jacket of the American plan. However hard the task may be, it will be necessary, if the American plan is not to break upon the rock of unfettered freedom of exchange control, for the plan to provide for such different economic systems.

The American plan undoubtedly makes an exception or qualification in respect of controls involving capital transfers. This concession is of course inevitable as without the power to control short-term capital movements the world will once again be plunged into a state of financial and economic anarchy. No country can indeed avoid controls on capital movements. Britain, for instance, if she is to continue and maintain the policy of cheap money as a vital part of her policy after the war as envisaged by her Chancellor of the Exchequer, must have the power to control capital movements. She cannot control the rates of interest at home if movements of capital out of the country are unrestricted. Unless the aggregate of the new investments which individuals are free to make overseas is kept within the amount which her favourable trade balance is capable of looking after, the Government would lose control over the domestic rate of interest.

For an opposite reason India should also have the power to regulate the movements of capital. If her internal capital resources are inadequate, her expansionist programme will be checked unless (a) a complete control of imports is secured, or (b) foreign capital becomes available in quantities and under conditions acceptable to her. Both the plans are essentially arrangements for equilibrating the short-term credits and debits. But unless countries like India are assured of supplies of long-term capital, they will either have to abandon frankly their economic plan or break away from the international system by adopting a completely national expansionist policy to the extent possible. Neither the British (supposedly more expansionist) nor the American plan has regard to the desire of less advanced countries to develop their productive capacities. We shall therefore have to reserve our judgment until the machinery for international capital movement is devised. The currency plans are at best partial solutions for temporary adverse balances.

It is also not clear how the power to control capital movements can be exercised unless it is also accompanied by the power to control foreign trade. If all current transactions should be entirely devoid of control, it will be difficult to control capital transactions as import surplus and export surplus should be regarded only as short-term capital credit and debit respectively. On the whole, it is clear that both the schemes should only be regarded as frankly tentative and as needing a lot of modifications if they are to become acceptable to the rest of the world or to hope to attain any degree of success. The difficult task of reconciling the interests of free national economies and controlled national economies must be achieved, and without this reconciliation, success is problematical.

It is, however, no use disguising the complexity of this task. Controlled economies might be able to dump their articles abroad in their anxiety to get foreign exchange, thereby causing grave disequilibrium in other countries. No international authority can view with unconcern such disturbances to world trade, and it should in those circumstances be open to the international authority to examine the internal costs of such export goods and insist that they are sold only at prices that equal costs. It should be a condition on planned economic systems that they would subject themselves to this control and that if they wanted, for social and other non-economic reasons, to subsidize certain fields of production they should do so overtly and not in a disguised form. This will not be too high a price for the degree of freedom which they can have in the matter of export and import control.

At the same time, we should remember that when a country dumps its products abroad, it is incurring a loss. It is unlikely to do so for sheer malicious fun, unless it is desperately in need of foreign exchanges, probably in the interest of its domestic economic development. Any international monetary scheme, therefore, should be supplemented by an institution for proper international distribution of raw materials and long-term capital to satisfy the genuine needs especially of the comparatively backward countries.

The Week's Notes

CLOTH MERCHANTS ON WAR PATH

It is reported that at a recent meeting the Managing Committee and representatives of the various cloth and yarn merchants associations in Bombay have recommended to all merchants that until suitable amendments are made in the Cloth Control Order, no further deliveries of the outstanding stocks from the mills should be taken. It will be recalled that some weeks back a new body called the All-India Cloth and Yarn Merchants' Association was improvised to press the case for extension of time in the declaration and disposal of stocks upon the Textile Board and that the Government refused to accede to their representations. The decision to refuse to take deliveries of stocks seems to be the sequel to this. The cloth dealers will be sadly mistaken if they imagine that they can browbeat the Government and textile industry into obedience to their demands; the Government and the textile industry, on the other hand, should take up the challenge and see that the scheme is not sabotaged. The Chairman of the Control Board has categorically assured the trade that the prices need not decline by more than 40 per cent. from the level of recent months and that if they go down still further, measures will be taken. There is no justification for the revolt of the cloth trade in face of this assurance. The clauses regarding the distribution and disposal of stocks in the Control Order are the most difficult to enforce, and even Mr. K. D. Thackersey admitted the existence of large hoarded stocks in the corners of Native States. Reports are already being received that cloth is going underground and there is reason to fear that the stock declarations are going to be a serious under-estimate. Government should, if necessary, organize the task of distribution themselves by creating the requisite machinery, if trade non-co-operates. The millowners should, for their part, organize their own shops for the sale of cloth.

BOMBAY MILLS AND DIRECT SALES OF CLOTH

In this connection the proposal of the Bombay Millowners' Association to open cheap cloth shops for their own employees and for the residents of Bombay, now under consideration by Government, can with advantage be adopted on a countrywide scale, and certainly in all the producing centres. The main features of the scheme are: (1) the whole scheme of cloth sale will be executed on behalf, at the risk and on account of cotton mills in Bombay, the losses or profits being distributed in a manner to be decided by the Sub-Committee of the Association; (2) the types of cloth and the rations will be decided by the Sub-Committee; (3) the retail price of cloth will be the wholesale price plus 6¼ per cent. to cover overheads. Given the necessary transport facilities, the scheme can be extended to a wide area. The margin between the wholesale and retail prices also is quite reasonable and is sure to be less than the one likely to prevail if left to trade itself. The textile industry has made some sacrifice in public interest, and Government have sacrificed excess profits. It would be unfortunate if the control should fail on the side of distribution. The Control Board and the Government should bestir themselves to energetic action to bring the merchants to their senses. If necessary, the cost of distribution may be fully provided for by fixing retail prices to include the full cost of handling and transport.

COAL SHORTAGE

The coal supply position appears to be reaching a crisis. A few days ago the jute mills in Calcutta voluntarily declared a week's holiday as coal supplies would not reach them. All the seven cotton mills in Sholapur were compelled to close for four days. Some mills are reported to have closed in Cawnpore, Surat and Ahmedabad. It is apparent that a coal shortage at this juncture to the cotton textile industry will have a crippling effect on its activity. The industry is too busy producing standard cloth and otherwise making an effort to co-operate with the Government in the cloth control scheme, and the country cannot afford to allow the curtailment of output in cloth, which will be inevitable if the shortage of coal continues.

As to the cause of the shortage, the Government should clarify whether it is a production shortage or distribution shortage. From accounts appearing in the Press it would appear that the immediate cause is the breach over the E.I. Railway, due to heavy floods, which cut off direct transport communication with the coalfields, and it may take several weeks for normal running to be restored. It is reassuring to be told that the authorities have taken steps to see that textile mills do not close down and that coal is already on its way to Ahmedabad. But, if the difficulty was only one of transportation, it is hard to believe that mills in Sholapur would not have had stocks to last for four days without supplies arriving. The Government must let the public know the proportions in which coal is at present distributed between the railways, industry and the general public. Transportation difficulties there will always be in war time, but the railways cannot make that an excuse for keeping industry precariously perched in the matter of stocks. The Government should intervene at once and prevent a further deterioration of the situation.

THE TURN IN THE PRICES?

The latest figures of the index number of wholesale prices show that for the first time since about the middle of 1940 the price index has fallen by more than a few points in a month or so. Some of the figures given out are indeed striking. Thus the Calcutta index number for all commodities, after steadily rising from 250 (base July 1914=100) in January to 325 in May, declined to 319 in June. The Economic Adviser's all-India index number which steadily increased from 190 in January to 246 in the middle of June, thereafter dropped by 8 points by July 10, 1943.

It would, however, be premature to say whether this represents a definite turn in the tide or whether it is only a temporary interruption in the general trend. It would also be improper to ascribe at this stage the fall in prices wholly to the anti-inflationary measures recently adopted by the Government. None of the monetary indices so far appear to have been in the least affected by the Government measures. The demand liabilities, the time liabilities and advances in India all seem to maintain their upward trend and note circulation has also continued to increase steadily.

The Government textile control measures have undoubtedly achieved a measure of success. Wholesale prices of piecegoods have fallen by nearly 25 per cent. On the contrary, the fall in the price of raw jute from 147 to 134, is due to entirely extraneous causes. The refusal of the United States to purchase raw jute until the contract with the Indian Jute Mills' Association is completed, has put the cultivator in an unenviable position in which they may be compelled to sell their produce to the mills who are the only purchasers. While there are these special factors, we have also to notice certain peculiarities in the recent changes in prices. In Calcutta, for example, in June as compared with May, prices of cereals fell from 473 to 447, of pulses from 374 to 365, of tea from 192 to 130, of wool and silk from 262 to 220 and metals from 354 to 342. Thus prices of foodgrains have fallen appreciably. On the

contrary, "other food articles" show a rise by 20 points from 545 to 565 and "other raw and manufactured articles" have risen from 183 to 193. There has thus been a tilting in the price structure.

The Government has undoubtedly had some success in tackling the speculative rise in prices. Early in May, they put a ban on cotton futures market. By the middle of June, practically all futures markets in commodities and bullion have been made to follow suit. At the same time, the new turn in the European military situation and the prospect that war in that theatre may end unexpectedly, has had a sobering effect on speculative bidding up of prices. It is realized that a large part of the rise in prices is untenable. All told, we may say that the Government has had some success in touching the speculative superstructure of prices at a number of points, but the hard inflationary core is still unaffected.

JUTE CULTIVATORS

The disparity in incomes between the different sections of the population cannot be explained by differences in the quality and nature of the work. It can only be explained by social and economic factors which it is the duty of the state to control and alter so as to subserve economic justice. The plight of the cultivators of jute in Bengal affords striking illustration of the point mentioned above. At a time when the farmers all over India are in receipt of incomes twice and often three times the income they earned three years ago, the jute farmers are able to get for their product less than twice the prices they had been receiving before; yet the jute mill indutsry is prosperous. The Indian Jute Mills Association is a monopoly buyer of jute and has the cultivator at its mercy. The prices at which the Association is prepared to buy once fixed are unalterable, as there is no alternate market either at home or abroad for raw jute. Lately the Association received large orders from U.S. for jute bags at prices which considering the present general level of prices and also the market prices for Hessian must be regarded as low; while the market price is Rs. 22, the price at which the Association has agreed to deliver Hessian is Rs. 19-8. It should not have allowed such prices to have been forced upon it. The Government for reasons best known to themselves are putting a ceiling on prices which can benefit only the foreign consumer. In the case of food grains in which the entire mass of the population is interested, Government have refrained so far from putting ceiling prices. But why in the case of the jute? The least that Government should do is to fix the prices of raw jute at such a level as would ensure the farmer a reasonable return, taking into account the present high cost of living.

It is understood that Government are also contemplating the control of jute industry and that the Indian Jute Mills' Association are not in favour of the Government and have put forward counter-proposals. In the absence of details of the control scheme, we shall have to reserve our judgment. All that may be stated now is that the control should reconcile the interests of the cultivator and the mill industry and not be designed merely to profit the foreign consumers.

GUR CONTROL

The Gur Control Order, promulgated under the Defence of India Rules, seeks to correct the initial defect in the scheme of sugar control, which while enforcing a rigid control over factory sugar, left gur (unrefined sugar) and its products to follow up the rising trend of prices. This obviously disturbed the normal price ratio between factory sugar and gur which stood at 2:1 and consequently resulted not only in dislocating the supply of cane to the factories but also accentuated the demand for sugar which became a relatively cheap commodity. But for the timely interference of the U.P. Government which prohibited the exports of jaggery during the sugar season and also fixed a ceiling price for gur which assured a greater supply of cane, the total production of factory sugar for the current year would have fallen still short of the present figure which is only 80 per cent. of that of 1939-40. To eliminate these disturbing factors, the present order lays down, *inter alia*, that the Controller may, from time to time, fix by notification in the official gazette, for any specified area the maximum prices for gur and different rates of prices for different types or grades of gur. Further the control extends to the restriction of both the quantities and qualities of the manufacture of gur and also prohibits exports except under a permit issued by the Gur Controller of India. Thus the Order is comprehensive enough on paper to secure complete control over production and price of gur.

The probable effects of such a control on the demand for sugar, for gur and its products and on the cane-growers need to be noticed. Perhaps it is known that only about 20 per cent. of the total cane production is processed into sugar while three times as much is turned into gur and the latter is also reported to be consumed as fast as it is produced, nearly 95 per cent. of the jaggery coming into the market before the beginning of the monsoon. In oaher words this means that gur remains one of the chief articles of consumption of practically the whole of the rural population while sugar is primarily an article of urban consumption. The number of producers too is very large in gur manufacture. This being so unless an efficient distributive machinery has already been devised to suit the peculiar conditions of gur manufacture, we fear the Control is likely to make this chief article of consumption now at least available at a higher price scarce to the rural consumers. The insignificant increase in demand for sugar consequent on the high price of gur only shows the preference of the rural population for jaggery. Hence it is necessary, while controlling production, adequate supplies of gur should be made available to the habitual consumers. If this is proposed to be achieved with the existing distributive machinery for sugar, which in spite of the necessary requisites for control that exist has proved unequal to the task of satisfactory distribution to the ultimate consumer, we feel doubtful of the success of the control on gur; on the other hand the interests both of the rural consumer and cane-grower may be adversely affected in an attempt to maintain an adequate supply of cane to the factories and assure the maximum production of sugar.

The control over the price of gur, the maintenance of a parity between sugar and gur prices and also a check on the unnecessary movements of gur for speculative purposes, are undoubtedly necessary. But it is not easy to fix uniform rates of prices for different grades of gur as there is yet no specified number of defined grades or types in gur. The scope for black markets is still greater and it may not even be possible, unlike for the case of sugar, to watch the movements of despatches from the numerous producing centres apart from their reaching the ultimate consumers. In fixing the price of cane care should be taken to avoid the possibility of a change over to other food crops on the part of the cane growers. It is even now reported that the tendency of ploughing out the cane to make room for grain crop is becoming increasingly evident. We hope the Controller would be alive to all the difficulties in enforcing the scheme and would not allow fresh complications to creep in which would very much worsen the position of the consumers in rural areas.

ANTI-INFLATION DRIVE IN MADRAS

The example of the U.P. Government seems to have inspired the Madras Government to launch an anti-inflation drive and apparently it seems to be part

of a general All-India plan. In order to assist the public who are prepared to buy defence bonds, but find the procedure for purchasing them troublesome, the Collector of each district in Madras will specially authorize canvassers, who will be either non-officials or Government servants, to establish contact with the public and collect subscriptions. When receiving any amount, the canvasser will give the subscriber a receipt for it; later on, when the bonds are ready, the canvasser will deliver them to the subscriber in exchange for the receipt originally given to him. In this way, it is proposed to mop up ten crores of rupees by December, 1943. The system is undoubtedly liable to abuses in the hands of minor officials and the enthusiastic "non-officials." The public have not forgotten the harassment and coercion to which the petty officials subjected them in the campaign for "voluntary" subscriptions to the war fund. This campaign for voluntary loans to be executed by officials and non-officials is also bound to result in compulsion. Abuse of official power is unavoidable in such circumstances, and in many cases the poorer agriculturists with very little to save will be forced to invest their minimum incomes in bonds. Government have no means of avoiding this result, once they fix the target and set their zealous officials on reaching it. Apart from the merits of this particular case, there is urgent need for the Central Government to examine how far these ununiform and isolated fiscal measures of the provinces to combat inflation are sound and whether they should not be replaced by a carefully thought programme of anti-inflation measures, if need be. There is nothing to be said in favour of the indirect and often ill-conceived measures devised by each Provincial Government in its own discretion. The latest of such ill-advised measure is the increase of court-fee stamp in U.P., whose only effect will be to create discontent without in the least reducing inflation.

BIG BUSINESS AND GOVERNMENT

That the class that owns the means of production inevitably controls the machinery of the State is a fundamental tenet of the Marxists and their theory of the State. In contemporary democracy, the acquisition of political power by the capitalist class is more indirect, but nonetheless real. In England, the Conservative Party is the ruling class. Contrast its power, influence and stability as the Government of the day with the shaky existence of the Labour Party during its two brief tenures of office in 1924 and 1929. In the contest for the great American Presidency, we know what chances Labour and Socialist candidates have against a "public utility king" like Mr. Wendell Willkie. The British Conservative Party has wide and deep connections with finance, industry and trade. This is true not merely of the back-benchers in Parliament but also of Cabinet Ministers. The late Mr. Neville Chamberlain was a director of the well-known firm Birmingham Small Arms. Lord Runciman was one of the leading shipowners in England when he was President of the Board of Trade, and Lord Londonderry, a leading colliery owner when he was Air Minister. Directors of the Bank of England have in the past attained Cabinet rank. The political power and influence wielded by a Krupp in Germany, a Morgan in America and a Coty in France are well known.

In a recent pamphlet published by the Fabian Society (*The Raw Material Controls* by G. D. N. Worswick) attention is drawn to the fact that in England at present, in the Ministry of Supply, the Minister, the Director General of Controls and the different Controllers for the twenty odd commodities handled by the Raw Materials section of the Ministry are all men who had important business affiliations before the war. The Minister, Sir Andrew Duncan, was President of the powerful British Iron and Steel Federation. The Director General of Controls, Sir Kenneth Lee, was a Director of the District Bank and Chairman of the Tootal, Broadhurst Lee Company. The Controllers of commodities are all drawn from the leading firms handling the respective commodities. The important firms thus connected are: The I.C.I. for fertilizers and sulphate of ammonia, the British Aluminium Co. for light metals, the Lancashire Cotton Corporation for cotton, Baldwins for iron and steel, the British Metal Corporation for non-ferrous metals, the United Tanners' Federation for leather, the Dundee Association of Jute Spinners and Manufacturers, for jute, the Consolidated Gold Mines of South Africa for industrial diamonds, and the Dunlop Plantations, Ltd. for rubber. Evidently some of these firms are monopolistic combines embracing several manufacturing units and controlling supply and prices. But we have to make an important distinction regarding such influence of business interests in Government. It cannot be placed on the same footing as the corrosion of big business into Parliament and Cabinet. The Raw Materials section of the Ministry of Supply is a technical department and it may be claimed by the Government that if there is anything expected of the head of the department and his lieutenants it is technical knowledge and experience. But the fact that these men have been drafted to "control" the nation's industrial resources for the common benefit —particularly for mobilizing and channelling supplies for the war—makes their former business affiliations dangerous to the interests of the community at large. Further it may be interesting to note that of the 25 Controllers only 8 receive salaries from public funds and the rest presumably continue to be maintained in their new positions by their former business affiliations. It is no doubt true that the services of these men were requested by the State and they are placed in their positions exactly because of their business associations. But still we should not ignore the fact that it is hard to expect a social objectivity from people whose profession has always taught them competition for sectional gain.

IF ITALY CAPITULATES

Matters are becoming favourable for the Allies with such rapidity in the Mediterranean theatre of the war that possibly, it is not very premature to contemplate, the economic advantages of the capitulation of Italy. Italy has been supplying all the silk needed for Germany's parachutes, all borax, half the mercury, sulphur and pyrites, as well as considerable quantities of bauxite and zinc, needed by Germany. The allied need for all these commodities is as great as their loss would be serious for Germany. Japan can supply Germany most of these commodities but the problem of transport will be almost insuperable. In case the Axis collapse in Italy as quickly as they did in Tunisia, Germans would have no time to remove any quantities of stocks, machinery or labour which they would do if they get time. Germany had been giving Italy recently considerable quantities of food. It may be an incidental problem to be faced if the Allies undertake to feed the conquered Italians. In view of the fact that the country is likely to be an important base for allied operations against Germany reorganization of farming would not be easy and Allies would have to carry food-supply to the country. So far as economic gains from its occupation are concerned Italy is not likely to be a great asset to the Allies, who have already under their control the resources of three-fourths of the globe. But the loss of Italian resources may prove serious for Germany.

NEWS PAGE

Mr. G. D. Birla has donated a sum of Rs. 60,000 to the University of Calcutta for developing the use of Cyclotrone apparatus for lessening the suffering of mankind. The research work in this connection will be undertaken by the Physics Department of the University.

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In view of the gravity of the rice position in India, the Central Government find it impossible to undertake, until further notice, further exports of rice from India, states a Press Communiqué.

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It is understood that Sir G. S. Bajpai, Indian Agent-General to the U.S.A. and the leader of the Indian delegation to the Hot Springs Food Conference, has been selected as Chairman of the Committee (set up by the interim commission of the Conference) to prepare a plan for the establishment of a permanent international organization for food and agriculture.

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On representation by the concerned interests that the current controlled prices of shellac and seedlac are inadequate to cover the increase in the manufacturing costs, the Government of India has now decided to grant an additional cost allowance of Rs. 7 and Rs. 2 per maund for shellac and seedlac, respectively.

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Mr. Noel Baker, Parliamentary Secretary to the Ministry of War Transport, two weeks ago announced Britain's readiness to play a leading part in the scheme by which the United Nations will collaborate and jointly control post-war world shipping, according to a plan now ready. His statement was in the nature of a pledge given by the British Government to continue in peace the harmony that exists among the United Nations now in war.

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The plenary session of the Tripartite Labour Conference will be held in New Delhi on September 6 and 7, 1943. The Conference will be representative of the Government of India, the Indian States, the Provincial Governments, the Employers' Federation of India, the All-India Organization of Industrial Employers, the Indian Federation of Labour, the Trade Union Congress and other Labour organizations.

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At the 18th annual meeting of the Research Committee of the Central Board of Irrigation which took place in Simla recently, a number of technical problems were discussed including river training, tidal rivers, the estimation of silt loads in rivers and canals, the design of efficient distributary heads, flood discharges from catchments and the lining of canals to prevent loss of water. Sir William Stampe, Irrigation Adviser to the Government of India, addressed the meeting on the subject of increasing the generation of electric power by generating stations situated on canals in order to meet the fuel situation.

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A warning to coffee growers against entering into any forward contracts for the 1943-44 season, in the expectation of an internal sale quota being allotted, has been administered by the Indian Coffee Board.

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America's figures of war production, though impressive, were still falling below requirements, said Mr. Charles Wilson, the Executive Vice-Chairman of the War Production Board, to the Association of Commerce on July 23.

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The Government of Bombay has informed the Property Owners' Association that its request for an increase in the standard rents of all premises cannot be granted, says a Press Note.

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One of the most ambitious schemes ever undertaken in China to promote scientific industrial research has been announced by the Council for the Promotion of Science and Technology. Awards amounting to one million dollars will be made to successful research workers on topics specified by the Council, mainly intended to aid national defence. The subjects include research for rubber substitutes, methods of securing high octane aviation petrol, and new methods in the use of steel and other metals.

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The question of introducing wholesale rationing in Calcutta and the neighbouring industrial and urban areas in the province was the subject of discussion on July 23 between the Supplies Minister to the Government of Bengal, Mr. H. S. Suhrawardy, and the Rationing Adviser to the Government of India, Mr. W. H. Kirby, who is now on a visit to Calcutta.

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The U.S. Secretary for Commerce, Mr. Jesse Jones, speaking on July 21 on the vast extent to which the U.S. Government have financed industrial expansion, said that aircraft engine and spare parts plants built by Government now represented ten times the value of privately-owned investments in the industry. Government owned nine plants for the production of aluminium, and had invested approximately $625,000,000 in plant facilities, sufficient to manufacture more than 800,000 tons of synthetic rubber annually, which is one-third more than they ever used in peace time.

Special Article

Industrial Co-operatives for India

By Vaikunth L. Mehta

REPORTS appeared in the press some months ago that the Government of India were anxious to stimulate the increase of the production of various consumers' goods in the country by the encouragement of cottage industries. No statements have been issued since then, at least in Bombay, about the measures taken by the Central Government to carry out this desire of theirs. Nor has there been any announcement of their policy in this respect on behalf of the Provincial Government. It is true that certain Provincial Governments—among which the Government of the United Provinces take the lead—have utilized the agency of existing industrial co-operative societies in their provinces or have assisted in the starting of new ones to produce goods which are required by the Supply Department. To the extent that this action denotes a preference of co-operative agency over the individual middleman or contractor, this war-time development is welcome to co-operators. It will be idle, however, for co-operators to assume that it constitutes a departure in the general policy of the State towards producers or industrial co-operation. Presumably, Government, Central or Provincial, have yet to be convinced that for certain types of production, the co-operative method is superior not only for securing goods cheaply for war purposes, but for all the time as a system of industrial organization.

Cottage Industries and Planning

It is not proposed to examine, in this article, the social or sociological value of handicrafts or the need for preserving the artistic instincts and traditions of our craftsmen. On the continent of Europe, in Russia, in North Africa, in Japan and even in the most industrialized country of the world, the United States of America, the value of handicraft production and cottage industries in national economy has been appreciated and recognized. The Government of India may be anxious to explore the possibilities of securing for themselves and for the United Nations supplies through an additional channel, but one wonders if they accept the promotion of production through cottage industries as part of a scheme of national economic planning. In case they do so, it will be necessary for them, in consultation with bodies which are interested in the development of cottage industries on a nation-wide scale, with economists, and with the reconstruction committees set up by them two years ago, to determine the types of production which should, as a matter of policy, be encouraged to be carried on as cottage industries, to define the fiscal and other forms of protection and assistance that may have to be extended to such industries and the form of economic organization which can be suitably adopted in the best interests of the workers in the industries and for the efficient production of the requisite commodities.

Objectives of Planning

In defining their policy, it is necessary that Government should keep in mind the principal objectives of planning which, to quote a resolution of the National Planning Committee are: the raising of the standard of life for the workers concerned and the ensuring of a proper standard of consumption. The extension of employment though important as an objective has to be secured on a basis which strengthens the moral fibre of those to whom employment has been provided by organizing it on lines which stimulate freedom, initiative and enterprise. It is doubtful if these ends can be achieved by organizing production for cottage workers through establishments run by entrepreneurs or *Karkhanadars*. Conditions of work in such establishments which cannot, on account of their dispersal, be so well controlled as large sized factories in towns and cities leave, ordinarily, much to be desired; and with the low scales of wages that prevail, conditions bordering on sweating are not uncommon. No one can desire by the encouragement of cottage industries to perpetuate such a state of affairs. The two alternatives are the setting up of state-controlled production centres or of self-governing workshops. It is true that in the former type of organization the abuses incidental to production carried on by middlemen or contractors can be avoided. At the same time, state-controlled industry leaves little or no scope for individuality or initiative and enterprise which are qualities such as are intended to be fostered through the encouragement of handicraft industries. It has to be recognized, however, that these virtues have receded into the background under the stress of economic forces as they have developed in modern societies. In their place, we see slackness, lack of adaptability, absence of enterprise, want of resources and aversion to change. The individual worker is overtaken by a sense of futility if not fatalism, standing alone as he does in meeting the onslaughts of competitive elements.

Co-operation—The Ideal Remedy

The remedy is group action such as is promoted by the co-operative form of economic organization. Co-operation may not be a panacea for the evils of economic life, but it is undoubtedly one of the most potent methods so far devised to promote the economic interests of the small scale producers, whether agricultural or industrial. It gives the artisan and industrial worker the opportunity to enjoy the advantages of large-scale organization without his being turned into a mere wage-earner dependent on a large or small employer, whether it be an individual or a corporate body. It is because of its appreciation of these and such other factors that the Bombay Economic and Industrial Survey Committee (1939) expressed the view that the co-operative method was the ideal method for organizing small scale units. Very similar was the opinion also expressed by the Indian Central Banking Inquiry Committee. It is interesting to recall that Pandit Jawaharlal Nehru writing on his return from jail in 1940 also urged the development and extension of the Khadi industry on a co-operative basis, an advice which he has repeated in his preface to "China Builds for Democracy" by Nym Wales.

Producers' Organisations in Other Lands

In the past, France, Germany, Italy and Russia, to mention only a few among the industrialized countries in the west with a predominant capitalist economy, adopted the co-operative form of organization for the protection and strengthening of their cottage industries and handicrafts. But these producers' organizations nowhere formed an integral part of the national economic structure in the sense in which they seem to

have done in war-time China. The story of their rebuilding the nation's economic life in that country under the stress of war is a fascinating one; but it need not be recounted here. What is important is to emphasize that China has turned to the co-operative form of organization as a new basis for its economic structure, so as to give to domestic industries conducted through self-governing workshops, the valued place to which they are entitled in the nation's economic life. What that place is, is well brought out in the following extract from a statement issued by one of the supporters of the movement in China:

"Our hope is that the method may remake the entire economy of China, lifting the level of living for the people, utilizing great untouched natural resources that can be made available and helping to relieve the combined horrors of homelessness and lack of work. The industrial co-operatives are China's adjustment to a new situation. They are directly in line with the promotion in China of democracy on a grand scale. Every co-operative worker is an owner and, therefore, a leader in his new task; a new social consciousness is evident in the vicinity of each unit ....To save millions from poverty, disease, despair and death as a result of their own efforts is a masterly way to prove the power of co-operative enterprise. The local co-operatives are self-managing and, therefore, democratic. The first actual experience in democracy can easily prove the needed transition step for China's advance towards the republican form of government."

State Aid and Co-operative Organisation

If one conceives of development on a similar nationwide scale in India, one has to consider first the role of the State in the movement. Here, too, much may be learnt from recent experience in China. The organization of work in China has been facilitated considerably by the sympathy and support of the Government of China. Progress was blocked because of the lack of these in early stages. It was not until the Generalissimo, Madame Chiang and Dr. Kung, interested themselves in the project that it got a real start. The raising of funds presented, in the initial stages, serious difficulty and Government had to provide funds and give guarantees. It is because of this backing and the good offices of Government in introducing the co-operatives to banks that the position in the matter of finance has now become easier. One aspect of this question of State aid needs emphasis in India. Although the Government of China make large funds available directly and indirectly, in the form of subsidies for expenses and by way of loanable capital they do not claim any representation on the primary bodies or on the central organizing committee. Apart from financial assistance, Government extend their patronage to the products of the Industrial Co-operatives—in fact in the abnormal conditions created by the war they are the principal customers. They also assist in securing access to raw materials while concessions are allowed in regard to the transport of goods and machinery. Lastly, the work and technical instruction and improvement are facilitated by the Government arranging to establish close contact between the technical and research departments and the organization for the purpose set up by the Central Committee.

Scope for Co-operative Organisation of Industries

There are numerous industries in our country which even in the midst of difficulties that have arisen on account of the war and with the background of the economic policy pursued by Government in India can be taken up for being organized on a permanent basis on co-operative lines. These are industries which require no large outlay of capital for their establishment and running, the skilled and unskilled labour for which is available in plenty all over the country and the tools and plants as well as the raw materials for which are all available locally. Cloth of all descriptions cotton, silk, woollen, jute leather goods, hand-processed foodstuffs, vegetable oil, pottery, paper, soap, matches, bangles and buttons, wood-work, milk-products, all these can, with economy and efficiency, be produced through co-operative organizations. The bodies that could interest themselves in this type of development on an all-India basis—the All-India Spinners' Association, the All-India Village Industries Association and the Go Seva Sangh—political developments have placed out of the field for the time being. Their active participation in any scheme for the building up of the industrial structures through producers' co-operative organizations would have, otherwise, been invaluable. They stand, like the Chinese Industrial Co-operatives, for the decentralization of industrial production, the dispersal of industrial labour, and the carrying on of production in the countryside in the homes and cottages of the people on a basis which ensures to the producers the maximum advantage from their production enterprises. In the enforced absence of these bodies, one hopes that the work in the provinces should be taken up by the unofficial provincial co-operation organization societies, the institutes, the unions and the federations. No plan of campaign will succeed unless it has the sympathy and support of such leaders of the community in various parts of the country whose services are available, irrespective of their party affinities, their creeds and their communities. These unofficial bodies need to be encouraged to make the promotion of industrial co-operatives on a large scale as the first plank in their programme, enlisting for this purpose the support of industrialists, business men, economists and leaders of communities of craftsmen. At the top there may be an *ad hoc* informal board for all-India which should provide the driving force and if need be the material resources. Times being propitious the effort is worth making. Such an opportunity may not recur for the rebuilding of our nation's industrial life by organizing the production of the articles of our daily need on a basis which prevents the accumulation of wealth and capital in the hands of a few, but disperses them widely. Only then shall we be able to ensure to the producer the fruits of his labour and, at the same time, to help in building a democratic industrial system controlled by and in the interests of the workers themselves.

The World Abroad

American Labour and Inflation

(From Our Washington Correspondent)

WASHINGTON, July 24 (By Cable).

THE battle against wartime inflation in the United States has reached what may be described as the most decisive phase during this week when organized labour as represented by the American Federation of Labour and Congress of Industrial Organizations sternly warned President Roosevelt that unless Government was prepared to roll back price level to that of mid-September, 1942, labour would withdraw its support in his measures for wage-price stabilization. Mr. William Green, President of the American Federation of Labour, and Mr. William Murray, President of the Congress of Industrial Organizations, visited White House and told President Roosevelt that if he failed to carry out stabilization of prices in line with stabilization of wages, it would result in consequences which, as he himself had stated several times before, would inevitably result in discontent. Organized labour would not be held to account for that result which it did not seek, but on the other hand exerted all its efforts to avoid. Labour had generally accepted the so-called Littlesteel formula which limited wage increases to 15 per cent. over levels prevailing on January 1, 1941. Despite this nominal adherence to President Roosevelt Administration's wage policies total wage payments have actually sky-rocketed. The Department of Labour Statistics revealed that cost of living as a whole had advanced 24 per cent. since the beginning of 1941 and 27 per cent. since the middle of 1939. Food alone has risen 46 per cent. since 1941, and 53 per cent. since 1939. But corresponding gains in hourly wage rates have been 37 per cent. and 51 per cent. respectively, while corresponding increases in total weekly wages are 59 per cent. and 79 per cent. respectively.

If organized labour now withdraws its hitherto grudging support to the Littlesteel formula and stages a concerted drive for higher wages accompanied by threats of strikes a runaway inflation may engulf the United States even before the war ends. The Administration recognizes the gravity of this inflationary crisis and are seeking to draw off excessive spending power by employing at least two or three well-recognized historic formulas. Firstly increased taxes. Secondly, financing Government deficits largely through the sale of bonds to individual investors rather than to commercial banks. This second method has been taken somewhat belatedly and only when the Treasury announced the third warloan drive for fifteen milliard dollars all of which is expected to come from investors exclusive of commercial banks which hitherto comprised the bulk of the bond purchasers. Income-taxes for middle-class Americans now average about 1|5 of his income which is the highest in history. It will increase further by next September. But if the restraint on increases of wages and salaries is removed then the whole fabric of price control will be endangered.

The Federal Reserve authorities estimate that if money in circulation and bank credit increase at the current rates total national income by the end of 1944 will be 225 million dollars or 75 milliard about the maximum which can be secured on the basis of the U.S.A. physical resources without general rises in prices. The white-collared Americans are already experiencing all the familiar preliminary manifestations of large-scale inflation including swelling prices of particularly foodstuffs and rising rentals. In New York City alone 100,000 landlords are asking increased rents for autumn renting season, despite nominal ceilings on rents imposed by Government. The country is watching for the next move on August 9, when the Executive Council of the American Federation of Labour holds its quarterly meetings. Should the Council demand the abrogation of the Littlesteel wage formula on the ground that Government price control has failed and further more should it renounce the no strike pledge then the prospects of controlling existing inflation are indeed very dim. Informed quarters in the U.S.A. predict that President Roosevelt may act dramatically by intervening in a fortnight. President Roosevelt has, however, denied that the warning of Mr. Green and Mr. Murray constituted an ultimatum in any sense but it is generally recognized that some drastic steps are necessary to stifle labour's shrill cries for higher wages. The food administrators are of opinion that it will take several milliard dollars for carrying out the food subsidy programme for buying and selling crops but some economists are pessimistic and doubt if any such action could sufficiently be effective and satisfy labour's growing demands.

The Eastern Economist

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CONNAUGHT CIRCUS,

NEW DELHI.

Post-War Planning Section

V

A Matter of Bottlenecks

"But so many books thou readest,
But so many schemes thou breedest,
But so many wishes feedest,
That thy poor head almost turns.
—Matthew Arnold: *The Second Best.*

A Plan which covers a vast sub-continent like India and the economic activities of 400 million men is no laughing matter. In the liberal capitalist system the points of entrepreneurial responsibility and decision are decentralized; the pricing system through the commodity market and the factor market guide resources to the various sectors of the economy in an optimum manner, which, however, is admittedly relative to the existing class distribution of income in society as well as to the rigidities in the labour and capital markets. The Plan we visualize is not, indeed, totally centralized and there will be in it a substantial sector for private enterprise. Nevertheless, the pricing process in the commodity market and the factor market will lose much of its function of channelling resources to appropriate places. The threads of responsibility and decision must largely be gathered up into a knot in the Planning Commission. The Planning Commission must proceed on the basis of certain assumptions and theoretical framework which can, at best, be only an approximation to reality. And the Commission cannot be omniscient and omnicompetent to comprehend accurately the totality of the gigantic economic machinery it is going to set up. The Commission may make the blunder of Plans. But inevitably, unforeseen factors will intervene from point to point, and imponderables and intangibles must intrude themselves—now here, now there—to put the Plan askew. We have seen in the course of the total mobilization for war that plentiful bottlenecks arise to upset our production plans. In the planned economy also the same bottlenecks will arise. What are their types? What are their nature?

The Types of Bottlenecks

In the previous articles in the Series, we saw that on the basis of certain theoretical assumptions we could arrive at four governing principles—the Ratio, the scheme of occupational planning, the proportion of external finance and the scheme of technological time-preference—which would enable the Planning Commission to determine, in a manner, the momentum of the Plan. But in the realistic world, those assumptions would be only very roughly valid. The Ratio assumes that there would be no bottlenecks in respect of raw materials, manpower and organization. The scheme of occupational planning assumes differential productivity in the primary, secondary and tertiary industries and optimum mobility of labour in consonance with a master plan for occupational distribution. The proportion of external finance assumes that in the initial years we shall be able to import sufficient machinery, etc., to build up our basic capital structure, and that we shall be able to reduce the proportion of our external finance steadily. And finally we have made certain assumptions about the marginal productivity of progressive capital-intensification. Let us examine these assumptions one by one and visualize the types of bottleneck that are likely to emerge under planning.

The Problem of Raw Materials

Firstly, about natural resources, *i.e.*, raw materials and power sources. Under the old cruder technology, a country with sufficient coal, iron ore, limestone, etc., had a sound material basis for technology. But the raw materials needs of modern industry, under the impact of new methods of production, cannot be satisfied except on the basis of a far-flung source of supply. As Eugene Staley writes: "Modern industrial civilization rests upon a raw materials base that is unavoidably international." As the supply of foreign finance available to a country is limited at any moment, a country which is poorly endowed with natural resources will have an uphill struggle to improve its standard of living. It cannot be too strongly emphasized that if Russia was not so rich in natural resources, her phenomenal economic progress would have been much retarded.

Today only the Soviet Union and the United States —the two outstanding federations—have a sufficiently powerful raw materials base for very rapid improvement of standard of living. China, India and Brazil have also large natural resources, but geologically they are still comparatively unsurveyed and unexploited. Economically, in many respects China and India are complementary, and a federation of these two (including, preferably, also S.-E. Asia) would greatly ease our economic problems. Thus, China has large and good coal resources, but little iron, while India has large and good iron resources, but insufficient and inferior coal. Professors Whitbeck and Finch write: "If this large reserve of (Indian iron) ore could be used in conjunction with the large coal resources of China, and the cheap labour available in both countries, it might be the basis of the greatest centres of heavy manufacture in the world."*

But there are immense political impediments in the way of realizing such an Asiatic Federation, with the most powerful raw materials and manpower base. Indeed, on the contrary, there is a strong secessionist movement in India itself. If India is cut up into a number of independent States, the raw materials base of the individual States must immeasurably deteriorate. In that case all the grandiose plans we have made for doubling the national income every five years, must be substantially whittled down.

**Economic Geography* (4th edition, 1941) p. 571.

By the absence of such a big Asiatic federation, even assuming that the economic unity of India can be preserved, the task of improving our standard of living would be rendered more costly and difficult, but not necessarily insoluble if we can call in the help of modern science and technology. Natural resources can be categorized as (1) *exhaustible*, e.g., coal, petroleum, (2) *recoverable*, e.g., metal (scrap can be used), paper (re-pulped), and (3) *recurrent*, e.g., agricultural product, water-power, live-stock. Much of our scientific and engineering research should be directed towards expanding the means of substituting recurrent and recoverable for exhaustible, and comparatively abundant for scarce, sources of energy and materials. Making things synthetic does not lessen our age-old dependence on Nature—it simply changes one natural source of supply for another. Thus, du Pont, the American chemical manufacturing firm, makes synthetic urea for fertilizers, methy alcohol for anti-freeze, nylon for hosiery and other products from inexhaustible air and water supplemented by exhaustible coal. A country like India which is deficient in coal, may substitute water-power for coal; another which is very rich in coal may use it, besides as a major source of energy, also as a processing material in the production of synthetic products like nylon, alcohols, plastics, synthetic rubber and nitrogenous fertilizers. All these may be more costly than natural products. But if appropriately used, and up to a point, they would enable us to solve our raw materials problem (as Germany did during her Four-Year Plans) and thus enable us to improve our standard of living at a higher rate than would be otherwise possible in the absence of a sufficiently powerful raw materials base of our economy.

Problem of Labour and Organisation

Then arise the problems relating to labour and organization. In India, the manpower available to us is inexhaustible and for many years to come we shall not be troubled with the problem of shortage of manpower. But apart from quantity, we shall be faced with the problem of the quality of labour and especially the difficult task of acquisition of technical skill. Our difficulty is that we are poor because we are inefficient, and we are inefficient because we are poor. With the great masses of our population under-nourished, ill-clad, ill-housed, illiterate and ravaged with disease and with little medical service, we suffer from a great handicap; for labour efficiency is inevitably poor, if the physical and mental equipment of our labour force cannot stand up to the strain of machine production. But they are not our ineradicable traits and they can be progressively removed by a sensible "planning for welfare" which is the subject matter of the next article in this Series.

Next comes the problem of the skilled personnel. The building up of a gigantic industrial machinery will demand an army of skilled technicians and administrators. It is the problem of the new personnel, the training up of a new generation of workers and administrators who will be the agents of the technical and social transformation of our country. We have to plan a time-schedule of how many engineers we want at any stage, how many administrators, how many agricultural workers, how many school teachers, how many research workers and so on, and proceed to train up the personnel. It is no easy task and it will test the technical and organizational resources of our country to the limit. Will sufficient men with requisite talents in the various directions be forthcoming to sustain the tempo of the Plan? Will they be able to acquire the technical skill according to schedule? We have to remember that the great masses of our people live in the villages and have probably never seen in their lives a simple cogged wheel. Out of such stuff we have to make our engineers and skilled labour force in the shortest possible period. Can it be done? It has been done in Russia and it is the faith of planners that it can be done in India too. The mental equipment of the Indian is not inherently inferior to that of the European, for even in our state of political subordination, we have produced the greatest minds in the world in the field of science, literature and political philosophy. But the gigantic task remains. It has been truly said that the "principal defect in the long-term planning thus far done in the Soviet Union was the failure to give due attention to this problem of personnel and to assign to it a proper place among the primary requisites for the realization of the plans."* The "problem of cadre" has always been the head-ache of Soviet planners, and the problem of securing the proper quality of the human raw material has been the most serious bottleneck.

There is also the question whether or not we shall have the organizing capacity to sustain such a gigantic plan. Germans have been proverbially regarded as the nation with the utmost organizing capacity and efficiency in the world, while the Russians have always been the butt of ridicule for their proverbial inefficiency. But organizing capacity is not a national, far less a racial, trait. If the Germans are so endowed with organizing capacity, it is because they have been used to large-scale organization for many decades, thanks to their tradition of militarism and huge cartellized industries. If the Russians had lacked organizing capacity, it was because they were, like us, an agricultural country unused to the tradition of large-scale organization. But the same Russians have built up the largest economic organization and the largest military machine in the world, and today they are as efficient as any other nation in the world. Clumsily or smoothly, we too shall learn the trick of large-scale ooganization.

But much more intractable would be the problems presented by our inhospitable sociological terrain. The question is not merely the regulation of the tempo of industry and the rate of absorption of innovation, but also the education of man and society to pulsate in the same rhythmic harmonics. In the words of Lord Stamp, the human problem will be the "impact of planning." It is clear that the problem cannot be solved without a simultaneous and general cultural ad-

**The Soviet Union Looks Ahead* (Horace Liveright, New York, 1929), page 114.

vance of the country aimed at the rapid improvement of the cultural and technical equipment of the masses. But our social structure is fossilized and encrusted with inflexible superstitions, traditional patterns of behaviour and rigid conventions and *mores* which will offer the stoutest resistance to the stupendous social changes implicit in a rapid economic progress. This resistance can be broken rapidly only by a vigorous impact of State authority coupled with the fanatic enthusiasm of the conscious minority. Further, it touches the question of mobility of labour and occupational planning. Of all commodities, a human being is the most difficult to move, and a ruthless Planning Authority which continually tears up the family from its roots—especially peasant families firmly rooted to the soil—transferring it by flat without choice to new environments or new organizational set-ups, is bound to meet with incalculable resistance. We may recall that the Russian First Five-Year Plan nearly foundered on the rock of the resisting peasant population.

External Finance and Time-preference

As regards the proportion of external finance, we have seen in a previous article in the Series that it is as high as 70 per cent. now in modern industries. We cannot proceed at a rapid rate unless we can bring it down to a low figure rapidly. This could be done if we devote particular attention to the engineering industry, especially the high-grade machine-tool industry, in the initial years. Thanks to the efforts of the Soviet Government, in Russia the proportion fell rapidly from 71 per cent. in 1929 to 4 per cent. in 1934 and this enabled the Soviet Government to provide for a rapid rate of development. This can be done in India also but in the meantime, we shall need to import a large amount of high-grade equipments from abroad to build up rapidly the basic capital structure of our country. If we have at our disposal the undissipated volume of our sterling assets after the war, our task will be rendered very easy. Otherwise, we shall have to institute strict exchange control and husband to the best of our abilities our limited foreign exchange resources.

Finally, we have seen that on a wise choice of the scheme of technological time-preference, will depend the rate at which we can expand our national income with minimum of initial hardship. In the previous article in this Series, we have indicated briefly a method by which technological time-preference in the system may be controlled. But this has been based on the assumption of a certain slope of the general production function. The slope, however, will vary from industry to industry, and the Planning Authority will be faced with the problem of delicate adjustment. But for this adjustment, there is no *a-priori* method which can give us the precise theoretical point. The only method is that of trial and error and an adequate grasp of the problem.

Conclusions

All former civilizations and cultures were fundamentally based on slave labour. The Greek poets and philosophers had the leisure to discuss abstruse subjects for long hours only because there was slave labour to work on their behalf and create an economic 'surplus' to maintain them while they engaged in these abstruse discussions. Today in the machines we have our slaves. Scientific technique has today reached a stage where we can, if we would, organize plenty and leisure for all —yes, "freedom from want" for all. We share with Keynes "the profound conviction that the Economic Problem, as one may call it for short, the problem of want and poverty and economic struggle between classes and nations, is nothing but a frightful muddle, a transitory and an *unnecessary* muddle. For the Western World already has the resources and the technique if we would create the organization to use them, capable of reducing the Economic Problem, which now absorbs our moral and material energies, to a position of secondary importance."* The colossal Russian experiment *plus* the compulsions of the war effort have forced on us a new and direct confrontation with basic economic realities, *viz.*, that economic power depends ultimately on man-power and raw materials for, as Russia has shown, fixed capital can be built up very quickly. We have seen through the jugglery of monetary equilibrium and what Keynes has recently called "the humbug of finance." With this knowledge, China and India with their limitless manpower and natural resources, have come across a new awareness of power-potentiality. The lineaments of the world mineral geography and natural resources, must determine the new structure of world power, and Asia must acquire a predominant position by reason of her inexhaustible manpower and the natural resources in India, China, and Siberia.

The only serious impediments in our way are social inertia, prejudices, vested interests and intellectual failure to read the clear lessons of recent economic history in various countries. As Lord Stamp says: "Civilization went through a long period when the limiting factor to progress was the scientific, but is now passing through a stage when the limiting factors are non-scientific. They may be the capacity of minds or materials or societies for the rapidity of change or for the enormous range of change."**

* *Essays in Persuasion* (p. vii).

** *The Science of Social Adjustment* (p. 60).

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FROM THE PROVINCIAL ANGLE

Madras Letter

RATIONING OF ESSENTIAL COMMODITIES—ORDER UNDER D.I. RULES—BANKS AND CONTROL MEASURES.

(From Our Correspondent)

MADRAS, July 25.

THE stage is now set for rationing of rice and other essential commodities in the city and several other district towns with the publication of the Madras Rationing Order which H.E. the Governor has made under the Defence of India Rules. The order extends to the whole of the presidency. The first part sets out official descriptions of distributors, establishments, institutions and residential establishments which will be entitled to receive goods which are rationed. Subsequent clauses deal with the powers of the Commissioner of Civil Supplies to authorize dealers to issue rationed goods and the limits which he shall place on the issue of such goods. It is laid down that after the order comes into force no person shall obtain his or her supplies of rationed goods except by means of the ration document and the amount of such goods will be specified in the document which shall not be transferable. Despite all these orders, officials continue to say that rationing would not be necessary and that the stock of rice in the province is just sufficient to carry on till the next harvest. Probably they want to bring in an element of surprise in introducing rationing. Mr. W. H. Kirby, Adviser on Food Rationing to the Government of India, after a tour of the presidency and the states, was in Madras this week and both officials and non-officials held discussions with him on food rationing. Mr. Kirby expressed himself as follows in favour of rationing: "I believe in rationing because, if run on proper lines, it ensures an equal distribution of foodstuffs to all—rich and poor. One would be sure of getting one's share. Otherwise, there would be the uncertainty and scrambling resulting in evil consequences." In the meantime, the complaints regarding the quality of rice supplied are more vociferous now. The Mayor of Madras pointed to the increasing intestinal complaints as evidenced by the vital statistics published for the city and attributed this to the quality of rice supplied. The Government have also taken serious notice of this and propose to inquire into this. They have also decided to appoint food inspectors in the various areas where Grain Purchasing Officers operate and it will be the duty of these inspectors to see that the rice purchased is of an eatable quality.

Banks and Control Measures

The impact of control orders on banks is seen in very gloomy markets alround with a slumping tendency. The disposal of stocks in bales before August 31, 1943, under the Cloth and Yarn Control Order has forced the banks to recall the advances in advance of the due date or else hold compulsory sales of the stock at different centres in the presidency. This has been reinforced by another notification of the Government taking power under the Defence of India Rules to ban the advance of money by banks on commodities including bullion. Banks have, therefore, practically ceased to advance money on commodities even now, and are already tightening up the advances generally. It is a known fact that banks have suffered a severe setback in business by control measures in food grains which prevented the merchants from keeping the stocks in banks for various reasons. The Cloth and Yarn Control Order has further curtailed the normal business activity of the banks and the contemplated controls, it is feared, will choke them and might seriously impair their investment position. Altogether the banks seem to be moving into a very difficult situation which may develop into a crisis and the opinion is held in certain quarters that the Reserve Bank should move in the matter early enough. A conference of banks, bankers, merchants and share-brokers was held this week in he city with a view to clarifying the position, but no decisions were reached. The occasion, however, provided an opportunity for discussion on matters vitally affecting the financial structure of the country.

The Travancore Budget

The Travancore Government's budget for the Malabar year 1119, beginning with August 17, 1943, which was presented to the Legislature makes a notable departure in the system of Indian taxation. "Bearing in mind that the prices of agricultural products have risen to a phenomenally high level owing to war conditions and in consonance with the general idea that profits from land should be assimilated with other profits and income especially where money crops are produced on a large scale, the policy of levying a tax on agricultural incomes has been initiated." But a feature of this tax is that care has been taken to exempt all incomes below Rs. 5,000. The rates proposed are only three-fourths of the rates of income-tax, not taking into account super-tax or surcharge. The new tax has been imposed not to better the revenue position but for post-war reconstruction and will be utilized for the improvement of agriculture and the relief of agricultural distress. A revenue of Rs. 9 lakhs is expected from the new tax. The published budget figures anticipate a revenue of Rs. 385.54 lakhs and an expenditure of Rs. 327.79 lakhs, leaving a surplus of Rs. 57.75 lakhs. Larger revenues are expected to be realized due to the higher prices of commercial products like tea, coffee, timber and rubber. On the expenditure side, sums are to be expended for the improvement and extension of the Pallivasal project and the Broadcasting station. An irrigation division is proposed to be constituted, so that irrigation works may receive closer attention. The construction of vessels for coastal traffic is to be undertaken. Intensive tapioca and rice cultivation and manufacture of fertilizers are also contemplated. It is not proposed to levy any E.P.T. as an anti-inflation measure but a surcharge of 50 per cent. on present rates of income-tax and super-tax is to be levied.

Rubber Planters Meet

A meeting of the rubber planters under the auspices of the Rubber Growers' Association of India was held a few days back at which a powerful plea was put forward to raise the price of rubber. As the cost of production has increased considerably making production unprofitable, a request was made that the price should be increased to Rs. 2 per lb. The chairman of the meeting Mr. T. Kunjithomman stressed the importance of increasing rubber production and pointed out the various difficulties that stood in the way. The meeting decided to send deputations to the Governments of India, Cochin and Travancore and to seek their aid in redressing their grievances.

Bombay Letter

HEDGE CONTRACTS—MOVE FOR RE-OPENING—BULLION PRICES—SENSATIONAL DECLINE

(From Our Correspondent)

BOMBAY, July 24.

AN event of considerable importance in Bombay was the unanimous passing of a resolution by the Indian Central Cotton Committee, which has been meeting this week, calling the Government to reopen immediately the hedge contracts. It is pertinent to note that this resolution was sponsored by enlightened cotton growers. It was moved by Sir William Roberts, formerly of the B.G.C.A. and a cotton grower, and seconded by Capt. S. R. Pocock. Growers from all parts of the country unanimously supported the resolution, which reads as under:—

"In view of the fact that the bulk of Indian cotton crop has to be marketed in the short space of three months, it is considered essential that Government should immediately reopen hedge contracts. This will avoid undue risks and will materially benefit the grower and mill interests generally. If any safeguards are considered necessary to this end, Government may devise these in consultation with the East India Cotton Association."

"The Committee suggests that the Ordinance relating to advance against commodities should be suitably modified so that the distribution and carrying of the cotton crop is not hampered."

Move for Re-opening Hedge Contracts

The attitude taken up by the growers at this meeting of the Central Cotton Committee is a complete vindication of the stand taken by the East India Cotton Association and its Chairman, Sir Purshotamdas Thakurdas. Trading in hedge contracts has at various times been dubbed as gambling, by those who are not fully acquainted with its working and by armchair theorists of the type of Dr. L. Nemenyi. The very fact that growers from all over India were insistent about this resolution and carried it through, speaks volumes about the useful purpose which a regulated hedge contract performs under the guidance of an Association like the E.I.C.A. and gives lie to the propaganda that the "futures" market is wanted by the middlemen to make money. With regard to the second part of the resolution, it may be noted that a moderate crop of 50 lakhs bales would be about the value of Rs. 250 crores, and in order that a crop involving such a sum all over India be marketed in a smooth manner, it is indispensable that there should be no monkeying with the financing of the crop, as was foreshadowed under the Defence of India Rule published on the 17th instant regarding advancing money on securities and commodities.

Minimum Prices for Cotton

Another resolution was passed, moved by Mr. R. G. Saraiya, Chairman, Bombay Provincial Co-operative Bank, and seconded by Mr. Roger Thomas, cotton grower, Sind, that the Government should fix minimum prices for different descriptions of cotton in consultation with the Committee and to buy any cotton whenever offered to them at these prices. It is only fair that when ceilings are fixed the Government should also lay down certain minimum rates and honestly take steps to make them effective. In the U.S.A. the Government gives loans at very nearly ruling prices now which loans in practice are irrecoverable from the farmers unless they sell at a profit.

Cloth Market in Doldrums

The cloth market is in the doldrums. It is getting less probable that there will be any extension in the date for the disposal of the cloths under the Control Order. There has been some panicky selling also. The present fall has attracted the merchants specially from the Punjab and Delhi to purchase at every decline. However, retail prices have not come down in any uniform manner and for the average man, cloth is not available in the retail market at anything as cheaply as warranted by the fall in wholesale prices, where again a decline is regular. Any advertisement of cheap rates brings about crowds at cheap shops which again confirm that demands of the average man for the cloth are not fulfilled. There is a general fear that the present decline may be exploited by the exporters including the U.K.C.C. to their advantage which would mean that the effect of the Control Order would be to give a bounty to the export market when the home market is so badly in need of relief. Purchases by prominent parties during the last few days have, it is believed, to be on behalf of the U.K.C.C.

The question that now rises is, should the Government leave the present forced liquidation to solve the problem of want of supplies, or should they offer to take up balance of what is left on the expiry of their notified dates at certain prices? In the latter case, the Government would be building up the reserve which it can spread out over a season to meet the demand during the season when the cultivator in the upcountry has sold his produce and wants to buy the cloth. It appears that the Textile Board has not thought of the second alternative and at present the Government seem to be watching how things work out.

Cotton Prices Decline

The debacle in the cloth market and the disorganized conditions prevailing there, have led to a complete stoppage of clearances in the mills with the result that even with the present sharp fall in cotton prices,, mills have not come out for purchases. The prices of "Standard cloth" for the half-year ending January, 1944, as well as for the war orders for the quarter July-September, have been fixed by the Panel about a month ago when prices in the cotton market were substantially high. Since then, there has been a fall of nearly Rs. 70 to Rs. 80 per candy in the cotton market, and this should be a handsome opportunity for the mills to cover. But the mills have been restrained from doing so on account of the present confusion in the cloth market. The cotton market is depressed with sellers anxious to dispose of their stocks. With the mill demand entirely halted, the necessity for the hedge contracts is most acutely felt. Ordinarily a sharp decline would attract investors and mills, as they could hedge their purchases of cotton, but at present even a substantial reduction has not brought about any demand. The rates prevailing in the ready market are very much below the rates recommended by the Government, but still there has been no response from the buyers to the fall in the market.

Drop in Bullion Prices

The bullion market registered a sensational decline in the early part of the week and gold dropped to as much as Rs. 65 and silver at one time went down to Rs. 99-8. This slump in the price of bullion is directly to be attributed, as pointed out last week, to the new Defence of India Rule under which the Government have taken over powers to stop advance of money against bullion either by banks or by private individuals. This, coupled with the Allied successes, led to heavy liquidation. Since then the market has revived and the latest quotations are: Ready, gold Rs. 70; Ready, Silver Rs. 101.

The Stock Exchange

The Stock Exchange recorded a decline in sympathy with the fall in other markets, and also as a direct effect of the Defence of India Rule with regard to the advancing of money on securities. In some of the very popular scrips such as Kohinoor and Century, there has been a decline of nearly 30 per cent. from the peak levels. The liquidation that has proceeded on account of certain of the measures taken by Government has put the market in a technically healthy position. It is, however, to be noted that the recent war developments had led to great enthusiasm on the London Stock Exchange where there has been an advance in many industrial scrips. Obviously it is considered not anti-social in England to take a rosy view of industries on the Stock Exchange. The present rise in the industrials in England is discounting the expansion in industries after the war despite the control under which industries are bound to work for some time after the war. However, London has shown enthusiasm on the Stock Exchange. World demand for textiles and other consumption goods will expand immediately and for some time after the war to fill the big gaps in consumers' demand. There is, therefore, no fear of any depression in the Indian industries, and if the decline is overdone in the industrial scrips, it should attract attention from investors taking a long view. The suggestion of the Bombay Government to the Bombay Stock Exchange for the settlement of all transactions on the market within a week has been turned down as entirely impracticable by the Governing Board. The Board disagreed with the Government's view that the present conduct of business is in contravention of the undertaking given by the Board.

Famine Conditions in Bijapur

Conditions in Bijapur which was visited by a famine are desperate. A graphic account of the state of affairs was given by Lady Rama Rao sometime ago. Free kitchens are run by non-official relief workers where crowds spread out to receive the unappetizing mess called *Bajjra Khichri* and *Mowg Dhal* water. Such meal costs 10 pies per head. Lady Rama Rao dwells on nakedness of children and ragged condition of men and women. Where relief works are started by the Government, the dwelling conditions are very primitive and without sanitary arrangements. Added to this is the anxiety about securing grains. Such a condition where a meal of less than an anna is sought for, bring into relief the fundamental weakness of Indian economy and also the drawbacks of the Government today. The Secretary of the Relief Fund has issued a fresh appeal for funds to enable continuance of free kitchens up to middle of September at least.

Rationing at Work

Complaints about the very high prices charged by the Bombay Government for the cereals supplied in rationing are answered in a Press-note. It says that the Bombay Government make no profit and the prices charged are based on the prices the Province has to pay to the other provinces for supplies through the Central Government. It is, therefore, apparent that the surplus provinces are reaping a rich harvest. Sind has been reported to have made a profit of Rs. 1 crore in the wheat it supplied to other provinces. The absence of popular Ministries is to be blamed for this unsatisfactory state of affairs. In connection with rationing are answered in a Press Note., It says that and Broadcasting, said in Patna on the 19th instant that it was monstrous to believe that the unsatisfactory food situation is due to any shortage of food. Unfortunately, Sir Sultan Ahmad did not support his emphatic opinion with any statistics, and in the absence of any statistics to show that the food supplies are adequate after taking into consideration those taken up by the military authorities, those sent out to Indian troops abroad, those exported by private individuals and those exported on behalf of the U.K.C.C., mere expression of an opinion by the Hon. Member has only as much value in these times as of anybody else's.

Bihar Letter

THE FOOD SITUATION—DEPARTMENTAL STORES FOR GOVT. SERVANTS—ACTIVITIES OF THE NATIONAL WAR FRONT.

(From Our Correspondent)

PATNA, July 26.

OUR economic problems engaged the attention of the Hon'ble Sir Sultan Ahmad when on his visit to his home town he addressed the provincial National War Front, and spoke at length regarding the food situation and the problem of high prices prevailing in the country. He made the unexceptionable statement that if a country was to win a war, it needed something else besides men and munitions; there must be food, shelter and clothing for its citizens. That the mitigation of universal suffering due to high prices of the essentials of life is necessary not merely for the sake of humanity but also for having a dependable home front, is a fact which needs greater recognition than it has so far received. But he failed to carry conviction in his conclusion through a process of dialectical analysis, that we suffer for the want of food not because anything was wrong with governmental finances, nor because of any exports which were after all only 2 per cent. of its total supply, but simply because the people of all classes had allowed their selfish fears or their desire for gain to count for more than the needs of the nation. Such being his diagnosis of the case he had the obvious treatment to suggest; the hoarder must be attacked, exposed, ostracized and stamped out. But a section of public opinion fails to see how our majority of cultivators who are notorious for their deficit budgets can afford to hoard. Further "a very

small fraction of cultivators and zamindars who would have afforded to withhold their stock have been also made to part with it by the methods of coaxing and cajoling employed by the agents of Government, who are now themselves big purchasers before whom the ordinary consumers have been driven to the wall.

There are hoarders who have flourished for a time with the connivance if not the actual patronage of officers here and there. Some of these have been more or less stockists for the Government. Hoarders are convenient scapegoats to explain away a situation for which Government are entirely responsible." This is to show a different angle of vision through which many people are looking at the problem. But possibly, the Hon'ble member in charge of Public Information ought to know better. It may be just that people are showing greater preference for keeping food and other real goods instead of liquid money or war bonds. But has not governmental finances regarding which the Hon. Member said: "In the sphere of governmental finances there is little cause to worry; we are able to pay our way" something to do with the mischief? We are painfully conscious that in that sphere of finance, we are not only paying our way but also paying for others. Explaining the problem of high prices, he recognized that there are deep-seated reasons beyond the profiteering motives of the wholesalers and retailers. Arguing on the analogy of a beleaguered city into which no fresh commodities could come, he said that one need not be an econdmist to realize what would happen when many people scramble for too few goods.

Though the audience consisted of the Maharaja of Darbhanga, who presided over the meeting, Mr. C. P. N. Sinha, Raj Bahadur Syam Nandan Sahay, and some of the richest men in the province, nobody was prepared to accept the voluntary services of Sir Sultan to be taxed higher so that purchasing power could be withdrawn and prices controlled.

Free trade in food grains is declared to have failed and embargoes have been reimposed on the movement of grains from the province. But people are impressed more with the vacillation in Government's policy referred to also by the leader of N.W.F., Mr. C. P. N. Sinha, than with the failure of free trade. Embargoes had been raised in spite of public opinion to ease the food situation in Bengal. If really grain was to be removed to help Bengal, it could not, of course, happen without its becoming scarcer and dearer in Bihar. Besides together with the removal of restrictions also proceeded a vigorous policy of governmental purchases. So no one of restrictions. But now when we have failed to conwonders why prices should have risen with the removal serve our resources for ourselves, we are really anxious for supplies from provinces whose lower prices are prevailing than our own.

Facilities for Government Servants

The Government of Bihar has opened for her own servants drawing total emoluments of Rs. 200 a month or less departmental stores to supply grain at reduced rates.. The supplies are made on the basis of the statement submitted by each department subject to the condition that each Government employee entitled to concessions is permitted to buy 6 *chattacks* of rice or wheat and four *chattacks* of grain per day for himself and the same quantities for each adult dependent living with him subject to a maximum of two adult dependents. Arrangements are also in progress to open grain shops for the poor who will be entitled to receive their supplies at the rate of two seers of rice or wheat and one seer of other grain for one rupee.

The National War Front

Mr. C. P. N. Sinha did a great service to the cause of National War Front when he made it clear that in spite of the unfortunate pronouncements made by many people connected with it, the organization is essentially above all party differences and cherishes the cause of complete independence. It differs from some other organizations only in the fact that it had a firm faith in the British promises to free India after the war and in that it has set before itself a policy of hearty cooperation with governmental measures so far as it is sought for by those who administer it. But his claim to have succeeded in bringing almost everyone to his fold except those whose ideals and standards of patriotism have eventually landed them in jail is not borne out by the fact of his failure to form a Ministry in our province. Now that so many whose ideals and standards of patriotism differed with that of his have been landed in jail, it was an easy matter to secure majority in the Bihar Assembly, only if he had succeeded in bringing the Opposition groups in his fold. It is interesting to note what Khan Bahadur S. M. Ismail, President of the Bihar Muslim League, has to say regarding the formation of a Ministry. "We the Muslim League and the Hindu Congress can alone respectively deliver goods and have the authority to speak on behalf of our respective nations. Let those who are still bent upon taking the advantage of the absence of those who really can form a Government ask the Governor to immediately dissolve the Bihar Legislature and that will once for all set all wrong calculations and speculations and there will be then only two parties inside the Legislature—the Hindu Congress and the Muslim League and there will be only two leaders, no third, and no fourth leader."

Punjab Letter

PURCHASE OF FOODGRAINS—GOVT. MEMBERS CONFER—SUBSTANTIAL DECLINE IN CLOTH PRICES—.

(From A Correspondent)

LAHORE, July 24.

THE Hon'ble Sir Benthall, War Transport Member, and the Hon'ble Sir Azizul Haque, Food Member, accompanied by Major-General Wood, came to Lahore for a day and conferred with the officers of the Punjab Government and the North-Western Railway. The ostensible and the most important aim of their visit was to find ways of quickening the flow of foodgrains from the Punjab to deficit provinces. As a result of the discussions held by them, transport facilities will now be available in greater measure to clear off the huge stocks lying at various centres of the Punjab. Steps are also being taken to improve the arrangements for the purchase of foodgrains on behalf of the Central Government. The Director of Food Supplies, Punjab, has announced that he will receive direct offers of sale of foodgrains in substantial quantities from reliable parties, which, after acceptance, will be executed through one of the Purchasing Agents. This new arrangement is supplementary to, and not in substitution of, the existing machinery of purchase, the aim behind it being to provide better facilities to those who wish to sell foodgrains. In the meanwhile, whisper is going round that scarcity of wheat will manifest itself again after October and that the consumers will be well advised to lay by ample stocks for the winter months. The price of wheat has become steady round about Rs. 10 per maund.

Downward Trend in Cloth Prices

In accordance with the popular surmise, the rally in the prices of cloth has proved temporary and is now giving way to a substantial decline. The signal for the renewed downward trend was given by the notification of the Cotton Textile Directorate that stocks of cloth and yarn must be declared by the dealers on or before August 15, 1943. The Amritsar market quickly reacted to the notification and the prices registered a fall of about 50 per cent. in certain varieties. The retail prices, as usual, followed the wholesale rather slowly and reluctantly. But even here the ground temporarily recovered has been lost. Many big dealers have announced attractive reductions in prices and arranged for, what they describe as, "grand clearance sales." The cloth dealers are considerably agitated and nervous about the present condition of the market, but they are, for the present, taking matters with a quiet resignation. Their typical reaction was reflected in the deliberations of a recent conference of cloth merchants held at Lahore under the chairmanship of L. Bihari Lal Chanana, President of the Punjab Beopar Mandal. He asked the merchants not to get panic-stricken but to act in a manner which would show that they were not unwilling to help the consumer in his present condition. He advised them to send in their returns of stock even before the due date. One query persistently made by the dealers relates to the fate of stocks that will remain unsold after the 31st October. Some of them depend on the Government extending the date and a few hope that the Government would take over the unsold stocks at reasonable prices. But any assurance held out at the present stage of extension of date or of purchase by Government of surplus stocks will introduce once again a bullish factor in the market. Simultaneously with the decline in cloth prices, arrangements are being made for the distribution of standard cloth. A quota of over one million yards of standard cloth for the quarter, May to July, 1943, has been received and will be made available to the poorer sections of population through retail sales organized in the districts by the District Magistrates.

Shortage of Small Coin

Shortage of small coin, which never completely disappeared during the last year or so, is once again appearing in an acute form. Both the dealers and the customers are being put to a good deal of inconvenience in making transactions which involve the use of small coin. Action is being taken against such hoarders as the police is able to track. But no noticeable improvement in the situation seems to be taking place. There is no doubt that some persons have hoarded small coin out of panic or as an insurance against any kind of inconvenience in future. Some persons are even making capital out of other people's troubles by charging a small commission for giving change in lieu of currency notes. It would appear that, apart from the physical shortage and hoarding of small coin, the inevitable tendency of many persons in these troubulous times to have sufficient change on their persons at all times has also something to do with this acute scarcity of small coin. The situation is somewhat analogous to the one created by the municipal councillors, in Dr. Foxwell's story, who, in their anxiety to cure shortage of cabs in the town, ordered that there must be one cab waiting in every cabrank.

A proposal that was strongly canvassed at the time of the Food Conference recently held at Lahore to discuss the food problem was the establishment of consumers' co-operative societies. In this connection it is necessary to mention that there are very few consumers' co-operatives in the Punjab. There is a consumers' store in Khalsa College, Amritsar, another has been set up by N.-W. Railway, and there are a few functioning in the schools and colleges. Taken all in all, however, the consumers' co-operative movement is virtually non-existent. Nor does it seem feasible to start such societies now with a view to helping the consumers. Some persons did approach the Co-operative Department to explore the possibility of starting such societies during the last winter when there was an acute shortage of wheat. But the department expresses its inability to release any stocks out of the reserve it was holding on behalf of the Provincial Government for the simple reason that it would have been difficult to provide stocks to many societies that would have at once sprung up to take advantage of Government assistance. And, without Government assistance, it would have been extremely difficult for such societies to function. Stocks were difficult to obtain in the ordinary market, and the fluctuations of prices also introduced a rather complicating factor. These considerations are still present, and though the success of consumers' co-operatives in Madras and Mysore does lead some people to look in this direction for relief, the matter does not reach the stage of formulation of a concrete scheme.

Another immediate worry of the people here is the growing shortage of coal and fuel. A few days back the Punjab Government issued a warning that the supply of coal for domestic consumption and for industries not directly connected with the war will be severely curtailed during the months of July, August and September. Nor was any hope held out that the supply will increase during the cold weather. The pressure on coal supplies has, in fact, been so severe and its imports into the province so seriously curtailed due to wagon shortage that factories have piled up large stocks of fuelwood which they use along with such coal as they have conserved. The prices of fuelwood have been fixed in some areas of the province, but they remain largely ineffective. A regular black market in the fuelwood has developed and even the quality of wood supplied is defective. The area under forest is a bare 5 per cent. of the total area and in normal times the province has been importing not only coal but also fuelwood from outside. Some districts of the Punjab, such as D.G. Khan, Muzaffargarh, Mianwali, Kangra, Ambala and Karnal, have a sufficiency of fuelwood, but others are more or less deficit districts. The pace at which trees in the forests are cut has been accelerated under the pressure of war demand, but even so it appears that there will not be enough firewood available for all. The only way out appears to be economy in consumption along with appeals to the Railway Administration as well as to the exporting areas, such as Bahawalpur and Sind, to make available transport and stocks for the Punjab.

Various departments of the Punjab Government have been asked to prepare and submit rough schemes for post-war reconstruction with particular reference to the needs of demobilized soldiers returning home after the war. It is likely that an important feature of these schemes will be the grant of land to deserving persons. Already, it is learnt, the Punjab Government has awarded 50 squares of land in the areas covered by the Haveli Project. These grants were based on, and were designed to promote, war services and war effort.

Causerie

Inflation Without Tears

By G. L. M.

LONG before the outbreak of this war, I was aware that the worst economic evil in modern times, the one sin against the Holy Ghost (whosoever's ghost it might be) is "inflation". Governments and politicians and economists were all mortally afraid of it; they were anxious to avoid it, keen to stop its onward rush, ruthlessly to put it down. It was President Roosevelt's night-mare and the day-scare of Keynes. Vigorous measures were devised to combat it. It was even felt that inflation being the cause of the impoverishment of the middle-classes and the degradation of the intellectuals in last post-war Germany was the origin of the rise of Hitler and Nazism. Hence to inflation can be traced the outbreak of the present and second world war which we shall continue to call "great" until the third world war (for which preparations are already being made) which, of course, will also be fought for democracy, freedom and perpetual peace.

But although I sensed that inflation was an unmixed evil, particularly in war-time, and during war it was more likely to come about, I failed to grasp its precise definition, causation and implications. If finance, according to Pigou, is only a camp-follower in modern war, inflation, I felt, is the infectious malady that attacks, weakens and destroys this camp-follower. But what are its germs and symptoms? Until I found that the Finance Member of the Government of India began to deal with it and to check it without admitting its existence and, indeed, arguing against its prevalence, I never imagined that a doctor could treat a disease without diagnosing it or even after denying that the disease was there. But, perhaps, that was in order not to scare the patient; are there not doctors who reassure the patient and the relatives until after the last moment? The Finance Member's reluctance to acknowledge the existence of inflation while prescribing against it is due to over-consideration for the nervous and panicky Indian business men, economists, masses, etc., and not to any lack of decision or of a desire to admit failure or blunder. But not being so fortunately placed as the person in charge of India's public purse and private incomes, I could not for a long time understand what was this course of inflation and why men dreaded it and whether the blight would affect India and what would, then, be our plight? In fact, I gathered that though "inflation" was pretty bad with its spirals which even have vices, "deflation" was little better: it was at any rate positively bad when Governments resorted to it. And I recollected with a sigh that in the thirties, we talked about "reflation" which I fancy was a kind of *via media*, a half-way house between inflation and deflation—a sort of Dominion Status within the British Empire two years after the cessation of hostilities, a Pakistan without separation, a tariff policy with discrimination.

But all this only aggravated my mental agony and accentuated the intellectual chaos. Did "inflation" mean high prices? No. Because as even a child (if it is precocious enough) knows, high prices are often due to other than monetary factors; high prices are frequently desirable to enhance the return to the cultivator (for whom evidently we all seem to care more than for ourselves though with little benefit to him and much to ourselves). Does expansion of currency, then, connote inflation? No, not necessarily. The volume of money might expand in response to increase in production, purchasing power, etc., and then even if prices rise, there would be no inflation. I had a vague impression that this inflation had something to do with the Quantity Theory of Money which we learnt at College and which (I believe) laid down that the value of money, *other things being the same*, varies inversely as its volume and that if the value of money went down, the general level of prices went up. But I could never find out those "other things" which were to remain the same; were they "things" controlled by those "other fellows" whom we can never find out? And, who, I wondered, will decide whether those "other things" (which are fortunately never defined in text-books of economics) are or are not the same? I then thought that as the Hindu philosophers and logicians of the old did, inflation could be defined by a negative; that is, it is *not* deflation, it is not expansion or rather, it is the *opposite* of deflation as Hindu is the opposite of Muslim, Bolshevism is (or was) the opposite of Fascism, *our* "new order" is the opposite of their "new order", etc.

Suddenly, I discovered with a shock that as there is death in the midst of life, so in the midst of a recession of prices, there is inflation; in short, we were already developing an "inflationary tendency". People came to me (they very often do when they have nothing better on hand) and suddenly burst out: "Do you realize what a continuous, abnormal expansion of currency is taking place at present?" To be honest, I hadn't; but I said gravely, showing much concern, "I have—it's too bad for words." Unfortunately, those who came to ask remained to scoff. "What are *you* going to do about it?" they indignantly asked me. I was speechless: I had not even made up my mind as to what was inflation and here were what are popularly but inaccurately called "friends" pestering me to find remedies. I pleaded that I was not the Finance Member of the Government of India nor Governor of the Reserve Bank nor an economist nor even an M.L.A. But all in vain. They all thought I was responsible for this expansion and must do something to check the consequent inflation.

Then it was I discovered that the rupee was actually *falling*. It falls near the Currency Office, the Reserve Bank, Stock Exchanges, Commodity Markets, —everywhere, and will continue to fall and get seriously hurt in the process unless efforts are made to make it rise to its feet again. And to my bewilderment as the controversy proceeded and the literature on inflation continued to inflate, I learnt that there is not one kind of inflation only as I had fondly imagined but several: credit inflation, monetary inflation, price inflation, deficit-induced inflation, sterling-seduced inflation, fiat money inflation, illusory inflation, galloping inflation, cantering inflation, consumptive inflation, invisible inflation, defrauding inflation, inflation which is concealed taxation and last but not least, inflation which is not inflation at all but expansion accompanied by scarcity. Not merely this.

Learned persons and men in authority argued that the general rise in prices was the cause and not the consequence of the expansion of currency, that production increased because it was financed and was not financed because it was increased, that additional notes were printed and also distributed because they were needed (and not *vice versa*, i.e., they were not printed). I am, therefore, at a loss to understand whether the inflationary tendency is due to high prices or currency expansion or whether they are both due to such tendency and whether monetary fatcors are the origin or the result of the prevailing conditions. Indeed, the confusion of cause and effect in this complex phenomenon is such that at the end, I do not know which is the cause and which the effect until I have decided that the whole trouble was due to the original sin or the Law of Karma or imperialism (whichever was earlier). Inflation, it was apparent, was that stage of economic and financial condition wherein high prices are not an index to prosperity, currency expansion does not mean more money in our pockets, and the financial appetite grows by what it feeds on.

What was needed, therefore, was in official phraseology to "tighten our belts". A pessimist has been defined as a person who puts on both belt and braces at the same time; but here was the Indian peasant and labour with little waist and no belt who was also bidden to tighten his belt.

And as I mused on inflation, I asked myself, why can't we finance better living-conditions when we can and do readily find money to finance better dying conditions? If we are prepared to suffer privations and make sacrifices and submit to controls for spreading death and destruction, why are we not prepared to do so for life and human betterment? And I remembered that when Oscar Wilde was on death-bed in an expensive nursing home in Paris surrounded by the best specialists and physicians, he sadly remarked: "I am dying beyond my means." So, I think, is India.

Letter to the Editor

To

The Editor,

The Eastern Economist.

Sir,—I have read with interest the letter by "Grow More," published in your issue of July 2. While I agree with the points made by "Grow More" against control measures and the alien bureaucracy which the Government of India is, I must register my dissent against his remark that the "Grow More Food" campaign "seems to have degenerated into an advertisement stunt." It is often not enough to give a dog a bad name and hang it. It is time that instead of *merely* condemning the Government we should offer some constructive suggestions.

It is true, no doubt, that the food situation in our country is going from bad to worse day by day. But to neglect the achievement of the "Grow More Food" campaign would be to ignore realities. Firstly, then, as to acreage. Here it cannot be denied that the results have been in no wise mean. For example, acreage of wheat has increased to 34,057 thousand acres in 1942-43, from 33,914 thousand acres in 1941-42. The figures for rice for the same years are 74,919 thousand acres and 73,579 thousand acres, and those for sugarcane are 3,590 thousand acres and 3,515 thousand acres.

Secondly, as to the significance of the "Grow More Food" campaign. There is no gainsaying the fact that no other period could be more opportune for launching such a campaign than the present when due to various factors such as the war, increased Government and military requirements, stoppage of imports and transport bottlenecks there is a real shortage of food in the country. Again, the fulfilment of the programme of this campaign will facilitate the post-war reconstruction of our agriculture.

I would suggest the following measures for improving the food situation in the country:—

1. In India we have a special advantage in that we can supplement our food supply by fruits and vegetables. Almost every householder and even the poorest people who have some lands attached to their houses, especially in the villages, can help to increase the food supply by growing some quick-bearing fruit trees or vegetables for their own consumption.

2. Example is better than precept and it would be a real gain if the rich landlords and other wealthy men join the cultivators in increasing the food supplies. These people at least have the advantage of having capital and initiative. In this connection the example of his Highness the Jam Sahib of Nawanagar who has decided to grow *bajra* between the rose-beds in his palace gardens is a most welcome step in the right direction.

3. A programme of educative propaganda to acquaint the cultivators with the importance and meaning of the campaign should be vigorously launched. For example, they should be told that by growing less of cash crops such as cotton and more of food crops such as fruits and vegetables, they would be relieving the food situation in the country, and will also have a healthy and well-balanced diet at a nominal cost.

4. It is not enough to grant loans and subsidies out of the Cotton Fund or the Central Revenues for furthering the food-drive in the country. For successful acreage-diversion and for bringing under plough the cultivable land, a comprehensive crop-insurance plan on the U.S. lines, which would assure the farmer of funds to meet his requirements in case of crop damage or famine, should be launched.

Yours faithfully,

I. M. SAHNI.

A DELHI DIARY

NEW DELHI, July 29.

AN important—also unusual—feature of the Assembly session which began on Monday last is the prominence which financial questions are receiving. Sir Jeremy Raisman has been frequently on his legs either to answer interpellations or speak on adournment motions. The Finance Member was fairly comprehensive in his answers but was in no mood to oblige the House in other ways. Mr. Jamnadas Mehta sought unsuccessfully to raise a censure debate on the huge expansion of paper currency. Later, there was an attempt to initiate a debate on the proposals for an International Clearing Union and the United Nations Stabilization Fund, but this also failed. If in view of the keen interest which non-official members showed in financial questions, the Finance Member had agreed to set apart a full day for their discussion, it would have been a welcome gesture, but no such assurance was forthcoming. The Food Member and the Overseas Member sensed the feeling of the House correctly and announced their readiness to allot official time for full debates on the Food question and the South African crisis—so also the new Commander-in-Chief was ready with his proposal for a secret session to have free discussion on the war situation. Unfortunately, the Finance Member was not prepared to follow their example. One of the balloted resolutions for Tuesday last raised the subject of the Government's currency policy and urged the Government to concentrate their attention more on the stability of prices than on the stability of the bank rate of interest, but it could not come up for discussion owing to want of time. It is still uncertain whether any other opportunity will be available during the session to discuss these important questions.

No new promise or assurance came from the Finance Member in answer to the many interpellations addressed to him. Today he was asked by Mr. Neogy about the representation from Indian Life Assurance Companies, praying for the fixation of a maximum limit for the taxation of the income of such companies for the duration of the present war, but Sir Jeremy would not commit himself to anything more than the assurance that the matter was engaging his attention. He was also not prepared to give the amount of Lease-Lend goods received in India, for he said that the Government of India were still engaged in the task of completing their records of Lease-Lend aid and reconciling them with those which the Indian Supply Mission had been asked to maintain in America. One of the first questions addressed to him related to the anti-inflationary measures taken by him but he merely referred to his September answer and added: "More recent measures in the Central sphere apart from taxation and borrowing taken with this end in view are—(1) summary provisional assessment of Excess Profits Tax, (2) compulsory deposits of Excess Profits, (3) restriction of the extent to which purchase of raw materials and bonuses to employers will be allowed to count for Excess Profits Tax purposes, (4) control over new capital issues, (5) prohibition of forward contracts and options of certain commodities including bullion and (6) cloth and yarn control. Lobby comment is, however, sceptical about the actual effect of these measures. Particularly the Government's measures for controlling capital issues has aroused a good deal of uneasiness in Assembly circles. Later on in the session when opportunities for discussing the question occur, there is likely to be sharp criticism.

The Food Committee is now very nearly at the end of its labours. Early next week certain formal conclusions may be adopted embodying the results of their discussions, but the report of the committee may not be available for another month. The task of drafting the report of the basis of the discussions and the evidence taken has been entrusted to the officiating Chairman, Sir Theodore Gregory, but so far as one can see the committee will not be able to assemble for its final sittings before the end of September. One interim resolution has been adopted recommending to Provincial and other Governments that they should send their experts to Bombay to study the working of the rationing scheme so that if and when it is necessary to enforce it in their own areas their personal experience may be of help to their Governments. I understand that in the opinion of a majority of the members of the committee there is no serious shortage of foodgrains threatening the country but they feel that strong measures should be taken to prevent maldistribution, arrange adequate transport facilities and also wherever necessary take recourse to rationing to ensure equitable distribution. As in the meantime the Anti-Hoarding Order is also expected to be issued vesting certain powers in local authorities, it is expected to help in releasing more stocks for the consuming markets. In the course of his statement in the Assembly the Food Member, Sir Azizul Haque, said that every form of obstruction was placed in the way of the Government's basic plan but he felt that "as to who did it and why it was done, it was not in the interests of the country as a whole that judgment should be passed on those issues just now." In the Food Committee some members are reported to be of the opinion that so far as the deficit provinces are concerned the Central authorities should take up some definite responsibility and ensure that the required stocks at reasonable prices are made available to them, but the Central Government is rather chary of accepting any big responsibility and would evidently prefer that the provinces should arrange these matters between themselves. It is still not clear what is going to be the future policy of the Food Department.

Political questions have also been figuring largely in Assembly talks. No sensational announcement is expected from the Viceroy when he addresses the Central Legislature next week, but he is expected to speak at great length both on internal and external questions and sum up the problems facing the country. Whether the Viceroy's speech will give any such indications or not, one does not know yet, but there is reason to believe that the talks which Lord Wavell is having in England have been proceeding on the basis of two proposals—both emanating from the recent discussions of the Pacific Relations Conference. The first is the complete Indianization of the Viceroy's Council. If this is accepted, the present financial year may see the transfer of both the Home and Finance Memberships to Indian Members. Next comes the suggestion that an offer similar to that made to Ceylon should be made to India also with the definite request that those interested should set to work and frame a constitution to serve as a basis for post-war discussions. This appeal may be addressed to those like the Sapru Committee, but the latter are hardly likely to undertake this thankless task if the Government of India do not care to respond to their own suggestion and release all political prisoners.

ARGUS.

Gleanings

CITRUS FRUITS

While India is a major producer of citrus fruits—oranges, lemons and other members of the same family—she plays a very small part in the world market and, moreover, the average consumption of citrus fruits in the country is very low. A report on the Marketing of Citrus Fruits issued by the Central Agricultural Marketing Department suggests that the present output is far from adequate to meet the country's needs of a group of products of great nutritive value. The want of statistics makes it hard to tell how fast the output of citrus fruits is increasing and the report asks provincial and state agricultural departments to maintain accurate figures to help in planning future production. To help the producer to secure a greater share of the final retail price of his product, it is suggested that the provinces and states should publish facts and figures relating to prices, stocks, arrivals, despatches and forecasts of demand in all the principal markets. At present producers are generally ignorant of market conditions. The cold storage of fruit for distribution in the off-season should help growers and the trade alike. It is suggested that the Imperial Council of Agricultural Research might investigate the economics of storage on a commercial scale. Storage conditions for several varieties have been studied under schemes financed by the Council.

BEVERIDGE BUSY AGAIN

Sir William Beveridge, author of the Beveridge social security plan, stated in London on July 21 that he was beginning another important investigation into how full employment could be maintained in Britain after the war. Study of this question would take six months. "Maintenance of employment does not mean that we can avoid all unemployment," he said. "Some unemployment is inevitable in any country which has a changing and growing economic system and you must cover that by unemployment insurance. But it is important to organize your industry and trade so that you do not get mass unemployment. That is what I am about to investigate." Sir William Beveridge will discuss the problem fully with experts, industrialists and trade unionists to inquire into what the State, private enterprise and labour can do to help and to look at the possibilities of international co-operation. Sir William Beveridge says that he is still very hopeful that his freedom from want plan will be adopted and that Britain will thus lead the world in social reform.

IRRIGATION IN U.P.

That irrigation projects in the U.P. have been discussed involving £1,000,000 worth of plant which will shortly be ordered was revealed by Sir William Stampe, Irrigation Adviser to the Government of India, in his convocation address to the Thomason Civil Engineering College, Roorkee. Sir William dwelt on the potentialities for service of irrigation engineers to convert river potential to useful energy and on the dynamic handling of hydrological problems. He referred to the hazardous rainfall in some localities in the province and said that irrigation not only secured the existing cultivation of a particular tract, but made better agricultural economy possible. As to the development of power, he said that only 19,000 out of the 76,000 kilowatts available at the main falls of the canals of the Ganges and Sardah had as yet been developed. He had seen sites suitable for generating 12,000 kilowatts in two tributaries of the Jumna alone. He also referred to the potential reserves in the Siwaliks and in the Eastern Himalayas which could be developed for the benefit of the cultivator. "The mountain power that overshadows Roorkee," said Sir William, "is capable of raising many million tons of new crops in places where at present even grass dare not raise its head."

CHEAP FERTILIZERS

In a recent lecture at the Calcutta University College of Science, Dr. H. K. Sen spoke of the need for India using more fertilizers. The chief crops using synthetic manure at present are sugarcane, cotton, coffee and tea, and, occasionally, wheat and some others. It was till recently believed that paddy-fields manured themselves. Considering the comparatively low yield of rice per acre in India, 1,357 lbs. here against 4,601 lbs. in Italy, and 2,112 lbs. in the U.S.A., there seems little doubt that manuring would improve output. Wheat yield per acre is also small, being 652 lbs. in India against 1,688 lbs. in Egypt. Calculating from known quantities of synthetic nitrogenous dressings required for different crops, barring rice, it is estimated that India requires at least 1,700,000 tons of ammonium sulphate per year. If the rice-fields are added, many times this quantity would be required. The establishment of large factories for the production of ammonium sulphate is therefore an urgent necessity. India normally manufactures only 18,000 tons of fertilizer from coke ovens, and imports 76,000 tons annually. The cost of imported fertilizer in peace time was between Rs. 90 and Rs. 100 a ton. Dr. Sen opined that ammonium sulphate, whether from the fixation of nitrogen or from by-product recovery, could be produced in India at half the imported cost and, in special cases, with calcium sulphate and carbon dioxide as the fixing agents for ammonia, the cost of production would range between Rs. 22 and Rs. 39 per ton. This low cost would make available to the cultivator a cheap, concentrated fertilizer which he could use along with farmyard and compost manure.

THE SOURCES OF SULPHUR

Sulphur is the most valuable non-metallic mineral after common salt—sodium chloride. As an element its most important application is in the vulcanization of rubber, natural and synthetic. It is used in insecticides, paper paint pigments, explosives and textiles. The rayon industry consumes carbon bisulphide as a solvent. Sulphur is the major raw material for manufacturing sulhphuric acid—easily the leading heavy chemical and a vital solvent employed by a score or more key chemical and metallurgical industries. In recent years the United States has been producing nearly 75 per cent. of the world's sulphur, Italy 10 per cent., Japan 4 per cent., and Spain, Chile and the Dutch East Indies 2 per cent. each. The United States is thus in a position fully to satisfy the sulphur needs of the United Nations. Axis Europe depends largely on Italian native sulphur, supplemented by elemental sulphur extracted from Norwegian pyrites and by-product sulphur from industrial and waste gases. Japan is virtually self-sufficient. Nearly all America's ample sulphur comes from the salt domes of the Gulf Coast region in Texas and Louisiana, and was developed during the last war, when pyrite imports from Spain were curtailed at a time when the demand for sulphuric acid rose steeply. Output of the acid rose from 4,047,000 short tons in 1914 to

6,726,000 in 1917. The consumption of domestic sulphur rose from 267,000 in 1914 to 969,000 in 1917. By 1941 production of sulphur totalled 4,150,000 tons and consumption for all purposes nearly two million tons. Output last year exceeded 3,500,000 tons and stocks at the Gulf Coast mines alone were above 4,000,000 tons. From 1896 to the end of 1940 the United States produced in all 49 million tons of elemental sulphur. The country's consumption of sulphur and sulphuric acid by principal industries is divided as follows:—

Sulphur Consumption in 1941 in Long Tons

Chemicals*	1,060,000
Fertilizers and Insecticides	450,000
Pulp and Paper	360,000
Explosives*	83,000
Paint and Varnish	65,000
Dyes and Coaltar Products	65,000
Rubber	55,000
Food Products	6,000
Miscellaneous	95,000
Total	2,239,000

Sulphuric Acid Consumption in 1941 in Short Tons

Fertilizers*	2,500,000
Chemicals	1,790,000
Iron and Steel	1,450,000
Oil Refining	1,400,000
Coal Products	940,000
Non-ferrous Metals	800,000
Paints and Pigments	700,000
Rayon and Cellulose Film	555,000
Explosives*	190,000
Textiles	165,000
Miscellaneous	550,000
Total	11,040,000

*Including substantial tonnages absorbed by war industries. Source: Estimates by *Chemical and Metallurgical Engineering.*

—*The Economist*, May 8, 1943.

TRAFFIC IN COINS

Our daily newspapers give a lot of space to commercial news—Stock Exchange quotations, prices of gold and silver, etc.—which are of very little use to the average reader. The vast majority of people do not buy shares, gold bars or sovereigns these days, but almost everyone has to buy small coins and it would be more helpful if newspapers published the current rates at which small coins are sold, so that their readers may not be cheated in these transactions. The quotations might be given as follows:—

"PATNA. Dealings in small coins yesterday. Rickshaw pullers, 14 annas to the rupee. Licenced rice shops, 15 annas to the rupee (to known customers only). Vegetable venders, 14½ annas to the rupee. Pan shops near the railway station, 13½ annas to the rupee. Station coolies, 12 annas to the rupee. Postal and railway employees, at par to friends and relatives only. Banks, small odd lots at par to high officials only. . . ." As the rates vary in different towns, an inter-urban trade in small coins may grow up. One can buy small coins in Calcutta where they are cheap (15 annas to the rupee) and send them to Cawnpore where they can be easily sold at 12 annas to the rupee.—*Behar Herald*, July 6, 1943.

Book Reviews

THE POPULATION PROBLEM IN INDIA: A REGIONAL APPROACH. By N. V. Sovani, M.A., Gokhale Institute of Politics and Economics, Poona 4; Pp. xii+211, Price Rs. 4 or 8 sh.

THIS book embodies the revised and concise edition of an examination thesis written by the author. The author has been modest enough to declare in the preface that his aim has been "analysis rather than prescription." Even so, his analysis and the conclusions he draws thereon are marked by excessive caution, almost timidity, and an unwillingness to face up to the complexities of the problem. On occasions he displays a want of perspective and the treatment is uneven. However, Mr. Sovani's work is quite laborious, and he has put before us a mass of relevant material on our population problem and some fresh ideas as to its explanation. He has divided India into twenty-two regions for studying population growth, composition and movement. These regions are more detailed than the present provincial boundaries, and when finally he groups them into Very-Rapidly-Growing, Fast-Growing, Very-Slowly-Growing, and Stagnant and Declining regions they also infringe on geographical continuity. As Mr. Savani's study is concerned with the relation of growth or decline of population to the growth or decline of economic opportunities in various regions during the period 1881-1931, he takes into consideration the leeway left at the old stage of economic and technical development in 1881 and the difference made by technical innovations during the period 1881-1931. As regards the former he finds that the leeway left to be made up was very small in all the regions comprising the four groups. As regards the latter, he has taken into account such aspects of economic development as the growth of plantations and industries, the expansion of canal irrigation and the building of roads and railways.

While discussing migration, the author takes into consideration the "push" and "pull" factors as they cause the migratory movements as also the sex-ratio among migrants as indicating the permanent or semi-permanent character of the migration. He is inclined to the view that migration is mostly an economic phenomenon as against the view of Prof. Carr-Saunders that "it is undertaken in response to an idea." But Mr. Sovani's statement that "that the birth-rate has remained steady, since the beginning of the century only shows that it has reached a level that is in harmony with the prevailing socio-economic forces that influence population in India", does not seem to go with his own analysis which points out how "the prevailing" economic forces have been changing from period to period.

Prof. Gadgil has written a thought-provoking foreword to the book.

BOOKS RECEIVED

The Problem of Sickness Insurance. By V. P. Keni. The Author, 9, Dumbell Road, Vile Parle, Bombay. Price, Rs. 5.

Annual Reports of the Committee of the Marwari Chamber of Commerce, Calcutta, for the years 1941 and 1942. Hony. Secretary, Marwari Chamber of Commerce, 143, Cotton Street, Calcutta.

Report on Currency and Finance for the year 1942-43. Reserve Bank of India, Bombay. Price, Rs. 2-8 or 4s. 6d.

Financial Burden of the War on India. By C. N. Vakil. The Author, University School of Economics and Sociology, Bombay. Price Rs. 4 or 6s.



Working Capital Exceeds 24 Crores

Money and Banking

Reserve Bank's Annual Survey

THE report of the Central Board of the Reserve Bank of India for the year ended 30th June, 1943, issued recently, reveals a record net profit of Rs. 7,69,80,740-3-0. Out of this amount the sum of Rs. 20,00,000-0-0 has been set aside for payment to shareholders of a dividend at 4 per cent. being the maximum rate fixed by an Ordinance issued on the 30th June, 1943, by the Government of India. The balance of Rs. 7,49,80,740-3-0 is to be paid to the Central Government. As usual, the report contains a brief survey of the economic, financial and banking conditions in India during the year.

General Economic Trends

Reviewing the general economic trends in the country, the report states that during the year, India was transformed into a vital supply base for the strategy of the United Nations in the East and the Middle East. India's own defence expenditure rose from Rs. 104 crores in 1941-42 to Rs. 190 crores in 1942-43, over and above a capital expenditure of Rs. 49 crores, and borrowings, both long and short term, increased correspondingly. There were increases during the year of 62 per cent. and 56 per cent. respectively in note circulation and scheduled banks' demand liabilities, while wholesale prices (Economic Adviser's index) went up by 50 per cent. during the eleven months up to May, 1943. The extension of war to the Pacific and the scarcity of shipping space led to a severe contraction of foreign trade, while difficulties of transport for civilian goods, speculation and profiteering accentuated the maldistribution and shortages of foodstuffs, cloth and other essential articles. Disbursements in connection with the war effort, on the other hand, led to a rapid increase in the purchasing power in the hands of the public, not all of which could practicably be drawn off by taxation and borrowing. As the year advanced, Government concerted a series of remedial measures intended to co-ordinate the proper distribution of foodstuffs and the production and distribution of cloth, to curb speculative tendencies in the commodity and bullion markets and to absorb a part of the excess purchasing power in the hands of the public.

Balance of Trade and Exchange

With a marked recession in the total value of India's private foreign trade, the balance of trade in merchandise in favour of India declined during the 11 months ended May 1943 to Rs. 78.83 crores from Rs. 104.42 crores during the corresponding period of the previous year. The rupee-sterling exchange market was steady throughout the year, and the net sterling purchases by the Bank from the market were higher at £97.7 million as compared with £81.6 million in the previous year.

Exchange Control

The sterling area was extended during the year by the inclusion of Madagascar and its dependencies on the 28th December, 1942. The import of Burma notes into the country was controlled with a view to preventing the realization by the enemy of captured stocks of Burma notes. The export control system was further tightened up. The availability of shipping space became an important factor in the issue of licences under the Import Control system which had so far been based on the supply of foreign exchange and of particular currencies.

Repatriation of Sterling Debt

The 3½% non-terminable sterling stock fell due for repayment on the 5th January, 1943, and of the outstanding amount, stock repaid up to the 26th June, 1943, amounted to £56.69 million including £2.37 million held in India. In view of the continued accumulation of sterling, the Government of India were able to make provision for the funding of their liabilities in respect of Railway Annuities by an immediate lump sum payment of £30.05 million and for the redemption of Railway Debenture Stocks. Out of the total outstanding Railway Debenture Stocks of the face value of £20.2 million on the 15th January, 1943, £16.71 million was acquired under the United Kingdom and Indian Government Vesting Orders dated the 16th January, 1943, including £0.51 million under the Indian order, by the 12th March, 1943, at a total cost of Rs. 22.03 crores. Simultaneously, the requisite one year's notice was given by the Secretary of State for the redemption of the remaining three 3½ per cent. Debenture Stocks of the nominal value of £11.1 million in respect of the East Indian Railway, the Great Indian Peninsular Railway and the Bombay, Baroda and Central Indian Railway on the 4th February, 1944. The total sterling liabilities redeemed, including open market purchases, during the year under review amounted to £112.80 million.

Money Market and Govt. Loans

The money market remained easy throughout the period, the Reserve Bank of India rate continuing unchanged at 3%. The loans floated by the Central Government during the year consisted of (1) the 3 per cent. Loan 1951-54 (Third Defence Loan), (2) the 3 per cent. 1963-65 (Special Issue) and (3) the 3 per cent. 1946 Bonds (Special Issues) while the Three Year Interest-Free Defence Bonds continued to be available. The total subscriptions to these during the year amounted to Rs. 77.38 crores.

The Position of Banks

During the year under review the number of scheduled banks rose from 59 to 64, while applications from 12 banks for inclusion in the second schedule were under consideration at the end of the year. The number of branches of scheduled banks at 1,600 on the 30th June, 1943 showed an increase of 195 over the previous year, of which 94 offices were accounted for by banks newly included in the schedule. The total demand and time liabilities of scheduled banks showed an almost continuous rise and on the 25th June, 1943, stood at Rs. 549.23 crores as compared with Rs. 364.46 crores on the 26th June, 1942. Their average balances with the Reserve Bank increased from Rs. 41.98 crores in 1941-42 to Rs. 55.52 crores in 1942-43. Advances and bills discounted also improved appreciably during the last four months of the year and amounted to Rs. 145.95 crores on the 25th June, 1943, as against Rs. 95.77 crores a year before. Four banks including a Provincial Co-operative Bank, approached the Reserve Bank for financial accommodation during the year, the total amount of loans granted being Rs. 348.25 lakhs. The December, 1942, balance sheets of non-scheduled banks and their cash reserve returns for subsequent months show that their deposits also, in keeping with those of scheduled banks, have tended to rise. During the year under report Government circulated for public opinion a proposal for legislation requiring a prescribed relation between the authorized, subscribed and paid-up capital of a banking company and making it obligatory on it to issue only ordinary shares, or in the alternative to allow of voting rights in proportion to the capital contributed by each class of shares.

Problem of Inflation

The report concludes with a brief examination of the problem of inflation. After enumerating the various factors underlying the inflationary tendencies such as the considerable increase in the defence expenditure of the country and the large additions to the note circulation, besides scarcities of essential commodities and a general speculation complex, the report adds: "Thus psychological factors superadded to the basic monetary and economic facts operated towards creating a highly unsatisfactory and unstable situation, although it is not possible with any degree of accuracy to assess the relative significance of the former. Nor is it possible to measure the relative contribution of rising money incomes and the growing scarcity of goods to the rise in prices." The report states that in the present situation the most appropriate line of defence would appear to be the intensification of existing physical and financial controls, including a sustained drive for encouraging savings, coupled with efforts to augment the supplies of necessary commodities. For, the maintenance of a reasonable supply of essential consumers' goods is vital even to the efficiency of the war effort, especially in a country like India with its very low standards of living which are not capable of serious reduction without grave consequences to the health and morale of the people. In respect of the connected problem of increasing sterling assets, the report concludes that the task before the Bank and the Government will be to ensure that these balances are available for employment in promoting the country's industrial development during the post-war period and strengthening its status in international trade.

Company Notes

The Tin Printing And Metal Works Ltd.

The accounts of the Tin Printing and Metal Works, Ltd., Delhi, for the year ended March, 1943, have been released. The working of the Company during the year under discussion has resulted in a net profit of Rs. 62,559 to which is to be added a sum of Rs. 240 brought forward from the last year, thus making a total of Rs. 62,799 which the directors have recommended to be disposed of as follows:—

	Rs.
Provision for taxes	22,000
Dividend at 20 per cent.	26,280
Reserve Fund	10,000
Dividend Equalizing Fund	2,500
Carry Forward	2,019

The balance-sheet position of the Company is highly satisfactory. Against a paid-up capital of Rs. 1,31,540, the Company's fixed assets amount to Rs. 1,06,174. Stores and stocks held by the Company as on March 31, 1943, are valued at Rs. 1,26,505. Other amount to over Rs. 75,000. Reserves have swollen to over Rs. 1 lakh. The net profit earned by the Company for the year is Rs. 62,559. Investment in the shares of the Company at their current price of Rs. 40 per share gives a yield of 5 per cent. all clear.

Textile Machinery Corporation, Ltd.

The Textile Machinery Corporation, the managing agents of which are Messrs. Birla Bros., Ltd., is a pioneer in the field of manufacturing textile machinery in India. The utility of such an industry in our country where the textile industry is a well-established major industry, is obviously great, particularly in so far as the manufacture of power looms and spinning frames is concerned. The major gap in Indian industrialization is in respect of the manufacture of heavy machinery and all attempts at filling the gap should be welcome. The imagination and enterprise of Messrs. Birla Bros. are worthy of emulation by the other leading managing agents in the country.

For the year ended 31st December, 1942, the sale proceeds of the Textile Machinery Corporation amounted to Rs. 15,15,018. Establishment and manufacturing charges accounted for 53.6 per cent. of this. The gross profit worked out to a 23.2 per cent. gross return on the paid-up capital. About 28.3 per cent. of the gross profit has been earmarked for depreciation account.

The net profit after meeting all expenses, interest charges and depreciation, amounted to Rs. 4,06,976. A sum of Rs. 1,62,616, representing the debit balance of the previous year had to be deducted from this, as also a sum of Rs. 96,717 being the arrears of dividend on the 5-1|2 per cent. cumulative preferential capital of Rs. 10 lakhs, together with the dividend for the year; on the basis of the balance thus made available for distribution (Rs. 1,47,643), the return on the ordinary capital works out to about 9.9 per cent. However, the Directors have recommended a dividend of only 5 per cent. which leaves a sum of Rs. 72,669 to be carried forward to the accounts of the current year. The shareholders have since approved of this decision of the Directors which has been prompted by their desire to follow a cautious policy in order to put the Company, which is but only three years old, on sound financial ground.

nvestments

BOMBAY, July 28.

A more steady tone is noticeable in the share market. Activity centred round the leading counters while turnover in other shares was small. Tata Deferreds fluctuated 100 points touching Rs. 1,970 on Tuesday after dropping to Rs. 1,880 on Monday. Tata Ordinaries at the same time moved between Rs. 386 and Rs. 398. Bombay Dyeings continue to rule easy. They dropped to Rs. 1,865 on Monday but have recovered to Rs. 1,910. In the Miscellaneous Section, Tata Chemicals were quoted as low as Rs. 30-8 and then improved to Rs. 32-8; Belapurs are remarkably steady around Rs. 225. During the worst days of 1940 and 1941, the lowest quotation for Belapur was only Rs. 197, while the highest in 1941 and 1942 was Rs. 340 and Rs. 285, when it is remembered that current year's working is more satisfactory than last year's and that higher dividend can be expected than last year's Rs. 6. These shares merit better attention at the current price. Central Banks dropped to Rs. 67, but on better investment enquiry have improved to Rs. 70. The deflationary forces now at work are likely to receive a fillip if Mussolini's downfall soon leads to the next logical step of Italian capitulation. Public expectancy of an early peace in Europe is more widespread today than ever before. The resignation of the Italian dictator is the first definite indication in that direction. It will serve to stimulate public belief in early peace. Continued Russian offensives on the Eastern Front must add to the German difficulties. Crisis might thus develop fast in the European war. Tempo of events may be quicker. The cumulative effect of increasing Government regulations to check inflation and critical situation in the European war may well be to depress prices. Generally large sales of long-dated Government loans are helping to withdraw idle moneys from circulation and assist this process. 3-1|2 per cent. Government Paper has further improved to Rs. 96, while 3 per cent. 63-65 loan has sharply risen to Rs. 96-10; in short medium dated prices remain unchanged.

MADRAS, July 25.

The money market continued to be easy and the call rate was quoted 1|2 per cent. A fair volume of business passed at this rate. The sterling exchange market was slightly more active and a fair turnover resulted in merchant T.T. and in the inter-bank market. The rates were unchanged.

STOCKS AND SHARES

The rising of the selling rate of 3½% Paper by As. 8 to Rs. 95-8 by the Reserve Bank was the only feature of the Government Securities market. This has imparted a firm feeling to the market. There was a fair turnover in Paper and in the dated loans. Continued selling pressure was in evidence in the share market and a flood of liquidation beset the market. Textiles in particular encountered the full force of selling and numerous severe falls were seen. To a lesser extent but nevertheless with considerable force the spate of selling spread to the Planting Section. Even the older shares of this section which had stood very well for so long were caught in the maelstorm and share values went down. The following table would indicate the falls recorded in leading shares from the peak levels:

Textiles	6-5-1943	24-7-1943
	Rs.	Rs.
Buckingham and Carnatics ..	320	298
Cambodias ..	45	32-12
Coimbatore Spinning and Weaving ..	370	245
Dhanalakshmi ..	605	445
Janardhana ..	280	150
Lakshmi ..	322-8	185C.D.
Mettur Industries ..	335	282C.D.
Pankaja ..	380	289
Rajalakshmi ..	350	215
Radhakrishna ..	480	350
Sri Rangavilas ..	300	145
Sitaram ..	244	130
Sri Sarda ..	375	200
Vasanta ..	380	310

Even Bank shares could not maintain their levels. Indian Fully Paids which touched Rs. 280 at the close of last week were down to Rs. 242-8. Reserves were easier at Rs. 116. Chemical shares were fully steady and these were the only exceptions in an otherwise declining market. *Sugars were barely steady. The* Mysore Industrial group was easy and fractional losses *have been noticed. Marginal trading was still seen and* so long this prevails further falls in values may be seen.

A new rule has been introduced by the Council of the Madras Stock Exchange in respect of sales and deliveries and this came into effect from the 19th July. It is understood that the rule is designed to arrest selling pressure and as far as possible to prevent bear sales. The rule stated as follows: "Sellers are required to deliver documents against sales within seven working days from the date of contract. Havalas will not be accepted in respect of business done in pursuance of this resolution." In all probability the new rule may be rescinded as soon as market conditions improve.

Commodity Markets

HAPUR, July 26.

The local wheat market during the week was dull and lethargic and there was nothing remarkable in the movement of prices. The traders were almost shy throughout and carried on their business with a reserved disposition. The All-India final wheat forecast issued during the week could not wield any influence on the local wheat prices. The price for *dara* wheat generally remained pegged at Rs. 14-3-6. The arrivals from villages continue to be very poor on account of heavy rains. The daily average of wheat arrivals was hardly 300 maunds while last week it was about 700 maunds. One *khatti* of wheat was exported from here and the stock has come down to 229 *khattis*.

The *All-India final* wheat forecast estimates production at 10,971,000tons as against 10,938,000 tons *computed in the previous estimate.* Last year's final forecast was placed at 10,037,000 tons. Thus there has been an increase of 9 per cent. over the yield of last year. The following statement shows the final All-India wheat forecasts for the past five years:

Year	Area sown (acres)	Yield (in tons)
1941-42 ..	34,039,000	10,037,000
1940-41 ..	34,862,000	10,005,000
1939-40 ..	34,009,000	10,767,000
1938-39 ..	35,441,000	9,963,000
1937-38 ..	35,640,000	10,764,000
Average from 1935-36 to 1939-40:		10,136,000 tons.
Average from 1930-31 to 1934-35:		9,377,000 tons.

The other commodities during the week under review were generally firm and active owing to encouraging demand and decreased arrivals.

Bardana:

The local Bardana market displayed a bullish tendency and the prices closed at higher levels. This is mainly attributable to the reports of coal shortage in Bengal and the decision of the Committee of the Indian Jute Mills' Association to close down for one calendar week all jute mills in Bengal. There was a considerable amount of general buying and, there being no sellers, the prices of Bhadon delivery touched the highest level at Rs. 54-6-0. Cawnpore and Muzaffarnagar speculators were the main buyers here.

Juwar:

The juwar market showed very firm conditions and with the progress of the day's prices also advanced. There has been a good volume of trading, speculators evincing keen interest while investors were also not less aggressive. "Bulls" were in predominance and purchased a good quantity of transactions. The demand is good from Bombay side. Poos prices opened at Rs. 6-3-9 and closed at Rs. 6-6-10½. The highest and the lowest levels touched during the week were Rs. 6-7-6 and Rs. 6-2-3 respectively.

The following are the latest quotations:

	This week Rs. a. p.	Last week Rs. a. p.
Wheat ..	14 3 6	13 12 0
Barley ..	10 0 0	9 7 0
Arhar ..	9 2 6	9 0 0
Gram ..	10 13 6	10 10 0
Peas ..	10 9 0	10 6 10
Gur ..	8 0 0	8 4 0
Juwar: Poos ..	6 6 10½	6 2 3
Bardana: Bhadon	53 15 0	53 12 0

BOMBAY, July 24.

Seed:

The news that the Government of India had assumed powers to prohibit or restrict advances from banks against commodities affected the groundnut market greatly. Prices were, on the whole, lower than last week. Large-scale purchases of groundnuts and castorseeds by the Ministry of Food has been a noteworthy feature of the week of this market. The Ministry of Food purchased about 11,000 tons of groundnuts at £37 per ton for shipment from West Coast. Some quantity has been bought for shipment from the East Coast as well. About 2,500 tons of castorseed were bought by the Ministry of Food at £37-10 per ton. In the local market, exporters purchased Madras Marmagao groundnuts at Rs. 18-10 and bold for Marmagao delivery at Rs. 18-7. Business in ready castorseed for Bedi delivery was done at Rs. 18-2 and for Madras Marmagao delivery at Rs. 18-10 while in Coromandal quality for Bombay delivery, business was done at Rs. 17-10. In linseed, business on bazaar terms for Mohobo Bandho was done at Rs. 13-2 and on delivery terms at Rs. 13-8. Limited business was done in small linseed at Rs. 13-6.

MADRAS, July 25.

Sellers predominated in the Madras groundnuts market during the period under report. Finding the market going down week by week, hoarders began selling and a small volume of the summer crop has also been coming. A fairly brisk trade has been reported from Pollachi where the crop is expected early in September. The quotation continued to be easy and at the close was quoted at Rs. 84-8. The British Ministry of Food have taken full advantage of the lower prices prevailing. During the course of the last fortnight, it is reported that they have purchased in this country about 45,000 tons at prices ranging from £37-10-0 to £36-15-0. There was practically no demand for oil and the quotation further declined to Rs. 150. There has been fairly good arrivals of oil from upcountry to the city and the quality being slightly better fetched a premium of Rs. 5 over the oil produced by the city crushers. Oil cake was steady at Rs. 135 with a small demand from the agriculturists mainly for manure purposes.

Yarn:

There has been no break in the downward tendency of prices in the yarn market. On the week's trading, 40's have further declined by about Rs. 3 per bundle of 10 lbs. to Rs. 17-12, as against the panel rate of Rs. 21-13. Uncertainty reigns supreme in the market and all the other counts have also declined substantially. Those weavers who have export orders were buying in small quantities. It is reported that one or two merchants in the city have secured permits to export yarn from the Presidency. How far this would change the complexion of the market, it is too soon to say.

Piecegoods:

The piecegoods market continued in a nervous state. Further declines have been seen and prices have now declined by over fifty per cent., more than the level envisaged by the President of the Textile Control Board. This has been mainly due to a fear that the Government of India might take over the stocks in bales not sold before the end of August at a price "reasonable to the Government." Another section expects that the Government would stamp the stocks remaining unsold at the end of August and allow the merchants to sell them along with the new goods that will be also stamped. Thus confusion prevails in the market. Arrivals from the Bombay Presidency has been on a large scale. Many upcountry dealers were in the market this week and but for the transport difficulties, they would have effected large purchases. Even now, they have made fairly large purchases on the understanding that the sellers would arrange for the despatch of goods. Retail sales were on a modest scale but prices here have not undergone any change worth noting.

Skins And Hides:

In the Skins and Hides market, about 4,000 bales are expected to be lifted from the market on U.K. account in the next few days. As usual, there were some enquiries from both U.K. and U.S.A. but few have materialized and even this business has been done, not due to the profitable nature of the business, but to keep in touch with the importers at the other end. Local exporters were not interested in the market and were not making any large-scale purchases. So far as local business is concerned, the market is dull here, too, but for some stray business in cow hides, goat and sheep of the heavier varieties. The Controller of Railway Priorities in Madras has notified that after July, 1943, no more wagons will be made available from Bihar, Bengal and Assam to Madras and raw hides must be railed to Calcutta anl then by steamer to Madras. The reason for this has been stated to be that the Controller has concrete evidence that tonnage has been and is available. But the effect of this order will be that arrivals hereafter may dwindle down. Importers have preferred to get the raw stock through the railways as that enabled them to get the stock to the station nearest to the tannery in the upcountry. Under the new rules, they would be faced with the difficulty of getting wagon space at the Madras Port. Further, the war risk if imported by steamer is covered by the British Ministry of Supply and importers feel that there may be considerable delay before the claims are squared up. On the whole, the immediate outlook seems to be gloomy.

CURRENT STATISTICS

BANK OF ENGLAND

(000's omitted)

	July 21, 1943	July 14, 1943	Aug. 30, 1939	July 22, 1942
	£	£	£	£
Total Bullion ..	1,264	1,192	263,700	1,500
Public Deposits ..	6,400	5,300	31,100	13,900
Other Deposits ..	223,200	200,500	129,100	177,700
Of which Banker's Deposits ..	147,400	161,300	90,100	127,800
Govt. Securities ..	180,800	154,500	113,100	166,000
Other Securities ..	16,600	17,000	31,000	21,200
Of which Discounts and Advances ..	4,700	41,000	6,400	5,900
Notes and coins ..	45,300	48,300	34,200	16,200
Notes in circulation	956,000	952,900	529,500	815,300
Ratio of Reserve to Liabilities ..	19.72%	23.45%	21.38%	8.47%

U.S. FEDERAL RESERVE BOARD

(000's omitted)

	July 22, 1943	July 15, 1943	Aug. 31, 1939	July 23, 1942
	$	$	$	$
Resources:				
Total Reserves ..	20,536,000	20,555,000	14,660,610	20,832,000
Total Bills Discounted	9,000	10,000	6,190	5,000
Bills bought in open market ..	..	..	550	..
Total U. S. Govt. Securities ..	7,577,000	7,645,000	2,426,190	3,047,000
Liabilities:				
Federal Reserve Notes in actual circulation	14,145,000	14,094,000	4,609,280	9,563,000
Deposits — Member Bank Reserve Acct.	12,319,000	12,260,000	10,951,000	12,551,000
Ratio of total Reserve to Deposit and Federal Reserve Note liabilities combined ..	72.6%	72.3%	86.9%	87.7%

RESERVE BANK OF INDIA

Weekly statement of account as on July 16, 1943.

ISSUE DEPARTMENT

Liabilities	Rs.	Rs.
Notes held in the Banking Department ..	10,60,16,000	
Notes in circulation ..	737,41,97,000	
Total Notes issued ..		748,02,13,000
Total Liabilities ..		748,02,13,000

Assets	Rs.	Rs.
A. Gold Coin and Bullion:		
(a) Held in India ..	44,41,43,000	
(b) Held outside India ..	..	
Sterling Securities ..	570,78,87,000	
Total of A ..		615,20,30,000
B. Rupee Coin ..		14,39,95,000
Govt. of India Rupee Securities ..		118,41,88,000
Internal Bills of Exchange and other Commercial Paper ..		..
Total Assets ..		748,02,13,000

Ratio of Total of A to Liabilities: 82.244 per cent.

BANKING DEPARTMENT

Liabilities	Rs.
Capital paid up ..	5,00,00,000
Reserve Fund ..	5,00,00,000
Deposits:	
(a) Government—	
(1) Central Government of India	16,24,64,000
(2) Government of Burma ..	28,80,000
(3) Other Government Accounts ..	8,67,77,000
(b) Banks ..	63,55,68,000
(c) Others ..	3,12,78,000
Bills Payable ..	1,77,36,000
Other Liabilities ..	9,70,44,000
Total ..	113,37,47,000

Assets	Rs.
Notes ..	10,60,16,000
Rupee Coin ..	11,74,000
Subsidiary Coin ..	1,78,000
Bills Purchased and Discounted:	
(a) Internal ..	..
(b) External ..	..
(c) Government Treasury Bills ..	..
Balances held abroad* ..	93,12,66,000
Loans and Advances to Governments ..	22,00,000
Other Loans and Advances ..	25,00,000
Investments ..	7,39,22,000
Other Assets ..	1,64,91,000
Total ..	113,37,47,000

* Includes Cash and Short-term Securities.

ISSUE DEPT. COMPARATIVE STATEMENT

(000's omitted)

	July 16, 1943.	July 9, 1943.	July 17, 1942.	Sept. 1 1939.
Notes held in the Banking Dept.	10,60,16	10,63,72	12,46,92	35,04,4
Notes in circulation ..	737,41,97	737,61,94	449,65,10	182,13,1
Total Notes ..	748,02,13	748,25,66	462,12,02	217,17,6
A. Gold Coin and Bullion ..	44,41,43	44,41,43	44,41,43	44,41,4
Sterling Securities ..	570,78,87	570,78,87	266,85,11	59,50,1
Total of A ..	615,20,30	615,20,30	311,26,54	103,91,5
B. Rupee Coin ..	14,39,95	14,63,74	28,55,45	75,87,1
Rupee Securities	118,41,62	118,41,62	122,30,03	37,38,9
Ratio of total of A. to Liabilities	82.244	82.218	67.356	63.15

BANKING DEPT. COMPARATIVE STATEMENT

(000's omitted)

	July 16, 1943.	July 9, 1943.	July 17, 1942.	Sept. 1, 1939.
Cash ..	10,73,68	10,75,70	12,60,72	35,15,27
Bills purchased and discounted—				
(a) Internal ..	..	..	..	..
(b) External ..	..	..	..	..
(c) Govt. Treasury Bills ..	..	..	6,24	1,15,67
Balances held abroad* ..	93,12,66	84,66,86	84,31,64	10,08,33
Loans and Advances to Govt.	22,00	64,00	1,28,00	31,00
Investments ..	7,39,22	7,39,09	9,30,16	6,81,34
Deposits—				
(a) Govt. ..	25,21,21	24,45,05	24,49,22	14,89,43
(b) Banks ..	63,55,68	54,13,46	65,70,34	26,91,43
(c) Others ..	3,12,78	3,27,43	1,98,71	1,24,37

* Includes Cash and Short-term Securities.

STERLING PURCHASES

(000's of £)

	Total Amount Purchased.	Average rate.
1943:—		
January	8,132	1sh. 6d.
February	11,070	1sh. 6d.
March	17,779	1sh. 6d.
April	9,219	1sh. 6d.
May	8,721	1sh. 6d.
June	6,338	1sh. 6d.

SCHEDULED BANKS

(COMPARATIVE STATEMENT)

(In thousand Rupees)

	16-7-1943	9-7-1943	17-7-1942	1-9-1939
Demand Liabilities in India ..	427,92,83	423,72,74	278,72,48	134,36,49
Time Liabilities in India ..	133,62,95	133,30,61	97,61,64	102,24,34
Cash in India ..	17,80,38	18,98,08	12,00,53	6,69,92
Balances with Reserve Bank	62,57,87	53,02,89	63,93,31	25,17,19
Advances in India	143,03,92	146,04,89	89,54,92	101,52,16
Bills discounted in India ..	3,94,72	4,46,32	1,83,25	3,57,29

IMPERIAL BANK OF INDIA

Week ended July 16, 1943.

Liabilities	Rs.	Rs.
Capital—		
Authorized—2,25,000 shares of Rs. 500 each ..	11,25,00,000	
Issued and Subscribed—2,25,000 shares of Rs. 500 each ..	11,25,00,000	
Called up—75,000 shares of Rs. 500 each, fully paid ..	3,75,00,000	
1,50,000 shares of Rs 500 each, Rs. 125 paid ..	1,87,50,000	
Reserve Liability of Shareholders—Rs. 375 per share on 1,50,000 shares ..	5,62,50,000	5,62,50,000
Reserve Fund ..	..	5,75,00,000
Fixed Deposit, Savings Bank Current and other Accounts ..	..	195,00,46,000
Loans against Securities per contra ..	..	..
Acceptances for Constituents ..	..	72,98,000
Sundries ..	..	..
Total ..	..	207,10,94,000

Assets	Rs.	Rs.
Investments—		
Government Securities ..	135,30,42,000	
Other Authorized Investments ..	2,09,57,000	
		137,39,99,000
Advances—		
Loans ..	9,87,24,000	
Cash Credits and Overdrafts	23,84,83,000	
Bills Discounted and Purchased ..	2,41,96,000	
		36,14,03,000
Liability of Constituents for Acceptances per contra ..	..	..
Dead Stock ..	..	1,71,67,000
Sundries ..	..	77,01,000
Bullion ..	..	..
Cash—		
In hand and with the Reserve Bank of India ..	29,90,74,000	
Balances with other Banks	1,17,50,000	
		31,08,24,000
Total ..	..	207,10,94,000

TENDERS FOR TREASURY BILLS

(In thousands of rupees)

Week Ending	Amount Tendered	Amount Accepted	Average Rate	Intermediates	Sold in favour of Issue Dept.
1943	Rs.	Rs.	Rs. a. p.	Rs.	Rs.
May 4	15,12,00	8,00,00	1-1-9	4,44,00	2,35,50
„ 11	15,07,00	8,00,00	1-1-7	2,90,75	1,57,60
„ 18	12,79,75	8,00,00	1-1-0	2,75,50	10,64,00
„ 25	11,92,50	8,00,00	1-1-0	1,40,00	7,91,00
June 1	11,88,00	8,00,00	1-1-0	3,90,25	6,57,75
„ 8	12,31,50	8,00,00	1-1-0	5,70,50	6,66,75
„ 15	12,80,25	8,00,00	1-1-0	3,74,25	3,57,00
„ 22	11,11,00	8,00,00	1-1-0	4,11,50	6,83,50
„ 29	9,07,00	8,00,00	1-1-0	1,20,75	7,82,00
July 6	4,81,25	3,12,25	1-0-0	40,50,00	3,15,50
„ 13	13,22,25	8,00,00	0-15-11	..	35,59,00
„ 20	15,93,76	8,00,00	0-15-9	..	10,64,25
„ 27	19,76,50	80,000	0-15-7	..	35,900

Gold and Silver Position Bombay

	Price (Spot) Gold (Tola)	Price (Spot) Silver (100 Tolas)	Estimated visible stocks Gold (Tolas)	Estimated visible stocks Silver (Bars)
June 4 ..	82 8 0	126 0 0	1,00,000	1,500
„ 11 ..	78 4 0	121 0 0	1,25,000	1,500
„ 18 ..	82 4 0	126 8 0	75,000	1,500
„ 25 ..	83 13 0	124 9 0	75,000	2,000

CLEARING HOUSE RETURNS

(In lakhs of rupees)

Period	Bombay	Calcutta	Cawnpore	Delhi	Karachi	Lahore	Madras	Total	Progressive Total
Total 1940-41 ..	796,66	1,005,65	18,95	28,26	46,62	15,71	106,69	2,018,54	2,018,54
„ 1941-42 ..	1,046,77	1,230,09	30,33	41,06	58,50	26,61	135,30	2,568,66	2,568,66
„ 1942-43 ..	1,321,06	1,061,88	55,14	80,53	76,62	47,96	129,84	2,773,03	2,773,03
1942-43									
April	96,70	75,35	3,19	5,02	4,82	2,75	8,61	196,44	196,44
May	97,79	76,68	3,95	6,24	6,94	3,74	8,49	203,83	400,27
June	82,06	66,40	2,86	4,92	5,48	2,96	7,44	172,12	572,39
July	105,05	85,62	3,42	6,53	6,61	4,89	10,49	222,61	795,00
August	81,80	66,62	2,65	4,32	4,83	3,61	8,19	172,02	967,02
September ..	79,63	75,87	3,19	4,67	4,66	3,51	9,90	181,43	1,148,45
October	124,29	95,16	5,39	6,16	6,96	4,24	12,26	254,46	1,402,91
November ..	101,80	97,13	4,49	6,73	6,14	4,18	11,20	231,67	1,634,58
December ..	111,59	104,41	5,56	7,13	5,74	3,91	12,06	250,40	1,884,98
January	152,27	113,35	6,67	10,36	8,96	4,84	13,36	309,81	2,194,79
February ..	130,41	92,20	6,81	9,03	7,69	4,54	13,27	263,95	2,458,74
March	157,67	113,09	6,96	9,42	7,79	4,79	14,57	314,29	2,773,03
1943-44									
April	195,60	144,50	8,94	10,56	9,31	6,62	17,67	393,20	393,20
May	154,55	121,09	7,63	8,35	7,52	5,07	14,35	318,56	711,76
June	130,96	120,90	6,48	7,74	8,25	4,51	13,95	292,79	1,004,55
Week ended June 4	40,19	38,58	1,81	2,16	1,82	1,16	3,85	89,57	801,33
„ „ „ 11	31,59	27,89	1,70	2,05	2,08	1,24	3,36	69,91	871,24
„ „ „ 18	29,39	28,49	1,26	1,76	1,63	1,07	3,10	66,70	937,94
„ „ „ 25	29,79	25,94	1,71	1,77	2,72	1,04	3,64	66,61	1,004,55

CURRENCY CIRCULATION AND WHOLESALE PRICES

(In lakhs of rupees)

Month	Increase or decrease in Note Circulation as on last Friday of the month		Increase or decrease of Rupee Coin* in Circulation as on last Friday of the month		Combined progressive increase or decrease of Notes and Coin in Circulation	Calcutta Index No. of Wholesale Prices (July 1914 100)
	During Month	Progressive	During Month	Progressive		
1940-41		+ 19,11	..	+ 33,23	+ 52,34	119
1941-42		+ 152,40	..	+ 7,18	+ 159,58	144
1942-43		+ 262,33	..	+ 46,13	+ 308,46	211
1942-43						
April	+ 32,55	+ 32,55	+ 3,05	+ 3,05	+ 35,60	157
May	+ 18,04	+ 50,59	+ 1,69	+ 4,74	+ 55,33	169
June† ..	+ 11,35	+ 61,94	- 1,61	+ 3,13	+ 65,07	182
July	+ 7,81	+ 69,75	- 2,16	+ 97	+ 70,72	182
August ..	+ 23,26	+ 93,01	+ 98	+ 1,95	+ 94,96	192
September ..	+ 18,33	+ 111,34	+ 2,03	+ 3,98	+ 115,32	198
October ..	+ 22,11	+ 133,45	+ 4,87	+ 8,85	+ 142,30	209
November ..	+ 25,66	+ 159,11	+ 6,53	+ 15,38	+ 174,49	227
December ..	+ 30,00	+ 189,11	+ 11,12	+ 26,50	+ 215,61	238
January ..	+ 22,89	+ 212,00	+ 9,57	+ 36,07	+ 248,07	250
February ..	+ 21,11	+ 233,11	+ 5,95	+ 42,02	+ 275,13	253
March ..	+ 29,22	+ 262,33	+ 4,11	+ 46,13	+ 308,46	272
1943-44						
April ..	+ 34,03	+ 34,03	+ 3,31	+ 3,31	+ 37,34	293
May ..	+ 26,50	+ 60,53	+ 3,56	+ 6,87	+ 67,40	325
June ..	+ 19,24	+ 79,77	+ 2,49	+ 9,36	+ 89,13	319

*Including Government of India one-rupee notes from July 1940. †Figures for India only from June 1942

INDEX NUMBERS OF WHOLESALE PRICES BY GROUPS OF ARTICLES

(Prices for week ending 19th August 1939=100)

	Jan. 1943.	Feb. 1943	Feb. 1942.
Food and Tobacco ..	190.8	207.0	132.3
Other Agr. Com. ..	183.3	193.8	125.3
Raw Materials ..	171.5	172.0	158.0
Manufactured Articles..	224.1	225.5	162.3
Primary Commodities ..	182.0	190.5	140.6
All Commodities ..	190.4	197.6	145.0
Chief Articles of Export	177.2	187.6	142.4

*Issued by the Economics Adviser, Govt. of India.

BOMBAY

(July 1914=100)

Commodities.	No. of Items.	Mar., 1943.	Feb., 1943.	Mar., 1942.
Foodgrains		211	212	142
Cereals	7	202	204	145
Pulses	2	244	242	132
Sugar	3	222	218	151
Other Food ..	3	253	268	143
All Food	..	222	225	143
Oilseeds	5	156	153	102
Textiles	..	174	169	104
Cotton, Raw ..	5	94	94	71
Cotton, Manufactures	6	307	293	159
Other Textiles ..	2	83	83	83
Hides and skins ..	3	99	99	99
Metals	5	746	742	657
Other Raw and Manufactured Articels ..	4	232	232	220
Non-food	..	274	271	226
General Index		256	255	197

DATES OF MATURITY OF OUTSTANDING GOVERNMENT OF INDIA TREASURY BILLS

Date of Maturity.	Amount (000's of Rs.)	Date of Maturity	Amount (000's of Rs.)
July 1943—		31st ..	5,00
24th ..	5,00	Sept. 1943—	
27th ..	8,00	2nd ..	2,57,25
28th ..	1,92,00	3rd ..	16,25
29th ..	65,00	4th ..	8,42,00
30th ..	9,09,00	5th ..	2,47,00
Aug. 1943—		7th ..	8,00
1st ..	62,00	9th ..	22,00
3rd ..	16,00	10th ..	9,50
5th ..	1,33,50	11th ..	7,95,25
6th ..	1,04,50	12th ..	3,17,50
7th ..	8,19,75	14th ..	30,00
8th ..	28,00	16th ..	62,50
10th ..	5,00	17th ..	2,34,25
12th ..	2,16,50	18th ..	8,90,50
13th ..	90,25	19th ..	3,00
14th ..	7,28,25	21st ..	21,25
17th ..	40,50	23rd ..	15,75
19th ..	1,14,25	24th ..	39,50
20th ..	7,89,25	25th ..	7,89,50
24th ..	36,50	26th ..	35,50
26th ..	2,69,25	28th ..	40,50
27th ..	1,15,00	30th ..	33,50
28th ..	7,51,00		
29th ..	50,00	Total	102,68,00

CALCUTTA

(Prices in July 1914=100)

Commodities.	June 1943.	May 1943.	1942.	1939
Cereals ..	447	473	157	86
Pulses ..	365	374	162	99
Tea ..	130	192	241	142
Other Food Articles ..	565	545	298	125
Oilseeds ..	272	281	143	106
Mustard Oil ..	192	197	85‡	81
Jute Raw ..	134	147	77	80
Jute Manufactures ..	193	195	137	102
Cotton Raw ..	199	199	96	75
Other Textiles (Wool & Silk)	220	262	146	110
Hides & Skins ..	95	95	86	67
Metals ..	342	354	273	147
Other Raw and Manufactured Articles ..	199	183	147	95
All Commodities	319	325	185	108

‡Average of 9 months.

BANGALORE *

(Base year 1914=100)

Particulars.	Feb. 1943.	Jan. 1943.	Feb. 1942.
Foodgrains & pulses	226	198	131
Oils & Oilseeds ..	334	209	112
Other Food Articles	226	214	114
Textiles ..	267	236	141
Others ..	250	248	175
General Index ..	238	222	136

*Compiled by the Department of Industries and Commerce, Mysore.

SUGAR POSITION

1942-43

(FIGURES IN TONS)

Producing Areas.	Production up to 15-7-43.	Despatches during the week-ending 15-7-43.	Progressive total of despatches from 1-12-42 to 15-7-43.	Percentage of progressive despatche production.	Physical stock as on 15-7-43.
U.P. ..	6,13,248	17,395	3,50,468	57.1	2,62,780
Bihar ..	2,37,671	3,889	1,31,637	55.4	1,06,034
Bombay ..	77,191	3,518	50,801	65.8	26,390
Madras ..	31,739	823	19,827	62.5	11,912
Punjab ..	6,579	305	5,050	76.8	1,529
Bengal ..	16,537	1,145	4,315	26.1	12,222
N.-W.F.P.	3,167	56	2,394	75.6	773
Orissa ..	2,092	12	1,640	78.4	452
Sind ..	2,008	101	878	43.7	1,130
Indian States ..	81,594	3,062	52,843	64.8	28,751
Total ..	10,71,826	30,306	6,19,853	57.9	4,51,973

N.B.—(1) Balance of Physical Stock of 1941-42 Season Sugar as on 15-7-43 was 889 tons.

(2) Information received from Indian States is not complete.

(3) Only 2 factories were still crushing on 15-7-43.

CROP FORECAST

(000's omitted)

Crop	Acreage 1942-43 Estimated	Acreage 1941-42 Final	Outturn 1942-43 Estimated	Outturn 1941-42 Final
Jute† ..	3,297	2,160	9,015(b)	5,474(b)
Groundnut* ..	7,431	7,070	2,714(t)	2,586(t)
Castorseed ..	1,352	958	147(t)	91(t)
Sugarcane* ..	3,590	3,515	5,692(t)	4,371(t)
Rice* ..	74,919	73,579	24,533(t)	25,351(t)
Sesamum* ..	4,328	4,145	463(t)	414(t)
Cotton* ..	18,812	24,151	4,554(b)	6,127(b)
Wheat* ..	34,298	34,039	10,971(t)	10,037(t)
Rape and Mustard* ..	5,784	6,204	1,043(t)	1,089(t)
Linseed* ..	3,408	3,348	411(t)	361(t)

* Final. † Supplementary. (b) = Bales. (t) = Tons.

BOMBAY

STOCKS AND SHARES

28-7-1943

	Rs. a. p.
SECURITIES—	
2¾% Loan (1948-52)	99 5 0
3% „ (1949-52)	100 12 0
3% „ (1951-54)	100 4 0
3% „ (1963-65)	96 8 0
3½% G. P. Notes	96 0 0
3½% Loan (1947-50)	103 11 0
4% „ (1943)	100 2 0
4% „ (1960-70)	110 12 0
4½% „ (1955-60)	114 10 0
3% „ (1945-55)	107 0 0
3% „ (1946) Defence ..	102 14 0
4% New Loan (1953-55) ..	100 0 0
TEXTILES—	
Ahmedabad Advance	495 0 0
Bombay Dyeing	1,908 12 0
Central India	404 8 0
Century	746 0 0
Colaba Land	228 0 0
Gokak	323 8 0
Indian Bleaching	199 0 0
Kohinoor	758 0 0
Phoenix	530 0 0
Sholapur	7,480 0 0
Simplex	269 0 0
Swadeshi	525 0 0
Vishnu	2,325 0 0
MISCELLANEOUS—	
Alcock	935 0 0
Belapur Sugar	224 0 0
Bombay Burma	360 0 0
Bombay Burma New	125 0 0
Bombay Steam	547 8 0
Bombay Tramways	154 0 0
Burma Petrol	2 8 0
Scindia Steam	33 0 0
Shivrajpur	61 8 0
Andhra Valley	1,882 8 0
Tata Power	1,797 8 0
Tata Hydros	197 8 0
Tata Steel Defd.	1,948 12 0
Tata Steel Or dy.	395 8 0
Premier Construction	178 0 0
Indian Iron	34 4 0
Burma Corpn.	34 0 0
Indian Copper	2 8 0
CEMENT—	
Associated	274 0 0
INSURANCE—	
New India	78 0 0
PREFERENCE—	
Tata Steel 1st Pref.	215 8 0
Tata Steel 2nd Pref.	159 0 0
BANKS—	
Central	69 12 0
Imperial (F. P.)	1,795 0 0
Imperial (P. P.)	435 0 0
Reserve	117 12 0
ELECTRICS—	
Ajmer	14 3 0
Bombay Suburban	196 4 0
KARACHI COTTON—	
Finlay	310 0 0
Morarji	392 0 0
Swan	288 0 0

CALCUTTA

	Rs. a. p.
JUTES—	
Adamjee	32 6 0
Chitavalasah	25 4 0
ENGINEERING—	
Bhartia Steel	14 5 0
Indian Steel and Iron (Defd.) ..	23 11 0
Indian Iron	34 4 0
Jessop	20 6 0
Kumardhubi	6 13 0
National Iron	12 14 0
Steel Corpn.	26 11 0
Saran Eng.	7 9 0
PAPER—	
Titagarh	25 8 0
TEAS—	
Gohpur	23 3 0
Killcott	68 8 0

MADRAS

	Rs. a. p.
SUGARS—	
Deccan Big	30 8 0
Deccan Small	70 0 0
Travancore	14 0 0
PLANTINGS—	
Cochin-Malabar	18 12 0
Chembara	13 4 0
Coorg	67 8 0
Cochin	22 0 0
High Produce	43 0 0
Kalpettas	47 0 0
TEXTILES—	
Bangalore Wool	388 0 0
Cambodia	34 0 0
Coimbatore Spg.	260 0 0
Dhanalaxmi	450 0 0
Kothari Tex.	29 0 0
Lakshmi	210 0 0
MISCELLANEOUS—	
Cement	80 0 0
Bruntons	13 0 0
Ind. St. Roll.	7 10 0
Mysore Chem. and Fert.	28 10 0
Mysore Paper	24 8 0
Mysore Matches	14 0 0
Mysore Chem. and Mfrs.	48 0 0
Mettur Chem.	25 0 0
Mysore Chem. (Defd.)	10 0 0
Spencer	9 4 0

PRICES OF PRINCIPAL COMMODITIES

Commodities.	Grade & Quality.	Market.	Unit.	This Week* Rs. a. p.	Last Week. Rs. a. p.	A year ago. Rs. a. p.	1939. Rs. a. p.
Rice (not in husk).	Kalma No. 1.	Calcutta.	per md.	32 0 0 to 33 0 0	32 0 0 to 33 0 0	8 8 0 to 8 12 0	4 14 0
Wheat.	White (1½% dirt & 2% barley).	Lyallpur.	„	9 13 0	9 10 0	5 1 0	2 5 9
Sugar.‡	Marhowrah Crystal No. 1.	Cawnpore.	„	14 8 6	14 8 6	12 3 6	9 15 0
Sugar raw (Gur).	Ahmadnagar.	„	„	16 11 0	16 8 0	8 13 0	7 0 0
Tea.	For export.	Calcutta.	per lb.	0 15 0	0 15 0	1 2 1	0 10 5
„	For consumption in India.	Calcutta.	„	0 10 4	0 9 10	0 14 2	0 4 4
Groundnuts.	Machine decorticated.	Madras.	per candy of 500 lbs.	78 3 0	81 0 0	42 14 0	29 0 0
Linseed.	Bold.	Bombay.	per cwt.	14 8 0	15 4 0	12 4 0	7 2 6†
„	Small Grain.	Calcutta.	per Ind. md.	13 12 0	14 4 0	12 0 0	6 13 6†
Rape and Mustard.	Toria 9% admixture.	Karachi.	per candy of 656 lbs.	90 0 0	91 8 0	63 4 0	36 12 0
Cotton (raw).	M.G. Jarilla Fine.	Bombay.	Fully pressed per candy of 784 lbs.	575 0 0	581 0 0	..	..
„	**Fine M.G. 4-F (Punjab) R.G.	Karachi.	„	562 4 0	571 12 0	..	..
Cotton Yarn.	No. 10½s.	Bombay.	per lb.	1 5 6	1 8 3	0 10 9	0 4 5
	No. 20s.	„	„	2 2 6	2 5 3	0 15 10	0 6 1
Cotton Piece-goods.	Grey domestics. 35" × 40 yds. × 12 lb.	„	„	1 15 3	2 2 3	1 5 5	0 7 0
„	Grey Dhoties ⅝% P.B. 44" × 10 yds. × 1-11|16 lbs.	„	„	..	..	2 5 0	..
Jute.	Raw Firsts.	Calcutta.	bale of 400 lbs.	86 0 0	87 0 0	51 0 0	41 8 0
„ Bags	B. Twills 2¼ lbs. 44 × 20½, 6 × 8.	„	„	61 4 0	64 0 0	40 14 0‡	28 13 0†
Wool (raw)	Kandhar (cleaned) Indian qlty.	Karachi.	per md.	55 0 0	55 0 0	50 0 0	32 0 0
Hides and skin (raw).	Cow hides (Agras).	Calcutta.	per 20 lbs.	9 8 0 to 10 8 0	9 8 0 to 10 8 0	9 8 0 to 10 8 0	7 8 0 to 8 8 0
	Goat skins (Good quality).	„	per 100 pieces	110 0 0 to 130 0 0	110 0 0 to 130 0 0	110 0 0 to 130 0 0	100 0 0 to 115 0 0
Hides & skin tanned.	Cow hides.	Madras.	per lb.	0 14 3 to 1 3 4	0 14 6 to 1 3 6	0 14 6 to 1 2 9	0 9 8 to 0 12 10
	Goat skin.	„	„	1 14 0 to 2 3 6	1 14 6 to 2 4 0	1 9 0 to 1 12 0	1 7 6 to 1 12 0
Shellac.	T.N.	Calcutta.	per B. md.	64 0 0	64 0 0	64 0 0	14 0 0
Kerosene Oil.	Superior.	„	per 4 gallons in tin	5 5 9	5 5 9	4 4 9	2 13 3
Coal.	Selected Jharia.	„	per ton into wagon	9 12 0 to 10 8 0	9 12 0 to 10 8 0	4 8 0 to 6 0 0	4 0 0 to 4 12 0
Pig Iron.	Foundry No. 1.	„	per ton f.o.r.	94 0 0	94 0 0	94 0 0	89 0 0
Copra.	Fair average quality.	Cochin.	per candy of 500 lbs.	157 0 0	162 8 0	120 0 0	43 8 0
Cement.	Indian Swastika.	Calcutta.	per ton f.o.r.	60 0 0	62 0 0	44 0 0	..

* *Indian Trade Journal*, July 22, 1943. † Ready
‡ Factory delivery basis. ** Karachi Cotton Association.

WORKING CLASS COST OF LIVING IN INDIA SINCE AUGUST 1939

(Base: August 1939 = 100)

	*Bombay				†Ahmedabad				‡Sholapur				Cawnpore			
	1939-40	1940-41	1941-42	1942-43	1939-40	1940-41	1941-42	1942-43	1939-40	1940-41	1941-42	1942-43	1939-40	1940-41	1941-42	1942-43
August ..	100	109	125	160	100	107	126	168	100	104	118	158	100	112	130	203
September ..	101	107	123	162	104	108	126	160	100	103	119	162	105	113	133	202
October ..	103	108	119	164	103	108	126	166	103	103	123	177	105	112	134	206
November ..	104	108	120	170	111	111	129	188	108	105	130	196	105	112	143	224
December ..	108	110	123	179	115	108	136	204	114	104	136	201	112	111	151	224
January ..	109	111	130	193	111	108	130	237	110	105	132	201	114	110	145	225
February ..	107	113	129	195	108	108	129	226	108	105	127	207	112	108	144	234
March ..	105	113	130	198	107	108	132	237	103	108	132	219	109	106	150	246
April ..	105	115	131	214	107	111	136	..	101	107	136	..	110	107	149	268
May ..	106	116	135	227	105	112	141	..	103	107	142	..	109	108	155	299
June ..	106	116	145	232	110	114	152	..	104	111	149	..	108	114	175	336
July ..	108	120	160	..	108	121	160	..	104	115	153	..	109	126	190	..

* Base: Year ending June 1934. † Base: Year ending July 1927. ‡ Base: Year ending January 1928.

Month	*Nagpur				*Jubbulpore				†Lahore				†Madras			
	1939-40	1940-41	1941-42	1942-43	1939-40	1940-41	1941-42	1942-43	1939-40	1940-41	1941-42	1942-43	1939-40	1940-41	1941-42	1942-43
August ..	100	111	125	183	100	117	131	202	100	102	120	177	100	110	117	140
September ..	100	111	125	183	107	124	138	202	103	108	125	183	105	110	117	149
October ..	98	117	125	184	105	124	138	202	104	111	133	186	106	111	117	155
November ..	105	114	131	190	107	124	141	214	123	115	143	191	107	112	120	159
December ..	§116	113	136	208	§119	119	153	231	123	115	143	252	110	112	123	161
January ..	111	111	138	212	112	119	148	228	109	113	143	264	109	110	119	164
February ..	105	109	134	234	107	117	147	292	108	111	147	255	106	110	117	167
March ..	105	108	133	262	109	121	155	278	110	109	145	254	107	110	117	173
April ..	106	113	138	291	110	124	155	279	110	120	148	..	108	111	121	176
May ..	111	113	145	..	112	122	158	..	101	113	155	..	109	110	123	..
June ..	109	116	160	..	116	126	178	..	100	109	162	..	109	111	131	..
July ..	108	120	181	..	119	134	199	..	102	114	166	..	109	115	136	182

* Base: Year ending January 1927. †Base 1931-35 †Base: Year ending June 1936 § Revised figure.

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The Food Crisis

THE food situation is growing from bad to worse. After the recent food conference, the Foodgrains Policy Committee has been in continuous session, engaged in finding a solution to the crisis that has overtaken the country. It has not finished its labours and is expected to present its report only towards the end of August or early in September. But economic conditions do not remain static and do not wait upon Government's leisurely plans. Reports received from all provinces show the desperate condition of the masses of the population. In the province of Bengal and particularly in the city of Calcutta large numbers are already half starved, and the harrowing accounts of the deaths of numbers of people on account of lack of food are too shocking to all except those whose consciences have become deadened. They are a disgrace to us who call ourselves civilized. The district of Malabar in Madras Province, always undernourished and hungry, is now caught up in the dire epidemic of cholera which is taking a heavy toll of the population daily. The situation in Travancore and Cochin is highly critical . The number of people in India today who suffer from acute pangs of hunger cannot, of course, be estimated, but it may safely be stated that it is of the order of millions of people. That the Government are now fully aware of the urgency and gravity of the problem may readily be conceded to them. But it is equally true that they have also clearly failed in their elementary task of preventing starvation that has faced the country for nearly a year now. Had the Government derived its power and authority from the people and been responsible to them either in substance or in constitutional theory, they would have been dismissed ten times over for their failure to discharge their first and elementary function of every civilized government.

In the circumstances the duty of all those who are not of the government is clear. They have a

responsibility that transcends all personal, party, or political considerations. The leaders—not of the political variety alone—must bend themselves to the task of alleviating the miseries of the people by taking concerted action and by appeal and propaganda and action ensure that the available supplies of foodgrains are distributed to every area of need. In our view, the controversy that still goes on as to whether the present deplorable situation is due to monetary inflation or otherwise has become merely academic; the remedy is so urgent and the only thing in which the people are now interested. Further even the acceptance of the fact of inflation by Government has not resulted in any genuine measures of anti-inflation. The Government are not prepared to touch the root of the matter. Expansion of currency is going on unceasingly; the fact that during the last few weeks there has been a slight decline in the rate of currency expansion does not make any difference. The decline is temporary and due to the reduced expenditure in the Middle East. When the Burma campaign gets going, the rate of expansion will accelerate. As long as the root cause remains, the so-called anti-inflation measures taken by the Government of India beyond creating more discontent and some economic disturbance and disequilibrium are not likely to bring about any real improvement in the situation. In the words of the *Economist*: "While the financial agreement between India and Britain continues to pour new currency into India, the Indian Government is attempting to order the tide back like King Canute. While the order restricting advances against commodities, including bullion.....will be useful in checking speculative activity . . . . . it will in no way prevent persistent hoarding on which the rise in gold and silver has been based."

We have therefore to face up to the fact that even granting that all are agreed that inflation is the real cause, no hope seems to lie in checking it, as long as the Government of India is unable or unwilling to cut it at the root. That does not mean that the pressure on the Government to find non-inflationary methods of financing their war expenditure should flag. But solutions along other parallel and perhaps more fruitful and practical lines should also be found. In economics more than in other fields the single-track mind constitutes the greatest danger. The anti-inflationist and the anti-deflationist each cries "Eureka, Eureka," and thinks that he has found out the sovereign remedy. That way lies disaster.

Both from the theoretical and practical points of view, it is necessary to examine other measures of combating the evil. That inflation cannot explain every aspect of the present situation should be clear to all unprejudiced observers. Take the prices that rule in several parts of India. Rice today is sold (wholesale) in Bengal at Rs. 34 a maund, at Dacca Rs. 34, in Bihar Rs. 20, in Delhi Rs. 24, in U.P. Rs. 16-12, in C.P. Rs. 8-8, in Madras Rs. 8-8, in Orissa Rs. 11 and in Sind Rs. 8-8. Wheat in Sind is sold at Rs. 7-14-, in the Punjab at Rs. 10, and in Bengal at Rs. 25. Now these discrepancies cannot be explained merely in terms of inflation. The rate of increase in the purchasing power in the Punjab is certainly not less than in Bengal. The Punjab has at least as good a share of the army expenditure and army contracts as Bengal, and yet the disparity in prices is something too wide to be explained away by monetary inflation. Nor can the variations in prices be explained by the differences in the qualities of the foodgrains under consideration. Again, we cannot also say that the income and price structure in each province always showed these differences and that the present tendency is only a continuance of that phenomenon. It is true that there were differences in the price structure of each province, but there was an all-India price for rice and wheat of particular vaireties, and the prices of local varieties moved in unison with the all-India levels. For example, in 1937-38, the price of rice ranged from Rs. 3 in Assam to Rs. 3-4- in Bengal, Bihar and the Central Provinces, Rs. 3-14- in Madras and and Rs. 4-5- in the U.P. Similarly, the price of wheat ranged from Rs. 2-15- in Sind, Rs. 3-2- in the Central Provinces, Rs. 3-4- in Bengal and Rs. 3-15- in Bihar. Hence it is a curious kind of inflation that can explain such wide disparity.

The truth is that non-monetary factors are at least as important an explanation of the present trouble as the monetary factors. What is more, so far as the former are concerned, they are more amenable to our control if only we are firmly resolved upon controlling them. The first thing to note is that while there is general over-all scarcity of foodgrains (*pace* Mr. Amery) there have also emerged several regions of scarcity of varying degrees of intensity, accentuated by (a) provinical feelings of separatism and their unwillingness to regard themselves as part of a unified economic unit; and (b) by difficulties of transport. The differences in prices are partly to be explained by differences in relative scarcities. The Government of India's plan of procuring all the surpluses from provinces broke down entirely on account of provinical non-co-operation. Even today the wheat and the rice from the Punjab do not move out because of the unwillingness of the Punjab Government to part with them. Reports have been received from several Chambers of Commerce that the Punjab is having very substantial quantities of surplus rice and yet has been unwilling to export it. Only under strong pressure Government agreed to export a small quantity of rice, about 12,500 tons, but the Punjab is not a rice-consuming area. One can understand the attitude of the surplus provinces in seeking to save themselves from the suffering of other provinces and to take advantage of the temporarily favourable situation in which they find themselves at the present time. But India's situation calls for a revision of the policy of parochialism that seems to be so rampant. The first thing that should, therefore, be done is to act on the basis of an all-India economic unit and to see that grains move from areas of relative surplus to those of scarcity. There should, therefore, be a central authority armed with the necessary powers for the purpose which should allow normal trade channels to undertake this function subject to their control. In the last resort it is the central authority that should have the power of fixing the surplus to be moved out. Secondly, the present inadequate transport arrangements must be improved and foodgrains should be transported quickly to every corner of the country. Although the Transport Member has stated on more than one occasion that articles of food enjoy a high transport priority, the fact apparently seems to be otherwise. Wheat and rice from the Punjab could not move out for lack of transport. The disparity in scarcity can only be bridged by affording the widest possible facilities for transport. The problem is most acute only in Bengal, Bombay and Madras and in Travancore and Cochin among the States. Government should arrange for quick transport of all surpluses to these regions through controlled trade channels. In wartime no less than in peace the duty of the Government to save the lives of the people and to feed the masses of the population is imperative, and they cannot have any excuse for shirking this responsibility. The third and perhaps the most important line of action is that steps should be taken to bring out the hoards whether in the hands of the producers or of the merchants and traders. The incentive in the case of the producers should be concrete and tangible. Sales of gold and silver, of materials for construction of houses and of other things which they would normally like to have in exchange for their grains should be effected. But as regards merchants and traders, there should be a stringent anti-hoarding legislation backed by public opinion. The case of the Textile Control Order may not be on all fours with the control that is needed in the case of foodgrains. But the essential principles may be applied here as well. That only licensed traders can do business of any kind, that they must declare their stocks periodically and must also submit periodical returns constitute the essentials of any scheme of control. But control will be ineffective unless the public regard the hoarder as a public enemy. It is here that leaders of opinion should join hands and make the life of the hoarder intolerable.

The above measures may go some way to alleviate the sufferings and perhaps distribute the misery more evenly among the public. But no one can be satisfied with that state of affairs. The remedy lies in reducing general scarcity and not merely in distributing the scarce goods more equitably. From this point of view an increase in production, arrangements for imports and stoppage of exports are all essential. It is gratifying to note that the Government have at last yielded to the pressure of public opinion and have decided not to permit exports in the coming months. So far so good. But imports should also be arranged for, and in the name of humanity, no less than from the point of view of maintaining civilian morale, the Government of India should press upon the Allied Governments to allow large imports of wheat and other foodgrains.

In this connection the resolution proposed to be moved by the Hon'ble the Commerce Member that the Government of India should "participate in any scheme that may be formulated by the United Nations Relief and Rehabilitation Administration for the relief and rehabilitation of areas devastated by war" comes as a joke in her present economic condition. Her needs are here and now; and if they are not met immediately, she will have no capacity to afford relief to any country. Indeed instead of being a helper, she would have to become one of the beneficiaries, and that is no proud position for her. Hence all talk of joining the scheme is futile unless the Government succeed in bringing immediate relief to the hungry people of the country by arranging for food imports against the huge exports of materials and manufactured goods we are sending abroad.

Finally, there is the question of increased production, on which so much has been written or spoken, but with so little of concrete achievements. Speed is the essence of the matter. The goal should be to increase production by 20 to 30 per cent. in the course of six to nine months.

All these and many more must be attempted, and the whole nation must resolve upon solving the food crisis. Even if currency to the tune of Rs. 200 crores is withdrawn from circulation and the general level of prices falls food prices will still continue to be very high in all regions of relative scarcity. Other prices may come down, but those of essential articles of consumption, the demand for which is inelastic, would rule high. Hence the battle against scarcity, and high prices must be waged on all fronts.

The food crisis should not be allowed to develop still more in its gravity. One shudders to think of the after-effects of a continuous period of undernutrition and starvation. In the name of common humanity, we appeal to all to co-operate in every effort undertaken by Government or other agencies to save the people from the appalling misery of their present condition and prevent the destruction of millions of people which would become inevitable, if immediate remedy is not found.

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India and World Trade

IT is almost a truism to say that a major event like the present war cannot fail to leave its permanent impress not only on the internal economic structure of the various countries but also on the character and contours of the international trading system such as we have known it. The last war, for example, released certain forces which disrupted the balance on which rested the international trading system which had grown up during the nineteenth century. This balance was expressed in terms of a certain complex of foreign exchange rates and when that old balance itself was disrupted, the world had to move through a process of trial and error to discover the level of the exchange rates which would be appropriate in the new situation. This war is also piling up for us fresh problems and India will be asked to adjust herself after the war as best as she can to the new international set-up.

There are, in the main, two factors which will determine the course of development of international trade after the war. In the first place, there is the fact that the war has caused the supersession of the normal trading transactions between the various nations. The foreign exchange markets in various countries are leading an atrophied existence and have lost all functional value. As a result, the debtor-creditor structure of the world has altered beyond recognition within a few years. At the same time, there has been a relocalization of the world productive forces. These two factors have combined to ensure that basic changes are forced on us in respect of economic relation between nations.

In the case of India, the altered world debtor-creditor structure is expressed in terms of our accumulating sterling balances as well as our obligations under the lease-lend and reverse lease-lend transactions. The repatriation operations and the consequent extinguishment of the bulk of our recurrent foreign obligations also mean an effective extension of our favourable balance of trade and raise the question of the way in which we may choose to utilize it.

It is evident that in these circumstances, the course which our foreign trade will assume after the war will depend not only on the domestic economic policy which we may choose to adopt but also on the terms of settlement of international obligations and international monetary arrangements agreed upon. The concept behind lease-lend transactions was that the goods supplied by the U.S.A. to another country will be repaid in like goods or other acceptable commodities. The repayment will be made not immediately after the war, but after a number of years sufficient to allow time for reconstruction and rehabilitation after the dislocation and destruction caused by the war. In so far as the U.S.A. has supplied war materials, it would be futile to insist on repayment in terms of similar war materials, assuming there is disarmament. It is again doubtful if the U.S.A. will insist on repayment in terms of other commercial commodities. For we have to remember that the U.S.A. is already committed to a policy of freer international trade and lowering of tariff. If lend-lease repayments are also made in terms of commodities, the U.S.A. will be in danger of being flooded by a double tide of imports which will necessitate for her a painful process of readjustment. It is more likely, therefore, that the question of repayment of lease-lend transactions will in the end be quietly shelved.

In regard to our sterling assets, their future seems somewhat doubious at present. On the one hand there is the continual attempt by the British Government and the Indian Government to write off as large a portion of these assets as possible under one pretext or another. On the other, there are schemings to immobilize the residue by international monetary arrangements like the American stabilization Fund.

It is clear that the foreign trade developments of both Great Britain and India will, in a large measure, be influenced by the fate of these sterling assets. In the case of Great Britain, it will afford a welcome initial impetus to her export trade. Other countries, like Argentine have also accumulated sterling balances which would give an impetus to Britain's export trade. It is extremely improbable that the impetus will be lost so soon as the original sterling assets have been exhausted. Some of the assets will no doubt be used to satisfy consumers' demand. But the rest will be to meet the heavy pent-up demand for capital goods for replacement and new extensions. To the extent this leads to an expansion of India's industrial capacity and purchasing power, it will also provide a growing market for foreign countries. It is, of course, a fact that the industrialization of new countries has very often been viewed pessimistically in the old industrial countries. It has often been said that if the Chinese masses can be induced to wear their shirts one inch longer, Lancashire would be freed from the fear of unemployment. But it has not been generally understood that it is only industrial development and consequent expansion of purchasing power in China which can induce the Chinese masses to wear their shirts one inch longer. A study of the network of world trade shows that industrial countries are the radiating points of international trade and the bulk of international trade consists, indeed of exchange of commodities between the highly industrialized countries and it is a fact that these countries are usually the best customers of each other.

The spread of industrialization through the world flows from an historical process which is irresistible and will steadily transform the nineteenth century "complementary" economic system with its sharp dichotomy between primary producing countries and industrial countries. This spread of industrialization will be accelerated by changes in the localization factors of industrial production during the last twenty-five years. There has been a tendency on the part of the established industrial countries to regard the existing pattern of international division of labour as more or less a static norm, any deviation from which is to be condemned as an aberration which is detrimental to the best economic interests of the countries concerned. There is a degree of naiveté in such a belief. Meanwhile, technique of industrial production has changed in such a way that the highly-skilled technical labour force required has become a minor fraction of the total labour force. There is no reason either to consider that the inefficiency of labour in the backward countries is a permanent inferiority. With the new technique of planned economy, countries are no longer vitally dependent on foreign capital for long for their industrialization. Changed conditions in the supply of power sources, reduction in transport cost and increasing use of synthetic raw materials—all combine to alter basically the localization factors of industrial production.

Already during the course of the war, considerable "key" industries have grown up in some of the primary producing areas like Canada and Australia. In India, too, there has been some progress which, however, has severely lagged behind our true potentiality on account of short-sighted obstacles put in the way. This trend is unlikely to be reversed after the war. It is likely that after this war the process of industrialization will spread much more rapidly than it did during the inter-war period. In the event, we shall see rapid changes in the balance of world production forces. This must have radical effect on the character of international trade of the world and also the pre-war complex of foreign exchange rates will rapidly cease to represent and sustain the basic realities of the emerging pattern of international economic relations.

In this process of transformation, India and China will undoubtedly constitute two major nodal points. Industrialization today is unevenly spread through the world and in contrast with the high pressure areas in Europe and America, India and China form two disturbingly low pressure areas. Nature abhors economic vacuum and the new economic and political forces released in the course of the war will ensure speedy redressing of the balance. But the process will demand painful adjustments and increasing tension in the field of international trade. Mr. Amery, the Secretary of State for India, recently alluded to some of the changes in international trade relationship in which Great Britain will have to acquiesce. In certain industries, like the cotton industry, which have already reached such a degree of technical maturity that further major developments in technique are hardly to be expected, the advantage hitherto enjoyed by the old industrial countries will rapidly vanish. There would still be a shifting range of high-grade production lines in which the older industrial countries may for some more time to come continue to enjoy considerable advantage and this will constitute the basis of international trading.

It is evident that the structure of our foreign trade will change. Owing to the geographical concentration of natural resources, raw materials will still appear in foreign trade—in spite of the increasing use of synthetic products—but the old system of swapping primary products for manufactures will cease. Foreign trade will be more variegated in structure. Old industrial countries will concentrate more and more on high-grade specialities and capital goods.

The change in the structure of foreign trade will in its turn have important consequenecs on the domestic economic structure. We shall here mention only two. The concentration on the production of high-grade specialities and capital goods will mean that the cycle-sensitiveness of the economic system of the older industrial countries will increase. Secondly, the terms of trade between primary product and industrial product will increasingly tilt against the old industrial countries. For primary production is the foundation on which the superstructures of secondary and tertiary production are based, and they must have certain proportional relationships *inter se*. If the world concentrates more and more on industrial production, the proportional relationships may be upset, and it is conceivable that primary production will become more and more profitable relative to the secondary and tertiary production. Thus the table will have been turned completely on the old industrial countries. For hitherto the brunt of world trade cycle has been borne by the primary producers who, in the bargain, have always been worsted by the tilting terms of trade. Nevertheless, this should be regarded philosophically by the old industrial countries as no more than a belated redressing of an old inequity to the primary producing countries, rather than as a new inequity to themselves.

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The Week's Notes

THE VICEROY ON FOREIGN TRADE

In his address to the combined legislatures on Monday, H.E. the Viceroy referred to India's newly acquired creditor status as 'a subject which might well engage the attention and study of Indian economists and research workers,' and observed, "when it is remembered that India's export trade in the past rested largely upon the necessity of making remittances for the services of her overseas debt, that henceforth not only will this factor be absent but on the contrary India will have to accommodate an excess of imports in order to receive payment due to her, it will be realized that the change which has occurred is one of the deepest significance." The implications and possibilities of this new international economic status of India were analysed by the *Eastern Economist* last week and support the Viceroy's conclusions in general. But there are one or two points to be emphasized. In the first place, the necessity of an import surplus for India will arise only if, as is implicit in the Viceroy's speech, India will have to liquidate her sterling balances with Britain in a bilateral clearing or in the event of India resorting to large foreign loans after liquidating her sterling reserves. The first will not be the case in any multilateral clearing, and the second will depend upon India's post-war economic plan. In the second place our sterling balances differ in material respects from foreign investments. They are not long-term commercial loans made at high rates of interest, as were the British investments of the 19th century. They are the backing of our currency and are invested in British treasury bills at nominal rate of interest of about one per cent. The yield from them is negligible as a source of foreign income unlike in the case of British overseas investments. Therefore their utilization to secure large imports will entail their extinction once for all and the extent of the gain will be limited by the prices at which these imports are available. A further factor to be noted is that if India embarks upon a very rapid rate of economic development, she may once again become a debtor country at least for a short period by having to import enormous quantities of capital equipment. The issue is not so simple and her actual condition will be influenced by various sets of prices acting sometimes in opposite directions.

BANKS AND CLOTH CONTROL

The position of banks and other financial agencies which may have made advances on the pledge of cotton goods is a matter which requires clarification by Government at once. The Cloth Control Order requires that no cloth or yarn manufactured before the 1st August, 1943, shall remain in full bales after 31st August 1943, and all such cloth and yarn shall be finally disposed of by retail sale not later than 31st October 1943. It appears that a bank or person lending money on the hypothecation of goods is outside the definition of a dealer as laid down in the Control Order. The pledgee of goods obviously has no right to interfere with the bales pledged to him or to sell off the goods until the pledger makes default in payment of the advance according to the contract between the pledger and the pledgee. If this were the case, how would the provision regarding the disposal of stocks operate? It would be inexpedient to compel the banks to break open the bales and sell them off, or even leave them the option to do so. It is no part of the duty of commercial banks to organize a sale of goods organization. Moreover, that would render the position of the pledger extremely anomalous. If for this reason all stocks of cotton goods pledged with the banks are exempted from the operation of this clause, it might not merely serve to immobilize a very large volume of goods, but also encourage largescale hypothecation of goods to evade the law. It was perhaps to meet this contingency that Government took power recently to prohibit loans against commodities and to order the repayment of such loans as may be specified by them. If judiciously administered, this power can help to release goods pledged with banks continuously to the market. Otherwise it might only hurt small traders who have resorted to bank loans for the essential financing of their trade. It is understood that the Reserve Bank has advised the banks not to make advances against commodities which are obviously speculative in character. Reports are also being received that in certain centres the banks have urged the cloth dealers to repay their loans. The banks can do much for the successful enforcement of the disposal clause, if in the public interest they stop making advances against speculative building up of stocks. They alone are in a position easily to distinguish a speculative transaction from genuine trade. It is to be hoped that the Reserve Bank will take up this matter more actively with the commercial banks. Meanwhile Government should lose no time in clarifying this difficult point.

POST-WAR AGRICULTURE

In a recent address to the Royal Institution, Sir John Russell, the well-known authority on British agriculture, dwelt with some post-war agricultural problems. Speaking of a long-term policy for European agriculture, he envisaged free trade in food. The prevailing opinion among leaders of the countries at present under German occupation was said to favour specialization against self-sufficiency in food production. Each country would aim at the maximization of nutritional values in the foods its soil and climate were suited to grow, and import the requirements needed to balance the diet from the great growers of bulk foods like America, Russia and India. In terms of nutrition this would mean that Europe would produce more proteins and protective foods and the rest of the world more calories. But the postulate of free trade on which this dietetic balance for the world rests cannot be depended upon as it is easier for the great bulk food producers to increase nutritional efficiency than for the specialized producers to increase calorie output, and this factor will work towards national self-sufficiency.

Sir John Russell's plea for the conservation of cattle wealth is of particular interest to us at the present time. He calculated that Europe would take at least six years to restore her pre-war cattle strength, and said that as soon as the occupied countries were cleared of the Germans a forbiddance of the slaughter of female animals suitable for breeding and milking and of some at least of the working bullocks would be necessary. Sir John had in mind the slowly dwindling milk production of Europe. In India today a large army lodged for defence purposes is complicating our agricultural and livestock worries. Unless the present indiscriminate slaughter of cattle is controlled, there is no doubt that we shall suffer in the early post-war years as bad a chaos in our agricultural economy as the ravaged countries of Europe. The argument that India has cattle far in excess of her requirements cannot be cited in defence of the present rate of slaughter for unless the quality is improved, mere diminution in numbers will only aggravate the problem.

THE RESERVE BANK AND ECONOMIC CONTROLS

In the report to the shareholders presented by the Board of Directors of the Reserve Bank, problems of inflation and sterling assets have been discussed in the concluding paragraphs. Although the Board's views are marked by caution and a desire to avoid controversy in their estimate of the relative strength and significance of the factors which have created the present highly unsatisfatory economic condition in the country, they are more definite in their approval of the recent measures taken by Government to check inflation. To quote the actual words, "The determined measures taken by Government during the last two months towards maintaining monetary and economic stability including, among others, the banning of forward trading in the bullion and cotton markets, the announcement of an all-in-scheme of control of cotton yarn and cloth, and the definite acceptance after the close of the year of the policy of extending and strengthening the existing controls in respect of foodstuffs have, however, helped towards restraining the rise in prices and in some cases bringing about an appreciable decline. In the present situation the most appropriate line of defence would appear to be the intensification of the existing physical and financial controls, including a sustained drive for encouraging savings coupled with efforts to augment the supplies of necessary commodities." Two comments are necessary as regards the above. In the first place, the Board cannot be unaware that some of the controls, particularly the ban on hedge contracts, have come in for widespread criticism as they are likely to have effects different from those desired or intended. In a special article in this number the question of cotton control has been dealt with, and as will be clear, the Central Cotton Committee is opposed to the ban imposed by Government and has recommended its reversal. The public are also not unaware that some of the Directors of the Central Board were themselves opposed to Government's control, and it will be interesting to know how far in this particular matter the report represents the views of all the Directors. The approval of the Reserve Bank to ill-conceived schemes of control should not be readily granted, even *post-facto*. In the second place, while on theoretical grounds controls may be fully justified in the present situation in India, everything depends upon the nature and methods of control. It has been felt that in several cases control orders are passed which betray a singular lack of knowledge on the part of the authorities of the actual working of the machinery which is sought to be controlled. We hope that those of the Diretcors who are aware of these difficulties will pull their full weight and ensure that the report reflects their informed judgment as well. Another point that also arises in this connection is if the Board of Directors are unanimous in approving the "possibility of further large sums" (now stated to be £150 million) "being utilized for funding other obligations." It will be remembered that the capitalization of pensions proposed by the Government of India has been universally condemned all over India, and it is strange that the Board on which there are representative Indians of great authority and eminence should express themselves against the current of public opinion on the vital issue.

RATIONING OF EXPORTS

The question of somehow extending the period of freezing of the "war balances" (if not of wiping them out altogether) has been engaging the attention of men in authority in Great Britain and the United States. So long the argument was in the monetary plane, and the necessity of avoiding undue strains on the international monetary mechanism was the main plank. Now the argument has shifted to the "real" plane. It is now argued that steel products, transports, equipment and manufactures will be wanted urgently in Great Britain, after the drastic wartime deprivations, and the *Manchester Guardian* in a recent issue says that any system of post-war priorities must severely ration exports, and Britain will have to ask overseas countries to postpone the exercise of their sterling claims.

If the suggestion is that "drastic wartime deprivations" have been experienced only in Great Britain and not in India, the suggestion must be resisted. Even in the midst of war, standards of living in Great Britain and the United States are fairly well kept up. Deprivation has never reached the stage of privation in Great Britain as it has in India and India is also entitled to post-war priorities.

Meanwhile, what is the order of magnitude of the categories involved? Total sterling balances accumulating in London will not probably much exceed £1,000 million at the end of the war. And the creditor countries themselves will take some time to adjust themselves and must spread their in-take over at least 3 or 4 years. In other words, the annual demand for export is unlikely to exceed £300 million. If we remember that at the end of the war, Great Britain will find herself with a productive capacity at least 25 per cent. above the pre-war level, it is clear that such a transfer cannot lead to a diminution of standard of living in Great Britain below her pre-war level. There can be no objection to spreading of the transfer over 3 or 4 years, but to suggest that it should be indefinitely postponed or, as under the U.S. Currency plan, should be released in driblets, is absurd, and is nothing but a backdoor method of converting a short-term loan into a long-term loan.

SOIL EROSION IN INDIA

India has so long been fabled as the fertile agricultural country that it takes some time for the lay man to wake up to the rude fact that the foundation of our agricultural economy is becoming more and more shaky. It is a well-known fact that with the rapid increase of population, pressure on soil is becoming increasingly acute. It is also known that yield per acre in India is one of the lowest in the world and our food production has been unable to keep pace with the growth of our population. Less well-known is the fact of soil erosion which has been going on for decades in our country at a dangerous pace. Recently Sir Harold Glover has written a bulletin on the subject pointing to the grave danger facing the Punjab. The new bulletin of the Central Irrigation Board by Col. F. L. Brayne has again reverted to the subject which is at once so little known and so vital to the continued prosperity of our agriculture.

The thin crust of soil which tops our stony planet and on which subsists all vegetation has been made by nature through a long period measurable only in geological years. But through the ignorance and carelessness of man or through greedy exploitative methods of cultivation, vast fertile areas in the world have already been denuded of this vital life-bearing crust and have thus become deserts. Many more areas are still experiencing this denuding process and will become deserts before our eyes unless man intervenes swiftly and decisively. In recent literature on the subject, there are many graphic descriptions of this process and the American "dust bowl" has already become a classic instance and an evil portent.

THE GOVERNMENT'S RESPONSIBILITY

Unfortunately, there is no reliable and comprehensive information about the extent of soil erosion in our country. While excessive specialization in agriculture and consequent temptation for exploitative methods of cultivation may be one of the causes, the main cause is undoubtedly the fact that although agriculture is the main occupation of our people, it has been unable to attract, in a sufficient measure, either capital and talents to itself or even Government's attention to the crucial problems facing it. Col. Brayne suggests as remedy the closure of hills and pastures to grazing; stalling of livestock and feeding them with cut grass and fodder crop; and terracing of fields. But it is evident that in regard to such a problem, both surveying and adoption of remedial measures must be undertaken on a comprehensive scale and only the Government is in a position to undertake this huge but urgent task. Meanwhile, Col Brayne has sounded a grim warning: "India is literally drying up in front of our eyes."

INDIA'S POST-WAR COMMITMENTS

The absence of a truly national Government in India in a critical period like the present has been unfortunate in more than one respect. Not only have the pressing domestic economic problems proved themselves more intractable than they need have been, but even in the international field, Indian interests have largely gone by default. Many difficult international economic and monetary problems will face us after the war along with other countries. Already many plans have been put forward and informal discussions and conferences have been going on bearing on these problems. In all these, the Indian viewpoint has been severely unrepresented. Judged by recent instances, the Government of India seems to have given up the old practice of including one or two nominated non-officials, as India's represenatives in international deliberations—probably as an unnecessary make-belief in the stringent war-time conditions . The Government of India has been represented by officials whose authority does not reach back to public opinion in India and whose viewpoints are not necessarily congruent with our national interests. Indeed, it is doubtful, if many of these so-called representatives have any independent viewpoint at all on these vital questions. It is the more likely that these supple representatives will be merely dittoing British viewpoints. We do not yet know the full measure of post-war international commitments into which the Government has already entered on behalf of India without consulting even the rump Legislature of today. In the Hotsprings Food Conference we were represented only by officials. It would be most unfortunate if at the forthcoming Currency Conference at Washington also Indian viewpoint does not get even a semblance of representation. The least that Government should do is to send representative non-officials of eminence with Indian economists as advisers. The argument that only Governments are represented at these conferences cannot be adduced in the case of India, for, even the Government of India should not make any commitments on behalf of India without due publicity and consultation of public opinion. For such commitments cannot have any binding effect on any post-war Indian Government which derives its mandate directly from the people.

SURPLUS RICE IN THE PUNJAB

From a resolution adopted by the Punjab Rice Merchants' Association it would appear that a large stock of about 22 lakhs maunds of rice of all qualities is available in the Punjab. This could not be exported owing to the practical ban imposed by the Provincial Government on rice export. The Punjab Government has been appealed to by the Association to afford facilities for despatching the rice to deficit provinces. The Committee of the Indian Merchants' Chamber has also addressed the Government of Bengal to get into touch with the Government of India to have the ban lifted and similarly the Andhra Chamber of Commerce has requested the Central Government to consider the feasibility of sending Punjab rice to Madras. This anamolous situation is only another instance of the lack of co-ordination in the Government's food policy and the helplessness of the authorities to discover or effect an equitable distribution of even the available stock of foodstuffs. There is not the least justification for the Punjab Government to have imposed a ban on rice export in view of the fact that the commodity is not a staple article of diet in that Province. The public are entitled to know if the Central Government were at all aware of the existence of the huge stocks of rice, with what purpose such stocks were locked up and for how long, and what steps were taken by them to acquire and distribute these stocks to provinces particularly Bengal and Madras, where there is an acute shortage of rice. We are glad that non-official opinion is not only asserting itself on this vital issue but voluntary relief schemes to the distressed are also being organised as in Bengal. However, while stressing the necessity for spontaneous relief schemes in an increasing measure, it must be pointed out that the primary responsibility lies with the Government to bring succour to the starving population.

THE RECIPROCITY ACT

The Bill to amend the Reciprocity Act, 1943, was passed in the Central Assembly on the 3rd instant. Introducing the Bill in the House a week ago, Dr. Khare had said that the original Act had been found defective and virtually unworkable as it stood—a revelation which, incidentally, reflected on the quality of business transacted by the Indian Central Legislature. Under the provisions of that Act the rights and privileges enjoyed in India by persons domiciled in a notified British possession could not be cut down, nor was there any provision in it by which penalties for a breach of directions could be imposed. Hence this amending Bill was sponsored to remove those defects. The Bill received the support of all the parties in the Assembly including the European Group. The passage of the Bill is to be taken as the culmination of the controversy going on in this country in the matter of sanctions against South Africa since the enactment of the "pegging" legislation in the Union Parliament.

The new Bill provides for the imposition by the Central Government of disabilities on persons not of Indian origin and coming from a British possession similar to those as may have been imposed on persons of Indian origin in that British possession. It also provides for making rules under the Act for setting up machinery for ascertaining the disabilities to which Indians are subject in the provoking country in question, for specifying the retaliatory disabilities, and for penalising the defiance and contravention of the rules. The degree to which we will be able to defend ourselves with these new provisions against South Africa remains to be seen. At any rate some confessions that emerged during the debate on the first reading of the Bill were not encouraging. Dr. Khare granted that "if the Bill was passed it was not going to make any impression on South Africa." The new provisions do not preclude trade sanctions, but, perhaps, we should also take note of Sir Cowasji Jehangir's warning that though that was the only effective way of waking up South Africa, it was a course of action that would do more damage to the thousands of Indians in South Africa than to the hundreds of South Africans resident in India.

NEWS PAGE

Sir C. P. Ramaswami Aiyar, Dewan of Travancore, has endowed Madras University with Rs. 25,000 from the income of which scholarships will be given for study of automobile and aeronautical engineering. The University has accepted the gift.

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There will be no slump immediately after the war, declared Mr. Hugh Dalton, President of the Board of Trade, in a debate on Britain's overseas trade in the House of Commons on July 27. He said that the problem would be to control the boom and prevent it getting out of hand. Government was determined to consider the whole problem internationally, not only with the Dominions, the United States and European Governments when their lands were freed but also with the U.S.S.R. The most-favoured-nation clause would have to be looked at in the light of the new situation.

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After a continuous rise for three months, jute prices declined in June, states the July issue of the Indian Central Jute Committee's *Bulletin*. Raw jute recorded a larger fall than jute manufactures. Exports in January, 1943, were considerably reduced and were the lowest so far in the 1942-43 season.

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Victory at least for the present over the U-boats in the Atlantic and the clearance of the Mediterranean have completely changed the picture regarding India's trade with the United States. It is estimated that there has been an overall gain of more than one million tons in available shipping in June and unmolested passage of United Nations ships in the Mediterranean has produced curious conditions such as actual lack of cargo for ships sailing from American ports, while importers are complaining that United Nations ships are arriving with half cargoes.

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It is understood that the U.P. Government have a scheme for stimulating public contributions to the Defence Loans. The prices of agricultural commodities have gone up so high that the authorities are considering whether the cultivator should not be persuaded through the machinery of revenue collection to subscribe an amount, representing 25 per cent. of his rental, to the defence bonds and thus add some crores of rupees to the Government loans.

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Mr. John Beasley, the Australian Minister for Supply, said in an election speech on July30, that shipbuilding is now a Number One pirority job. He added that Australia had built over 100 medium-sized naval vessels and was building a number of 9,000-ton merchantmen.

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A report presented by the consulting engineer to the Government of India on the administration of the Road Fund during 1942-43 to the meeting of the Standing Committee for Roads, held in New Delhi on July 31, showed that schemes to the total value of Rs. 14½ crores have been approved against the Road Fund allocation since its inception, and that about Rs. 11 crores have been actually spent. During the year under review expenditure from the fund was Rs. 1½ crores.

Henry Ford, American automobile king, was eighty the other day. Mr. Ford told the Press that he believed that "business is never good business unless it does equally well for the public, its employees and itself. He added that industry's primary objective always should be to produce goods "that will really help the people rather than roll up profits." Mr. Ford is still able to ride a bicycle and chop wood.

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Two Acts, the one amending the Indian Stamp Act, 1899, and the other amending the Court Fees Act, 1870, in their application to the United Provinces came into force on August 1, 1943, in the United Provinces. The former imposes a surcharge of approximately 25 per cent. on all stamp duties leviable under the said Act. This and other measures are not designed as revenue producing measures, but to check inflationary tendencies, and, therefore, as most of the revenue surpluses now accruing are transferred to the Reserve Fund for expenditure on post-war reconstruction, this additional revenue is likely to help to swell that fund. The latter Act is also intended to be an anti-inflationary measure.

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Thomas C. Boushall, Chairman of the Education Committee of the United States Chamber of Commerce, recently suggested the formation of a post-war partnership between education, which would train vast numbers of skilled workers, and business, which would finance the training as an investment in the nation's continuing prosperity—funds for the training programme to be collected by taxing all businesses, including farms, for each worker employed.

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During the six weeks ending July 17, 1943, nearly Rs. 50 crores were invested in Government loans including 12½ crores by conversion from the 4 per cent. 1943 bonds, says a Press note.

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The total approximate gross earnings of the Budget lines for the period (10 days) ending 10th July 1943 (10th period) amount to Rs. 458 lakhs, says a Press communique issued by the Railway Board (Govt. of India). This is Rs. 42 lakhs more than the actuals for the corresponding period of the previous year and Rs. 125 lakhs more than those for 1941-42. The total approximate gross earnings from 1st April to 10th July 1943 amount to Rs. 48.45 crores. This is Rs. 6.65 crores more than the actuals for the corresponding period of the previous year and Rs. 13.38 crores more than those for 1941-42.

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"Cloth left unsold after October 31, 1943, will be liable to forfeiture and dealers stocking them will be liable to such other penalties as the courts may decide" say the Government of India in their reply to a communication in the matter from the Mahakoshal Chamber of Commerce.

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The Ahmedabad Millowners' Association has filed an application in the Industrial Court for the reduction of the 45 per cent. increase in dearness allowance granted in September by the Court.

Special Articles

Indian Shipping and the War

(Contributed)

The position of Indian shipping during this war has received less public attention than hitherto for reasons which will be evident on a closer examination of the subject. The movements of shipping tonnage and the restrictions they suffer are a secret matter because of the vital importance of sea transport in modern warfare and of the need to prevent information leaking out to the enemy. Moreover, Indian shipping has had not only to contend with non-Indian competition even within the country during normal times but there have been no possibilities of its development during war because of the absence of a national shipbuilding industry. What the Indian shipping industry, therefore, is anxious is not so much about any expansion during war time as about the question of replacement of such tonnage as is lost during war. The shipbuilding costs obtaining at present and which are also likely to continue some time after the war are much higher than the insurance money received by an owner if his ship is lost by enemy action and the rates of hire which, strangely enough in the case of Indian shipping have yet been even fixed, do not permit of a building reserve. These, no doubt, are in a sense technical questions and concern, in different degrees, other industries also. But they are pertinent because the Government of India have no positive shipping policy and have not yet even begun to recognize, despite painful experiences during the last four years, that an Indian shipping industry is an invaluable national asset.

The gross tonnage of Indian shipping, meaning by that term shipping not operating in India but such shipping as is owned, controlled and managed by Indians, came to 1,32,000 tons when the present hostilities broke out. According to the League of Nations Year Book this is hardly .0006 tons per head of the population; when compared with the corresponding tonnage of other countries, it shows the immense backwardness of India in shipping. It is only 0.24 per cent. of the total world tonnage. To take only one example, the gross tonnage of the shipping of the United Kingdom was 17,891,000. On the basis of India's annual maritime trade, both coastal and overseas, passenger as well as cargo, the proportion of tonnage is insignificant. Before the war, India had a total coastal and overseas trade of nearly Rs. 500 crores and about 30,000,000 tons of cargo and 3,000,000 passengers were carried every year in this trade. But of this vast trade, Indian shipping carried hardly 5 per cent. The total trade of India which should strictly belong only to Indian shipping by every canon of international law, maritime practice and Imperial Shipping Convention, was also dominated by British shipping. In this trade, too, Indian shipping carried hardly 20 per cent .of the cargo and 8 per cent of the passenger traffic. The total tonnage employed in the Indian coastal trade was only 23 per cent. of the total tonnage on the coast. In the overseas trade of India again, while the share of British shipping was 64.2 per cent. and foreign shipping was 34.55 per cent., Indian shipping had the negligible proportion of 1.25 per cent. It is well known that although the shipping of the United Kingdom itself at the start of this war was less than that in 1914, the total Empire shipping was larger mainly because of the development of Dominion mercantile marines. In fact, hardly any Indian shipping existed in 1914 as compared to 1939 when there was just over one lakh gross tons of shipping.

Shipping is the one industry which immediately feels the impact of war for reasons which are obvious. The need for the carriage of troops, munitions and supplies over the vast ocean lines which knit together the British Empire and the Allied countries as well as the geographical and economic position of the United Kingdom renders necessary the conservation and best possible utilisation of shipping tonnage; on the other hand, the development of submarine warfare as well as mines and aircraft render merchant shipping peculiarly vulnerable to attacks. Shipping is, therefore, requisitioned by the Government and, so to speak, chartered for the nation in order to pool the available tonnage for the effective prosecution of the war. Adequate measures are taken to protect and arm vessels for defence such as through convoys, air "umbrellas", patrols, etc. It is because of the imperative need of economising shipping space that the Government of a maritime country has to control merchant shipping on the outbreak of hostilities. The state requisitions ships and virtually acts as their owner. Shipping, indeed, becomes not only a second line of national defence but an important instrument of sea warfare. All the ships on the Register of the United Kingdom were thus requisitioned on 1st February, 1940.

As far as India is concerned, soon after the outbreak of the war, nearly all small ships plying on the West Coast of India were commandeered; they were converted into mine-sweepers, patrol-boats, etc., for requirements of local naval defence. These ships are playing an important part not merely in the defence of India's coast line and harbours, but also in operations in the Indian Ocean, the Red Sea and the Persian Gulf and tributes to their services have been paid by the British Admiralty and the Royal Indian Navy. Similarly, practically the entire shipping tonnage owned by Indian interests was also requisitioned after July 1940, and is being utilized for auxiliary purposes such as carriage of supplies and men. It might be mentioned, however, that British shipping on the Indian Register has been treated differently as all its vessels have not been similarly requisitioned. Moreover, it is evident that this requisitioning of tonnage when the railway transport system has to bear the additional strain and stress of war has adversely affected the internal transport system of the country. The maritime coastal trade of India has been starved of adequate tonnage and this has disorganized trades and services on the West Coast as well as dislocated the normal services between the Eastern and Western Coasts of India thereby involving hardship and inconvenience, particularly in respect of carriage of salt and coal. It is not difficult to realize how, if Indian shipping had been more fully developed, it could have served the needs of Indian coastal traffic and assisted Indian overseas trade during this period of emergency when other countries naturally take over their own shipping for their own requirements. Nor is that all. The Government of India have no power to regulate or requisition any vessel registered in the United Kingdom or in any Dominion. The British Ministry of War Transport, therefore, functions in India virtually independent of the Government of India and supplies requisite tonnage to British shipping plying on the Indian Coast and in adjacent waters in order to enable it to fulfil its obligations. But the Government of India could not provide any help to Indian shipping interests to replace at least a part of the tonnage which has been requisitioned or commandeered for urgent war requirements. Indian ship-owners, however, chartered ships, often at uneconomic rates to maintain some services in the trades built up by them. The Indian coastal trade was deprived of even these chartered ships by the British Ministry of War Transport and the Government of India were unable or unwilling to intervene in order to provide for the elementary needs of the Indian maritime trade or to safeguard the interests of Indian shipping. The benefit of the Empire Chartering Scheme which allots shipping to different units of the Empire was also not extended to Indian ship-owners by providing them with ships on charter at the same rates and under the same terms and conditions as to the British shipping interests. The control exercised over shipping during war-time, therefore, has been causing concern to Indian shipping interests, especially in the absence of any measures of constructive aid and assurances as have been vouchsafed by British Government to British shipping. Indian shippinig, moreover, has nothing to look forward to in regard to replacement of lost tonnage as there is no merchant shipbuilding in India nor is there any Government scheme of encouragement.

It is obvious that the control of shipping in India while inevitable so far as measures of safety and protection are concerned, can only be acceptable to Indian shipping interests if they are a part of a wider policy of recognition of the national importance of an Indian Mercantile Marine and of the determination of the Government to adopt such measures as are necessary for the promotion of Indian shipping and shipbuilding industries. The British Government, for example, have assured British ship-owners that they will maintain "the British Mercantile Marine in adequate strength and in a position of full competitive efficiency in the future" and that Parliament will deal with proposals for rendering financial assistance to British shipping as may be found necessary. No such corresponding assurance has been given to Indian shipping. The only authoritative statement on which Indian shipping interests base some hope is that of Sir Ramaswami Mudaliar when replying as the Commerce Member to an interpellation in the Central Legislative Assembly, he declared that "the peculiar conditions of Indian shipping" would be taken into account in determining questions of compensation and hire. It is inferred from this observation that the fact that the Indian shipping industry has not received any subsidy or obtained any measure of legislative or administrative protection and has had to develop against strenuous opposition will all be given due weight by the Government in formulating and executing their policy. It is hoped also that the contribution made by even this insignificant Indian merchant fleet to the war effort of the Empire and the United Nations as well as to the national defence of India would receive adequate consideration when normal times return.

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Hedge Contracts and The Farmer

By K. R. M.

THE meeting of the Indian Central Cotton Committee which was held last week has been a very important one. At this meeting the growers' representatives found themselves at one with the manufacturers and the trading community on a vital issue. Since the Finance Member spoke against the rise in prices in cotton in mid-March last, there has been a tendency to run down well-organized "futures" exchanges as speculative dens and to regard them as unnecessary; if not definitely harmful for the ordinary marketing of the crop. To this a most convincing reply has been furnished by the resolution passed at the Central Cotton Committee's meeting last week. The first resolution and the main one dealt with the reintroduction of the Hedge Contract as under: "In view of the fact that the bulk of Indian cotton crop has to be marketed in the short space of three months, it is considered essential that Government should immediately reopen Hedge Contracts. This will avoid undue risks and will materially benefit the grower and mill interests generally. If any safeguards are considered necessary to this end, Government may devise these in consultation with the East India Cotton Association." This resolution, it is relevant to point out, was moved by Sir William Roberts, of the Empire Cotton Growing Corporation, who was the man selected by the Government of India to represent the growers on the unofficial delegation to the Indo-British Trade Negotiations. The growers' representatives from all over India spoke very strongly in favour of the resolution, among them being Mr. Madhav Reddi, Sardar Bahadur Ujjal Singh from the Punjab and Sir Madhavrao Deshpande. In a sense, therefore, the last session of the Indian Central Cotton Committee has been an epoch-making one in that the growers addressed themselves to a very important task and they found unqualified support from all quarters of the committee, which convinced the growers, if proof was ever needed, that the Central Cotton Committee is and remains the best representative institution of the cotton growers to ventilate their grievances and to put forward their demands.

To those who are not conversant with the marketing of the crop, this demand for the reintroduction of the Hedge Contract may not have the same signifi cance. In the marketing of the crop, it has to be realized that whatever the size, the whole crop is to be marketed within a space of about three months, whereas the consumption is spread over the whole year. At the time of harvesting, therefore, the buyers can afford to wait whereas the sellers must sell at the current prices. This is a natural disability from which the producers suffer. A crop of the volume of 50 lakhs of bales involves financing to the tune of nearly Rs. 150 crores. The Hedge Contract acts as a price insurance for the financing of the crop and thus enables a higher price to be paid to the growers at the time of marketing than would be possible without a Hedge Contract. Mills also by the technique of buying "on call" are enabled to buy even for their distant requirements without having to undergo the risk of price depressions. In fact, the evolution of the Hedge Contract and the perfecting of its technique enable the smooth and orderly marketing of the cotton crop. Upheavals of a vast magnitude may now and then bring about violent price fluctuations, but these are more an exception than a rule, and perhaps these fluctuations would have been more violent but for the Hedge Contract. It should also be realized that during the harvesting period occurs the worst price depression known as the "autumnal dip" and the fortunes of many export houses can be traced in the past to the absence of a well-developed Hedge Contract. This is the reply to the argument that the Hedge Contract is 40 years old while cotton is two thousand years old. It is not unnatural that those having connections with export organizations may be in favour of the abolition of the Hedge Contract.

Another resolution of the Committee, which also was passed unanimously, reads as under:

> "To protect the interests of the cotton grower, the Committee strongly urges that Government should fix equitable minimum prices for the different descriptions of cotton in consultation with the Indian Central Cotton Committee and that Government should be prepared to buy any cotton whenever offered at the minimum prices."

This was moved by Mr R. G. Saraiya, Chairman of the Bombay Provincial Co-operative Bank, and seconded by Mr. Roger Thomas, a Sind cotton grower. It is only natural that when Government seek to put "ceiling" on the prices of the raw material the producers are entitled to ask for a "flooring." In no country with a representative Government would such a policy as the Government of India have sought to pursue be tolerated. Then again, the "ceilings" that the Government have sought to put are not accompanied by "ceilings" on manufactured articles such as yarn and cloth. It was only after the Finance Member's charge of "economic sabotage" was rebutted by the Chairman of the East India Cotton Association and laid at the door of the Government and when the prices of cloth and yarn continued to increase by leaps and bounds that the Government decided to control cloth and yarn. Even then, what has been done is to correlate 50 per cent of mills' production to current prices of cotton in the manufacture of "Standard Cloth" leaving 35 per cent., after making allowance for war orders, free. Such a step-motherly attitude towards Indian agriculture is resented. The above resolution only seeks to give a fair and equitable treatment to Indian agriculture.

In this connection, one may point to the policy pursued by the American authorities. The first step there was to correlate the prices of yarn and cloth to prices of cotton and afterwards "ceilings" were put on the main varieties of yarn and cloth. The latter step was taken both in the interests of the consumers and to act as a brake on cotton. It should be remembered that although the American Administration have for the last ten years stood by American agriculture and spent huge sums of money on loans, subsidies etc., no "ceilings" have been put on raw cotton in America and "futures" contracts have not been closed down. The remaining parts of the above Resolution were on those lines, but on account of the intervention of the representatives of the mill industry, they were talked out for the present, it has been decided to send discussions only to the Government. The threat of requisitioning of cotton from any source by the Government still stands. This is wrong in principle, especially if by requisitioning it is meant to requisition cotton from the growers. It is understood that the growers opposed this, but here again this was talked out. Lastly, there is another significance of great relevance noticed in the above meeting. The above resolutions were moved at the instance and carried under the leadership of Britishers with interest in Indian agriculture. This shows that where the vested interests of the British are in line with those of the Indian agriculturists, there is complete unanimity as regards the outlook and the line of action to be taken, and the British do not hesitate in giving the lead to the interests of Indian agriculture.

The World Abroad

When Italy Capitulates

(From Our Washington Correspondent)

WASHINGTON, Aug. 2. (By Cable).

THE prospect of imminent capitulation by Italy following Mussolini's exit startled Washington, where Italy's downfall had not been generally expected until late in the autumn. Nevertheless, the Government economists promptly dusted off the threefold programme for economic rehabilitation of the Italian Peninsula when it falls into the Allied hands. The present somewhat tentative proposals involve, firstly, the feeding of forty-five million Italians; secondly, restoring the war-ravaged Italian industrial plants; thirdly, stabilization of Italian currency.

President Roosevelt, in his last Wednesday's broadcast, said that his Administration will announce methods for handling food and manpower problems in a few weeks. These will almost certainly involve Government purchases and re-sales of farm products to control domestic prices and probably also comprise shipments of grain and other foodstuffs for Italy if it surrendered meanwhile. The replenishing of the Italian larder involves chiefly the furnishing of huge wheat supplies.

The latest available statistics for 1941 showed that Italy's wheat production amounted to 269 million bushels compared with its consumption of 300 million bushels. The potential consumption undoubtedly far exceeds this latter figure. Quick Italian surrender would find the American Government instituting measures designed for speedy regeneration of Italian agriculture and transportation so as to put the nation on a self-feeding basis as soon as possible. Meanwhile, *spaghetti* is the only thing available for the hungry Italians who are crying for wheat. It is anticipated here that their calls would be answered. To answer their calls even according to their old level of consumption would require one trip by 150 large cargo ships to offset the country's wheat deficit.

In the field of industrial production the United Nations contemplate unique experiments. Not only are they determined to rejuvenate industry in Axis-dominated lands but also to rehabilitate life and economy in conquered nations . As far as Italy is concerned, this problem will be discussed this week when the spokesmen for machine-tool manufacturers confer here with the officials of the War Production Board. The principal subject in the agenda will probably be Italian machine-tool requirements particularly in heavily industrialized Northern Area.

The industrial rehabilitation of Italy will be conducted on a lend-lease basis which presently absorbs more than one-fifth of the United States' machine-tool production most of which have been shipped to Britain and Russia. The American machine-tool industry underwent tremendous expansion as a result of armament requirements and despite domestic needs still possess enough capacity to meet not only Allied requirements but carry on a broad foreign programme as well. Last December the machine-tool production reached its peak value of 132 million dollars. Currently it is estimated only 100 million monthly. The industry could revert to output of the same amount with little trouble if excess above is needed for domestic and Allied consumption in Italy.

Actually it would involve relatively a minor task for American machine-tool men to retool Italian industry. The manufacturers point out in thirteen years ending in 1940, Italy took only 15 million dollars of machine-tools from U.S.A. and purchased an estimated additional total of 30 million from Germany and England. This total of 45 million is less than half of the United States June production.

Obviously the United States is not making such plans purely out of goodwill towards her erstwhile enemy. Instead the programmes are designed to give Italy tools to carve her own future where in she may once again become a prosperous market for U.S. goods and incidentally contribute to worldwide post-war progress.

In the field of currency stabilization situation is more obscure. Monetary manouvres so far conducted in North Africa distinctly favour French as compared with Italians. The United States Treasury foreign exchange experts are presently at Allied Headquarters in North Africa. There they first fixed exchange rate at 100 French francs to dollar, then cut to 75 and finally to the pre-war rate of 50. Meanwhile the Italian lira worth five cents in the pre-war is temporarily revalued at one cent.

Whatever be the future of lira financial experts believe that Britain and United States would rapidly be approaching an agreement on post-war currency stabilisation. The U.S. Treasury is expetced to issue a new plan in the near future which is more conservative than the earlier stabilisation proposals and hence more likely to win congressional approval. The Treasury have sought the advice of thirty nations before formulating the scheme whose details are still not revealed. However it is reported that Britain will seek to borrow five milliard dollars from the International Stabilisation Fund to begin currency rehabilitation.

Modernizing Agriculture in China

The Chinese Government has done much to investigate the tremendous possibilities of raising a poverty-ridden population of probably more than 500,000,000 people to real prosperity and to pave the way for large-scale practical reform work after the war. But has it also tried to deal with the less romantic and more vital task of increasing agricultural production within inevitably narrow limits while the war and its worst consequence—Free China's isolation from the outside world—are continuing? In these practical efforts as well as in its planning, the Government is being helped by a widely scattered group of modern trained agricultural scientists and economists. Wherever I met any of

those Chinese who either have studied and worked in the United States and other foreign countries or are pupils of American, Canadian, or English missionary agriculturists at old-established Chinese universities, I invariably was impressed with the competence, integrity, devotion, and modesty of those men who, together with a certain type of modern engineer, probably are the best product of China's educational contact with the Western World. These men are few, the funds at their disposal are relatively small and most of them have to fight against great odds of many kinds. But what has been accomplished in Chinese agriculture during the war is due mainly to those few hundred people and their self-sacrificing enthusiasm for the details of their work. Not only in Chengtu, whose universities and research and experimental institutions are the working centre of agricultural science in China today, but in numerous other places these men quietly have studied the soil and climate and plants of most agricultural areas. They have developed innumerable varieties of new seeds of rice and wheat and dozens of other plants which will bear richer crops and withstand the rigours of specific local climatic and soil conditions better than the seeds traditionally used.

Increased Production

They have devised modern methods of cultivation. They have carried on patient and therefore successful educational work among the most conservative of farmers. They have courageously faced reactionary landlords and old-fashioned local officials and they have not been discouraged by the disproportion between the needs of the country and their necessarily limited success nor by their own poor living conditions. Improved rice seeds have been applied in various localities of 13 provinces on almost 400,000 acres with the result that an additional quantity of 40,000 tons of rice was produced, or about 15 to 20 per cent. more than normally. Similar results have been achieved on a moderate scale with other foodstuffs, cotton, and oil seed and in practically every other branch of agriculture. Modern insect-control measures have been introduced in a number of localities — also with the result of a considerable local increase in production. The 6 per cent. rise of the total agricultural acreage in Free China in the average of the years from 1940 to 1942 as compared with that of the years from 1931 to 1937, although due mainly to rising prices, in some part has been made possible by the co-operation of these men whose advice and practical help to the farmers enabled many of them to plant remunerative spring crops before the main fall crops on field which normally had been cropped once a year only for the latter. To another part, this expansion of acreage is the consequence of scattered irrigation work that has been carried out either in continuation of the activities of international famine relief organs in China or in execution of new schemes devised by foreign-trained Chinese irrigation engineers. The total area of land that has been improved by irrigation, for the first time made usable for growing crops since the war began in 1937, is about 800,000 acres.

Agricultural Finance

The Government-owned Farmers' Bank, apart from doing whatever it can within its restricted means for agricultural promotion work of a technical kind, during the last two years has endeavoured to lay a foundation for the proper fulfilment of the peasant's most urgent and most important demands — finance at reasonable rates. The Chinese farmer always has been debt-ridden and the interest rates that have been charged to him through the centuries have been proverbially high. The Farmers' Bank, therefore, has established a more modern system of granting loans for protective purposes to cultivators which is to prevent to the greatest possible extent misappropriation by those in the rural communities on whom the individual farmers are economically dependent. The Bank and other Government institutions are for this purpose working largely through agricultural co-operative societies whose number has greatly increased during the year. The co-operatives still are suffering from characteristics that are impeding their tasks but are being improved gradually by whatever measure of supervision can be enforced in tens of thousands of small villages where vested interests naturally are paramount. The total amount of rural loans of the Farmers' Bank and other Government institutions now is above $25,000,000 in American money. However small the amount may be, these loans, which are cheaper than any other, are gaining importance steadily and, according to a recent investigation, represent 6 per cent. of all the money which the farmers in selected communities of 15 provinces took up last year as against a mere two per cent. in 1938. Loans granted by co-operatives are of considerable magnitude now, being 34 per cent. of the total compared with 17 per cent. in 1938. But the loans of private banks, which mostly are less advantageous to the farmers, also have increased from 8 to 19 per cent. of the total. Pawn shops, local firms, and individual money lenders, which as a rule charge by far the highest interest rates and stipulate the most onerous conditions, still contributed 39 per cent. of all loans take up by the farmers in 1942. But they provided 70 per cent. of the total in 1938. The National Agricultural Research Bureau further reports that the highest monthly interest rates that had to be paid in 1942 was still between 12 and 20 per cent., while the average of what is described as "ordinary" interest rates was reduced slightly from 2.1 per cent. in 1938 to 2 per cent. a month in 1942.

Tenancy

An even more important and elementary problem than loans at reasonable rates is that of land tenancy. The National Agricultural Research Bureau reported some time ago that 37 per cent. of all Chinese farmers are independent in the sense that they own the land they till, while the others are tenants of all or most of the land they work. But the number of owner farmers has not, apparently, been very considerably reduced in consequence of economic developments during the war. It is considered impossible while the war lasts to attempt anything like a thoroughgoing land reform in accordance with Dr. Sun Yat-sen's promise to make every Chinese farmer the owner of the land he tills. However, this promise has by no means been forgotten by the villagers, and ways of gradually carrying it into effect after the war are being considered by the Government, together with plans for the reduction of land rents.—Guenther Stein in *The Christian Science Monitor.*

Post-War Planning Section

VI

The National Minimum And The Plan

THE Beveridge plan of social security has gripped the imagination not only of the British public but of the whole world. In India too the demand for a comprehensive scheme of insurance on Beveridgian lines has been made in some quarters; but it is hardly realized that the Beveridge plan has little application to a country like India, that the British scheme in its origin was designed to meet the needs of a highly industrialized community and that the Beveridge scheme represents the culmination of an evolutionary process which starting from a limited scope gradually became all embracing and is now intended to cover the entire community. In India the percentage of workers employed in organized industry represents hardly 1 per cent. of the population. Any scheme even if it covers the entire industrial workers will fail to confer security on the 99 per cent. of the community. Further our problems are different. What we want is some plan by which a minimum of food, clothing, shelter and other essentials of decent living should be guaranteed to all, and hence we have to proceed on different lines although the present small beginning of insurance e.g. workmen's compensation should also be widely extended in scope and comprehensiveness so as to cover every kind of risk and loss of livelihood.

The duty of the State to provide a minimum of national welfare is now universally recognized. It is not enough to protect certain classes of workers from long hours, unhealthy and dangerous condition of work and low wages. Social insurance schemes are in substance the expression of this new responsibility. In India in particular the need for providing a basic minimum of subsistence and welfare cannot any longer be put off, if we are to call ourselves a civilized community. Our present standards are deplorably low; in food, in clothing, in housing, in education, in health and in every other kind of need the gap between efficiency needs and actual consumption is distressingly wide. We should bridge the gap.

Taking our food consumption needs it has been established that on the basis of minimum of 2,800 calories daily our food consumption falls far short of that standard, being only 2,400 calories a day. According to one estimate, India's food supply is in deficit in terms of calories to about 41 billion calories, and in terms of individuals for about 63 million persons. Besides insufficiency, it is poor in quality and nutrition. Malnutrition is at least as serious as under-nutrition. In the words of Dr. Aykroyd, the nutrition expert in India "To the nutrition worker the food situation in India is thoroughly unsatisfactory in normal times. If India depends entirely on what she can herself produce a very large increase in the production of various foods is necessary to raise existing standards to a satisfactory level. Some of these may be indicated as follows:—Cereals, thirty per cent; milk and milk products, three or four hundred per cent.; meat, fish and eggs, several hundred per cent.; vegetables, particularly green, leafy vegetables, one hundred per cent. or thereabouts." On the whole it is safe to say that we shall have to double our food supply of all kinds within five years, and even this will not leave us in a safe or strong position, as our population increases at the rate of 5 million per annum. The basis of industrial efficiency in a country is a population of strong, healthy and efficient workers. Consumption of food in sufficient quantity and of good quality is therefore an essential preliminary to the success of any economic plan.

The amount of capital required for raising this increased output is not easy to estimate, as much will depend upon the choice of the methods of bringing this about. If as Russia did, India adopts collective farming or even co-operative farming is resorted to, the need for permanent capital in the shape of tractors and other agricultural machinery will be great. It is true that agriculture also, along with industry, must be increasingly mechanized. But as our population increases by nearly 5 millions every year, the necessity of large-scale transfer of agricultural population to the industrial sector will not be urgent during the initial years. During this period rapid mechanization of agriculture to release manpower will not be called for. If in view of this she uses fertilizers and applies scientific methods of agriculture, the amount of investment needed in agriculture may not be much, but that in chemical industry will have to be correspondingly heavy. On the assumption of a Ratio of 1 in agriculture, an investment of about Rs. 1,000 crores in agriculture will be essential, if the object is to double agricultural output in five years.

In regard to clothing, our present per capita consumption is about 15 yards of cloth. Our aim should be to increase it to at least 50 yards in five years. The total amount of block capital invested in the cotton textile industry today is about Rs. 400 crores in factories and about Rs. 20 crores in handloom. To attain our goal we shall have to invest at least Rs. 800 crores more in the industry almost the whole of which will have to be in the mill industry. We cannot rapidly increase the output through the handloom without absorbing far too much labour.

The problem of housing is undoubtedly urgent but one almost despairs of attaining a decent standard of housing. No scheme of welfare can ignore the needs of decent housing for all. The number of houses in India in 1941 was 76 millions, of which 9.6 millions were in towns and 66.4 millions of villages. But the houses are of various sorts and qualities; many of them are old and require to be completely rebuilt or reconditioned. On the modest assumption that the per capita needs in this respect are a room of 10 ft. by 10 ft., and that the cost is Rs. 100, we shall have to invest in housing alone about Rs. 3,800 crores within the space of say ten years in this case. Against this may be set off the housing accommodation that already exists. But except in urban centres, the statement may safely be ventured that most houses in rural areas need to be re-built; so that the additional capital that may have to be invested cannot fall short of say Rs. 2,500 to 3,000 crores in a decade.

In regard to education we have a long lee-way to make up. Only 9.5 per cent. of the population is literate as against 75 per cent. in European countries. The total public expenditure in education of all grades, university, secondary and primary, has been phenomenally low; in 1939-40 it was less than Rs. 30 crores. Our aim should be to spread literacy in the course of a decade so rapidly that after 10 years there will be left no illiterate child. This means a minimum expenditure of about Rs. 225 crores of rupees on primary education at the rate of Rs. 15 a scholar for about 150 million children and another Rs. 250 or Rs. 300 crores in secondary and university education. The capital invested should also provide for the training of the large staff essential for the purpose. Altogether about Rs. 600 crores within ten years will perhaps do. On

buildings and equipment another Rs. 200 crores or thereabouts will be required.

When we turn to the needs of public health, the problem once again looms large. National policy should aim at every person getting cheap medical relief. In 1939 the number of hospitals in India was only 5,650; and only about 79 millions of people were treated as patients, indoor and outdoor. The number of beds available was less than 60,000 and the public expenditure was little over Rs. 4 crores. A minimum standard of public health would mean a hospital for each group of near villages, with beds and ample facilities for treatment. An adequate public health staff should be trained for the purpose. Rural dispensaries should be established in practically every village and doctors professing different systems of medicine must be employed and supported. It is not easy to calculate the cost, but on the assumption of a minimum of Rs. 500 for capital cost for 6½ lakhs of villages the capital cost of building dispensaries and equipment is about Rs. 40 crores. The cost of building hospitals and equipment for 2,700 towns at the rate of Rs. 2 lakhs per town is Rs. 54 crores. Altogether a capital expenditure of about Rs. 100 crores will have to be incurred over a period of five years. Finally, there is the question of rural and urban sanitation including the provision of water supply. It is very difficult to frame any estimate; but anything from Rs. 20 to 30 crores may have to be expended.

Summing up all the above items we shall have to find capital of the order of some hundreds of crores within a period of 5 years. Obviously it will not be possible to provide for the national minimum even on the low scales stated above until the national income is increased by two or three times. Further, if the plan concentrates on the production of consumers' goods, we have to reckon with the inevitable postponement of laying the foundation for a rapid scheme of industrialization. Hence the scheme for providing the national minimum may have to be postponed. On the other hand, if like Russia we confine all capital expansion to the capital goods industries the restriction on consumption will be so severe that even the present low standards might not be maintained. It will be remembered that the privation and misery caused to the people in Russia during the operation of the First Five-Year Plan were so appalling that millions died on account of starvation and undernourishment.

All this privation could have been substantially reduced if only the Soviet leaders had agreed to slow down the rate of industrialization. But there were special reasons in Russia why this was not found possible, and more reasons why privations were unnecessarily aggravated. In an extremely backward country, devastated by long years of war and civil war, the new regime, rightly or wrongly, felt itself militarily insecure so long as it was surrounded by powerful, highly industrialized, capitalist countries. They, therefore set before themselves the task of catching up the advanced capitalist nations within a very short period from the necessity of sheer survival of the regime, apart from considerations of improving the general standard of living. But in a pioneer plan of this dimension, there were inevitably innumerable difficulties. Costs could not be properly regulated; the attempt was to achieve the spectacular, to build up "the biggest" factory which locked up too large an amount of capital in these unfinished factories for a number of years; the peasantry revolted and offered resistance; the price of primary products fell in the capitalist world, on account of the depression, so that the Soviet had to export a greater quantum of commodities to get in return the same mount of equipment. Meanwhile, owing to the destruction of livestock by the revolting peasantry as well as during the war and civil war, agriculture was gravely short of animal power, and had to be largely tractorized, quite apart from socialistic principles of ocllectivization, and this involved a heavy capital expenditure. All this meant appalling privations, some planned and much unplanned, for the masses. All these could be minimized, if only the rate of industrializtion was reduced for a few years. But the Soviet leaders set their teeth grimly and refused to be moved by the human cost of the First Five-Year Plan.

But in India there is unlikely to be such a pressure of overwhelming urgencies. We should, therefore, learn the lesson and be content with a few easy strides during the initial years. The time-preference in the distribution of capital expenditure must be so chosen that without undue sacrifice of consumption, the growth of capital goods should be provided for. It means that in the first 2 or 3 years the plan should lay greater emphasis on an increase in the output of consumers' goods in preference to producers' goods . When the margin of consumers' goods is accumulated, the plan might go forward and be speeded up. But this implies a lower rate of income expansion, for the doubling of the national income in five years can be secured only when the community is prepared to save and invest much more in capital goods industries than is envisaged in this compromise plan. But we shall have to reconcile ourselves to a lower rate of expansion in the initial years because the increse in the standard of living is very urgent and even the maintenance of the present low levels of consumption in the face of the ever-growing population requires this amount of readjustment.

We may however be able to keep the essentials of the plan intact if we are able to import large amounts of capital which would relieve the pressure upon the restriction of consumption at home. In that case the production of producers' goods need not be at the expense of the output of consumers' goods. We therefore come once again to the total available capital resources of the plan, internal and external. We shall have to temper the wind to the shorn lamb and distribute capital between the production of consumers' goods, and capital goods, taking into account the available capital resources on the one hand and the immediate minimum needs of the community on the other.

FROM THE PROVINCIAL ANGLE

Madras Letter

THE FOOD SITUATION—PEOPLE'S FOOD COMMITTEE SUBMITS LENGTHY MEMORANDUM—NEW SCHEME FOR CHEAP MANURES

(From Our Correspondent)

MADRAS, Aug. 1.

THE People's Committee, that has been formed in *Madras with Sir N. Gopalaswami Iyengar*, Retired Prime Minister of Kashmir and ex-Member, Board of Revenue, Madras, as the Chairman, has sent a lengthy memorandum to the Government detailing the food situation in the Presidency and making certain recommendations to improve matters. The immediate introduction of rationing rice in Madras City, the establishment of a Provincial Food Council and of Food Boards in the districts to advise the authorities regarding food control are emphasised in the memorandum. The Committee urge that representative non-official opinion and service should be utilized and suggest the establishment of the Provincial Food Council to advise the Government on all matters of food policy. The food boards in the districts should be asked to advise on the discovery, commandeering, and purchase of stocks, the price to be paid for the stocks and distribution. The Committee feel that the present system of making both purchases and transport wait on the convenience of the wholesale dealer in the importing district in submitting an application and making a deposit not merely contributes to delay but is demonstrably uneconomic. Therefore, they suggest that purchases should be through co-operative wholesale organizations, licensed millowners or other wholesalers. But where producers either singly or in combination are prepared to undertake supply of rice in bulk, purchases should be made direct from them, other things being equal. The Committee point out that the present method of price control is indirect and ineffective and recommend that power must be taken to control retail trading in foodgrains.

The Rice Position

The rice position in the Province, the Committee state, is sufficiently grave now to demand the adoption of a bold programme of price control, despite the fugitive kind of decision that the last New Delhi Food Conference is reported to have taken. In regard to distribution, the Committee observe, that for ensuring the equitable distribution of the available supplies of rice among all the classes of consumers, the ideal system is specific rationing. Rice rationing should be introduced into Madras City at once and extended to other towns and cities at least in the deficit districts as early as possible. The question of introducing rationing in non-urban areas of the deficit districts might stand over until experience of rationing in urban areas has been gained. The Committee also urge the opening of retail shops in urban and rural areas under Government auspices and prices in these shops should be maintained at least at the present level. Any loss sustained in running these shops should be met by the State. The above are the main recommendations of the Committee and these have received a wide publicity in the local press which has also given strong support. It is reported that the memorandum of the Committee is under the consideration of the local Government. Judging from the fact that the Committee has on it representative retired high officials and non-officials of all shades of political thought, it may be expected that the Government would give their earnest attention and consideration to the recommendations. In the meantime, the Adviser to H. E. the Governor who is in charge of the Department in his public addresses and press conferences continues to urge the difficulties facing the country, but gives the assurance that it will not be allowed to deteriorate. He is also having frequent conferences with the Collectors on the situation in their districts.

Scheme For Cheap Manures

The manufacture of manures from town refuse is likely to be accomplished in this province very shortly. Already the Indian Institute of Science, Bangalore, has been successfully manufacturing nearly 75,000 tons of manure from town refuse at thirty centres under a scheme started by it a few years ago. The cessation of practically all imports of foreign manure has necessitated the augmenting of local resources. The Government of India interested themselves in this scheme some time ago and allotted Rs. 1,80,000 for organizing the manufacture of such manures in the province. Now, the Madras Government have taken interest in the scheme, with a view to providing cheap manure on a large scale for food crops. A scheme has been drawn up at a cost of Rs. 40,000, the Imperial Council of Agricultural Research contributing Rs. 16,000, for the training of one Assistant Agricultural Chemist for three months and one first class Health Officer for six months in the Bangalore process of making compost out of town refuse. After undergoing training, they in turn will train forty sanitary inspectors in that process. These inspectors will start composting work in about forty municipalities and panchayats in the province. The problem of town refuse has been a very knotty one with several municipalities and the new scheme will certainly open a way out of their difficulties. Incidentally, it will also assist the "Grow More Food" campaign.

Cochin's Finance

The *Cochin State* budget for 1943-44 which was published during the week estimates a revenue of Rs. 183-17 lakhs and an expenditure of Rs. 166.88 lakhs, leaving a surplus of Rs. 16.29 lakhs. Due to the more extensive use of the port of Cochin, an increase in the customs revenue is expected. The greater extraction of timber for war purposes is expected to augment the revenues of the Forest Department. The State being deficient in rice, rationing has been introduced. Wholesale merchants have been eliminated from the trade and the distribution has been taken over by the Government. Not content with assuming the role of a suppliant for food, the Government have taken steps to increase the production of foodcrops. The food production drive has resulted in 11,249 acres including reserve forest areas being leased out for cultivation. The Government are also improving the irrigation sources. Rs. 1.70 lakhs have been spent in the year that has closed and another Rs. 1.85 lakhs have been set apart in the current budget. Cochin besides imposing income-tax is probably the first Indian State to impose Excess Profits Tax.

Whole-sale Prices in the City

During June, 1943, the index number of wholesale prices of all food articles in Madras City rose by ten points to 284 and that for non-food articles declined by twelve points to 279. Among the food articles, the

index for cereals rose by three points to 238 due to a rise in the price of *ragi*. The pulses group rose by eleven points to 268 due to an increase in the prices of grams and gram *dholls*. The index for the sugar group advanced by 16 points to 231 on account of a rise in the prices of cane and palm jaggery. A fall in the price of tea and coffee brought down the index figure of this group by eleven points to 376. The group 'Condiments and other articles of food' appreciated by thirty-one points to 321 due mainly to a rise in the price of potatoes. Under the non-food group, a fall in the price of groundnut seed accounted for a fall in the index of this group by thirteen points to 199. The textile group declined by 38 points to 313 due to a fall in the price of cotton yarn. There was a fall of seventeen points to 660 in the index for the metals group on account of a fall in the prices of wire nails and yellow metal sheets.

Bombay Letter

ANTI-INFLATION DRIVE—FALL IN BULLION PRICES—RATIONING AT WORK

(From Our Correspondent)

BOMBAY, July 31.

THE general conditions in the Bombay markets may be described as unsettled, and the situation is getting complicated. The first effects of the anti-inflation drive have been straightaway deflationary and this for the time being is exhilarating to the authorities as the immediate effects of alcohol. But gradually and by stages, it is beginning to be felt that the effects do not stop here and it is the symptoms rather than the root cause that are being treated. The political device of Ordinances "to check inflation" is really nothing more than a series of attempts to make believe that the demand aggravated by War can be filled out of stocks admittedly inadequate. Consider, for example, the mess made in the Food Control and the failure of "Grow-more-food" campaign to increase production. Private reports from America indicated that it was beginning to be realized there that the one undesirable effect of "controls" was that it checks production the increase of which is so necessary for the success of the controls.

Cloth Prices

In the wholesale cloth market there has been an absence of demand from consuming centres, possibly based on expectations of lower prices. Locally, retailers themselves do not like to buy far in advance as they have to sell out their stocks before October 31. Despite these discouraging facts, the prices in the cloth market are unchanged from those of a week ago, and in some instances, they are even nominally higher. Leopard cloth in 41 inches by 43 inches is quoted at Rs. 2-8 per lb. approved makes. Sheetings in 35 inches by 30 yards Rs. 9-10 lbs., are neglected at Rs. 2-6-6. In bleached lines, trading is equally uninteresting; a few finer qualities, particularly mulls, have found retail consumers. Last week-end, a correspondent of a weekly paper made sensational disclosures. It was reported that most of the talk about panic in the cloth market was untrue and that the cloth merchants are employing paid propagandists to do the job; the whole idea being to get an extension in the dates for the disposal of the cloth. They seem to have received some encouragement from a statement made by Messrs. Kasturbhai Lalbhai and Sakalbhai Balabhai in Ahmedabad that there need not be more than 40 per cent. fall from the very peak prices and that the Government should do something to stop further fall. Unfortunately, they had no constructive ideas to give, nor did they view the problem from the angle from which it is viewed by the Government, i.e., to promote better distribution of cloth, so that the vast masses of population may not have to suffer hardships. It was also reported that the advertising of cheap rates by retail shops was a snare and a delusion, as actually at rates 40 per cent. below the peak levels of superior cloth only very inferior cloth is offered, while for the varieties generally consumed by lower-middle classes and the middle classes, the fall has been negligible excepting in one particular line i.e., mulls. The rush to get cloth at reduced prices is being cleverly utilized for selling out inferior stuff. The above report is substantiated by reports of certain institutions which have undertaken to supply cloth to the poor and the needy among them at reduced wholesale prices and without profit. These reports all go to show that the demand for cloth is far in excess of the supply and the correct quality is not obtained in sufficient quantity at the reduced prices.

Cotton Prices

There has been a halt in the fall in the prices of cotton after three or four weeks of inactivity. The recent fall has been very sharp and precipitate, and in several varieties, is as low as Rs. 100 per candy. New crop Sind N.T. has moved down from Rs. 745 to Rs. 645 and the current crop has faired worse—prices having moved down from Rs. 690 700 to Rs. 560 570. The quotations of 'foreign cottons' have kept unchanged, but these have been almost entirely neglected. It would appear that India's consumption of foreign cotton may perhaps suffer if the "standard cloth" scheme is extended further. At present, owing to the entire stoppage of mill clearances, mill demand has fallen, though the tone of the cloth market has been steady.

Fall in Bullion Rates

Developments in Italy brought about a fall in the bullion rates, and on this news ready gold went down to Rs. 68-7 and ready silver dropped to Rs. 98. The market subsequently met with fresh buying and silver went up to Rs. 100-8 on the same day and gold steadied up. Since then, ready gold went up to Rs. 72-2 and ready silver to Rs. 107 Quite apart from the above temporary fluctuations, the fundamental position in the bullion market deserves attention. Floating stocks of gold have declined to 25 thousand tolas, while arrivals in the uncountry have fallen to about 3 to 4 thousand tolas per day. There is no more upcountry distress selling of gold. In fact there has been a steady demand for gold in the upcountry. It is noteworthy that the demand for gold is in small *lagdis* of 10 tolas, 15 tolas and 20 tolas. If there has been any speculative demand for gold either in Bombay or in upcountry, it would be in bigger quantities. As regards rumours that the Government may prohibit entirely advances by banks on bullion, it is pointed out that this may not at the present level have the same desired effect of leading to a further substantial fall in the prices of bullion, as the statistical position is already very strong. This is borne by the fact that ready gold is at a premium of As. 12 over forward, and ready silver went up to a premium of Rs. 2-12 to Rs. 3 over forward quotations. The strength of the spot quotations emphasize that there is genuine demand for actual metal and not the speculative demand for contracts. Yesterday, rumours were current that the Government intended to fix maximum prices for gold and silver. This is not likely to prove a practical proposition, but the rumours of Government pegging prices brought about a small decline. The latest quotations are: Ready gold Rs. 69-8; Ready silver Rs. 102-6.

Stock Exchange and Money Market

The early part of the week saw a fall in the market, but in the latter part, quotations on the Stock Exchange have steadied up and there is not now much fear of a very sharp and sudden drop in the market. Further, investors feel that the peak of earnings in the industrials has passed, so that there is no scope for any bullish enthusiasm, especially in view of the Government policy of control. Steadily, therefore, investment money is diverted to Government Paper aided by reports of Allied successes. As, however, the pressure of investment demand continues, investors are gradually reconciling themselves to the view that they will have to be content with lower yields. This is the direction in which market rates seem to shape out. One, therefore, can well understand the strength in Government Paper and one would not be surprised if prices of various Government Loans advance in the weeks to come.

Rationing at Work

Discussions in the Bombay Municipality have brought about strong criticism against the high prices at which rationed cereals are being given, as well as about the quality of the cereals supplied. As rationing also prevails in England, it is very relevent to draw comparisons with England where first place has been given to considerations of health. In this connection, a recent London cable from an important body says:

"The success with which the people of this country have been fed and clothed efficiently and have maintained their health in spite of the strain of war conditions such as air attack, blackout, the inability to take normal holidays, is a remarkable achievement, and some figures given recently by Mr Ernest Brown, Minister of Health, emphasize the high standards achieved by our medical services." It is pertinent that in England, rationing schemes are viewed from the angle of their effect on health and the Ministry pays first attention to the quality and The selection of articles bearing in mind the responsibilities involved in feeding a nation. This attitude towards rationing is an important lesson to India. In almost all the discussions of food control, this point of view has been overlooked.

Bengal Letter

THE FOOD PROBLEM—RELIEF SCHEMES—CORPORATION'S FINANCES—CANTEENS FOR INDUSTRIAL LABOURERS

(From Our Correspondent)

CALCUTTA, Aug. 1.

OF late, various measures have been taken to deal with the beggar problem in the city. The Ordinance against vagrants is not directed against the valiant, able-bodied but against the diseased and infirm. The setting up of an almshouse in the city follows the Ordinance but taking a thousand out by selection is only a preliminary to dealing with the city's beggars. The role assigned to the police in reducing the number of beggars on the streets suggests that beggars are offenders of a special kind. The first manifestation of official charity is not limited to the supply of gruel to the starving at the free public kitchens. No doubt the Government has been spurred to do something by the example of private organisations. Sir Badridas Goenka has launched a new Relief Committee to distribute rice to the lower middle-class at concession prices—the loss being borne by the committee of businessmen. The same committee is interested in public kitchens to provide food gratis for the famished. The cheap grain shops too are to be assisted by Government, assured of their being non-communal. The subsidy to the consumer will come out of private resources. These plans are independent of the assurance that food prices in Calcutta will be lowered by fixation. The assurance came after the revival of the former belief that prices would rise when the surplus provinces stopped export and free trade in the eastern zone is ended this month. The Minister's statement indeed came after the report that two officials were going to New Delhi to present Bengal's case. The Minister has referred to improved procurement plans and the inevitable fall in prices.

Coal Shortage and Jute Mills

The City Council reviewed the short supply of domestic coke. It has been assured of coal supply for the pumping stations but the voters have to be considered. Local industry does not look for help. The jute mills have declared a holiday for another week. They stand to lose Rs. 35 lakhs in a week's wages. The shareholders will again have to lump it. The jute mills' decision followed their announcement concerning the maximum prices for hessian and heavy goods on Thursday. The news was discounted in the share market by a brief, pitful recovery on Monday but the consequence for the jute grower must be considered. The T.U.C. registers mild alarm hit that will pass out. The jute grower may know that the agreed maxima have not held. The sanctioned increase of 8 as. per maund just fits with higher hessian prices. Export grades have been lowered in price and the outlook for the new crop is not improved by the statement that Calcutta prices are lower in view of the mills' holiday. The basic factor is the mills' stock of goods. The mills can sell to the bazar as before and meet Government orders from stocks.

Jute Prices

A holiday enforced by coal shortage does not spell serious loss but a fall in mill consumption must affect raw jute prices. Flood damage implies a reduced crop but the growing weather has been good and the mills (in spite of current belief) are on top of the jute situation. There has been no statement, apart from the mills' own press *communiqué* as to acceptance of Government control. The *communique*

implies that profit margin will be reduced but the big question today is what would be the local Government's views as to raw jute prices. The decision to fix food prices imports a similar decision as to jute and the friends of the ryot are sure to put up a case for minimum prices after the decline recorded in June-July. The improvement in hessian prices should support the claim for stability but the mills have always asked for stability and the previous elimination of the futures market is largely their contribution. There may be only a tepid controversy, for the anti-inflation drive is on, and arguments for higher prices will be overruled. It is on this view rather than export prospects, as determined by the reopening of the Mediterranean, that jute mill shares are moving up rather lanquidly.

Corporation's Finances

The Corporation's finances have been examined by Mr. Gurner. The unsensational report submitted to Government draws attention to the need for avoiding arrears and favours a grant of Rs. 5 lakhs to supplement the advance of Rs. 10 lakhs. The conclusion drawn from the findings is that the finances are not in disorder but revenue must be increased, and a little retrenchment carried out. Critics of the Corporation have little to go upon and Mr. Gurner advocates a grant of Rs. 7½ lakhs in case the Property Tax is raised by 1 per cent. The Government has given relief in regard to war works' insurance by paying half the premium. The Corporation has been advised to save in stores, stop buying new motor vehicles, and postpone the laying of the bituminous road surfaces. Of special interest to the local ratepayer is the suggestion that the Profession Tax be extended to new callings and occupations. Collection of a higher tax in line with the Income Tax paid and increase of the rate levied also is recommended. The Corporation has been asked to consider the case of salaried persons. Other recommendations cover market fees and building fees. It has been suggested that the municipal revenue should benefit by periodical revision of rents for shops and land. Improvement in assessment is more important and a special officer to hear appeals is required according to the report. The Corporation has been asked to draw a hidden reserve and excess balances and save on the Education Department if a cess cannot be levied.

Relief To Agriculturists

The Minister for Civil Supplies announced this month that Rs. 1 crore was assigned for agricultural loans, Rs. 62 lakhs for gratuitous relief and Rs. 92 lakhs for test works. Flood relief will swell the demand on the provision made by Government. The Burdwan flood situation has affected most villages in two sub-divisions, crops and livestock, washed away food stocks and two Ministers after examining in detail local situation have declared that crops may not fail altogether if seedlings are available. The crop forecast in January should indicate what has happened but meantime the demands on charity have increased. The Marwari Relief Society as usual has been the first to respond and an agreeable example to local relief agency has been provided. The Maharaja of Burdwan issued an appeal for help. The work entailed by the Midnapore Cyclone Relief will have to be resumed, and the Mayor and the Corporation are soon to examine this question. The only item of interest to food planners is the plan to introduce the soyabean to cultivators during the food drive. Dr. W. A. Burns has described the possibilities of the bean and experiments have shown that it thrives in other countries besides Manchuria. A.-R.P. wardens have been given seeds to distribute at one anna per packet of 8 tolas and if the beans get popular the import of pulses may fall in the immediate future. The soyabean having been encouraged by Germans in the Danubian basin has proved that it is a versatile crop as the U.S.A. too has found. But it is essentially a praire crop and to most the oil is less important than the cake. The oilmills however may be interested in a new oilseed and the land reclamation projects in all provinces may call for trials with the new bean.

Labour Welfare

The Government of Bengal has indicated that Rule 81-A is available to avert trade disputes. Strikers must give notice as employers must give notice of lockouts. The right to strike is in abeyance and Government has power to intervene without resort to the arbitration procedure. Trade Unions and commercial organizations alike have been advised that adjudication is effective and the Government has plans for an Industrial Court. The interest in labour welfare extends to canteens, the merits of which have been emphasised in a recent circular to Chambers of Commerce. Canteens for factories have worked well and the Jamshedpur example has been held up to big employers fairly often. The canteens of the mills certainly helped in the spread of the tea-drinking habit. The Tea Market Expansion Board called on Prof. P. C. Mahalonobis to carry out an inquiry in seven wards of this city and the results bear out the belief that Muslims take more tea and Marwaris less tea than Bengali Hindus. The Marwari families as a class take little tea but most members take tea and the tea-drinking habit is growing though per capita consumption is put at 0.4 lb. p.m.

U.P. Letter

DEFECTS IN CLOTH CONTROL—TEXTILE COMMITTEE'S VIEWS—STANDARD CLOTH UNSALEABLE.

(From Our Correspondent)

CAWNPORE, Aug. 2.

THE news that Mr. Gopi Nath Srivastava has agreed with Dr. Subbaroyan consequent upon their recent meeting at Bombay that this is not the time to consider the abrogation of the Congress resolution of August 8, the question being entirely in the hands of Mahatma Gandhi and the members of the Working Committee of the Congress, has not come as a surprise to many Congressmen and Congress sympathisers in U.P. who do not see any reasonable prospect of a settlement while the members of the Working Committee and Mahatma Gandhi are in jail and do not meet to review the situation. All possible precautions

are being taken in the meanwhile by the administration to see that no demonstration is staged on or about August 8 and 9 anywhere in the Province openly sympathising with those in jail as a result of the last year's Congress movement. While instructions have been issued to schools and colleges that on no account the educational institutions should remain closed on August 9, even commercial organisations which control the markets such as Kapra Committee and others have been approached by the district authorities that the markets should not be ordered to be closed on August 9 on the pretext that last Monday of "Sawan" falls on that date. While the administration is thus averse to any open demonstration of sympathy for those in jail cabinet makers of the province, mostly prospective Ministers, show a sense of frustration which is exhibited in the bundle of contradictory statements sand resolutions emanating from them.

Piecegoods Developments

Truth as to how and why the U.P. Government came out with their Cotton Cloth and Yarn Control Order a fortnight before the Government of India came out with their order gleans out from certain well-informed quarters. Much importance is given to the secret but subsequently known meeting of Mr. R. F. Mudie, the Chief Secretary of the U.P. Government, with the local All-India Panel members, Sir Robert Menzies, Sir Padampat Singhania and Mr. Tinker. Though no one can say what transpired at that widely rumoured meeting, the piecegoods trading interests believe that the mill-owners must have had their say and thus must have carried the day with them. People go so far as to attribute the wording of the U.P. order to the two industrial knights whose conscience in the matter is however not questioned. Government of U.P. have certainly attained a great measure of popularity for firmness in the matter though the action could not have been theirs wholly. In supersession of their previous order, they have on July 21 issued their revised Cotton Cloth and Yarn Control Order after subjecting the draft of the same to the Cotton Textiles Advisory Committee of the Province on July 18, 1943. Mr. K. J. D. Price, the Managing Director of the Muir Mills has been appointed as the Honorary Adviser to the U.P. Government for Cotton Textiles. The U.P. Cotton Textiles Advisory Committee, enlarged as it is, consists of fourteen members, of whom, six are officials. The Chief Secretary is the Chairman of the Committee. This Committee at its meeting held on July 19 appears to have agreed to the view that the Government of India order was incomplete in respect of the distribution and price control of cotton cloth and that in order to attract grain from villages into urban areas and ensure a proper distribution of cloth by preventing unnecessary transfer of cloth from one dealer to another and the sale of cloth at as cheap a level as possible the U.P. Government had to bring in a supplementary order.

Committee's Views

In considering the Government of India order itself, the Committee appears to have agreed that the various definitions in clause 3 were indefinite and that administration of the order on the basis of these definitions was not possible. These definitions refer to (a) cotton cloth which would appear as at present to embrace silk and woollen mills, (b) manufacturer which should mean only power factories and (c) dealers. The question of fixing retail ceilings under clause 10 was found impracticable of application. Clauses 13 and 14 as they were worded were found to give rise to many complex issues and the Committee desired that power to extend time under sub-clauses 1 and 2 of clause 13 should be vested in the Textiles Commissioner and under sub-clause 3 of clause 13 in the Provincial Government and the district magistrates. Certain modifications to clause 18(2) were also suggested to obviate the difficulties arising out of the undelivered bales in the possession of mills. It is understood that the U.P. Government are appointing a special officer to study the piecegoods trade organisation immediately and have the intention of appointing a large staff to administer the order. The millowners had their own meeting sometime last week in Cawnpore to consider the position arising out of the enforcement of the orders of the Government of India and it is reported that they found stamping and sales restrictions unworkable at the present stage and that they have consequently asked the Government of India not to insist on the fulfilment by them of clause 13 (1), (2) and (3) of the Government of India order. They also appear to have taken the view that the best way to solve the piecegoods problem would be to fix a ceiling on the basis of Supply Department figures and allow the piecegoods manufacture, trade and distribution to be controlled within the ceiling by the Control Board.

Distribution of Standard Cloth

Deliveries to U.P. for April-February quarter of 5.7 million yards of standard cloth are still in progress and the deliveries of May-July quarter of 20.1 million yards have not yet started. The standard cloth has proved unsaleable with the general depression in piecegoods markets. It is reported that out of 20 bales of standard cloth lying in Cawnpore, not a piece as yet has been sold or has the prospect of being sold. The mills in Cawnpore have about 3,000 bales of standard cloth lying with them without despatch instructions and grave apprehensions are held as to its future. Prices of long-cloth having come down below the price of standard cloth, there is hardly any inducement for anybody to wear levelled cloth. The Government's loss in standard cloth is expected to mount up as time passes on. The recent fixation, by Standard Cloth Commissioner, of the standard cloth price at 3 per cent. higher, will be found unworkable in the present circumstances and besides creating administrative difficulties will land both the dealers and the Government in heavy losses.

Gur Control Order

The Government of India's Gur Movement Control Order has confirmed the view that the Sugar Controller is bent upon discouraging cane cultivation for gur manufacture and that his principal move is to canalise all the cane available in U.P. to sugar factories. This position shows a lack of the correct appraisal of the rural economy of this country particularly of U.P. This apart, the revenue of the Government from the cane cultivation in the Province has also to be considered. A meeting of prominent gur-interests is to be held at Lucknow on August 5 under Government auspices and the results of the conference are awaited with interest.

A DELHI DIARY

NEW DELHI, July 5.

IT was today announced in the Council of State that India has been invited to send technical experts to discuss informally and without commitments with the technical experts of the Government of the United States of America the feasibility of post-war international monetary co-operation. The Government's intention at present is to await public reaction and comment on the two plans published in July and then decide what further steps should be taken. In the meantime, lobby reports mention that in all likelihood the Finance Member, Sir Jeremy Raisman, may himself go to the United States on behalf of the Government of India. It was thought at one time that Sir Theodore Gregory may be deputed for the mission, but as he is fully engaged in food discussions he may not be free for some time. At the moment he is officiating as the Chairman of the Food Committee in the absence of Mr. Vigor, who is ill. If Sir Jeremy goes, no separate Finance Member is likely to be appointed for the period of his absence, for as on the last occasion when he visited London on deputation, the Secretary will carry on the work of the Department. Some members of the Legislature persist, however, in canvassing support for the proposal that the time has come for the appointment of an Indian Finance Member. There are a number of international conferences, financial and economic, to which the Government of India will have to send representatives. There are also a number of financial questions connected with Defence expenditure, the utilization of sterling assets, etc., which require personal discussions. And as soon as the war is over, there will be several problems to be settled in connection with the disposal of surplus stores, etc. The suggestion appears to be that the present Finance Member, whose term is to expire next year, may be placed on deputation for these discussions and that a separate Indian Finance Member should be appointed to hold charge of the Department permanently. Neither Mr. Amery nor Lord Linlithgow has so far favoured the appointment of an Indian non-official as Finance Member, but if the new Viceroy, Lord Wavell, happens to take a more liberal view, there may be a change in this direction.

Other changes in the Viceroy's Council are also in the offing. The new Supply Member, Sir Ramaswami Mudaliar, has already arrived in Delhi and taken charge of his office. It appears to be practically settled that Sir J. P. Srivastava, whose Department of Civil Defence is in the process of dissolution, would take up the Food Department, and relieve the Commerce Member of this heavy responsibility. Though no confirmation is available, there are reports that Sir Joginder Singh, the Education Member, may retire before the end of the year. In the Food Department itself there will be some changes, for Major-General Wood may have to go back to the Supply Department as Director-General to take the place of Sir Guthrie Russell, who is due to retire. For the Food Secretaryship there can be no better choice than Sir P. M. Kharegat, the Vice-Chairman of the Imperial Council of Agricultural Research, who has just returned to India after attending the International Food Conference, but there are reports that this Secretaryship also will go to an European member of the I.C.S. There are at present in the Secretariat only five Indian Secretaries—Sir Gurunath Bewoor, Mr. Trivedi, Mr. Hydari, Mr. N. R. Pillai, and Sir S. N. Roy.

A number of important statements were made by the Finance Member in the Assembly this week. It was revealed by him that up to 24th July 726 applications had been received by the Examiner of Capital Issues. Out of 271 applications sanctioned up to that date, 18 represented conversions involvingi no money and 112 related to industrial concerns. Out of the 271 consents given, 132 related to new companies. The Finance Member said that the duties of the Examiner of Capital Issues are to see that all necessary information has been supplied, to obtain the advice of the appropriate authorities and thereafter to get the orders of the Government of India. In the case of financial concerns such as banks, insurance companies, finance and investment companies, a reference is made to the Reserve Bank of India. According to another statement made by the Finance Member, the response received from E.P.T. assessees has not been satisfactory, the amount deposited up to May 31 being about Rs. 2 crores only which is a little more than half of the amount that could have been deposited.

There has been some stir in the Assembly lobbies over the Finance Member's statement that the amount involved is approximately £150 millions in connection with the pension fund scheme. The Finance Member said that this proposal has been referred to His Majesty's Government who have the matter under considertion. And he added: "This proposal has been under consideration for some time now. All aspects of the utilization of the Reserve Bank's sterling balances have been considered. Even after earmarking this sum for pensionary remittance provision there will remain very substantial and still growing balances available for other purposes.....the Government of India will remain legally liable for payment of these pensionary charges, but as a result of these purely financial arrangements they would automatically be provided from time to time with specified sterling amounts which so far as can be estimated would be adequate to meet the legal liabilities concerned." Some members think that this sum of £150 millions is an overstatement, and wish to know how the Finance Member has arrived at this figure. In any case, they feel that it is not fair to this country to set apart so large a sum out of our sterling assets for this purpose in this manner—and that without taking the consent of the Central Legislature. This question may, incidentally, come up for discussion when the Assembly debates the non-official resolution on the Government's currency policy.

The proceedings of the Food Committee have now practically come to a close—though it will have to meet again for signing the final report. Among the committee's recommendations will probably be assistance to industrialists for the importation of plant for the manufacture of Ammonia Sulphate to the extent of at least 350,000 tons a year, the promotion of emergency irrigation schemes, measures for bringing uncultivated land into cultivation in Assam and elsewhere, etc. It is said that the opinion of the Committee, though complete unanimity has not been reached, favours statutory price control should be instituted for all foodgrains in all parts of India, but it suggests among other things a system of pooled prices for imports, provision for central and provinical food reserves, adequate procurement machinery, and rigorous and drastic enforcement of the Foodgrains Control Order and of anti-hoarding measures. There is also a proposal or a Standing Prices Committee, representative of the centre, the provinces and the states. It is also said to be the view of the Committee that rationing should be introduced forthwith in the larger cities of India—in the first instance in those with a population of a lakh and more, and should be progressively extended.

ARGUS.

Gleanings

CONTROL OF JUTE INDUSTRY

It is proposed fully to implement the wishes of the Government of India in regard to cotrol of the jute industry, says a Press Note issued by the Indian Jute Mills Association on July 28. In view of the need for early action in the light of Government's requests, a bye-law and order has been

In view of the need for early action in the light of Government's requests, a bye-law and order has been issued by the association, forming the first result of decisions arrived at by the committee of the association on the matter. The partial restriction of the extent of raw jute purchases which had been previously imposed by the committee on jute mills is entirely removed, but the price qualification remains. Nothing above Rs. 19-8 per maund can be paid for the best quality of loose jute: other kinds of raw jute have been similarly governed by maximum price levels in accordance with their market potentialities. The entire prohibition on the sale of manufactured goods, operative since the middle of June, has also been removed and a maximum price level for hessian and sacking introduced in accordance with the market prices in the middle of June. All other fabrics have price maxima determined in relation to these standard jute cloth manufactures.

WOMEN'S WORK ON RAILWAYS

The four great railway systems which cover the whole of Britain are the largest employers of labour in the country, except the Government-controlled Post Office and telephone system. Even now, in the fourth year of war, the London and North Eastern Railway, the system which links London with the eastern countries, the highlands of Scotland, and with Yorkshire and the northern industrial areas, employs 174,000 people. In peacetime it would employ only 9,000 women, mostly in clerical departments, although some would be mostly in clerical departments, although some would be used as cleaners and polishers. Generally speaking, there is little peace-time work for women in Britain's heavy industries. Today, however, there are about 30,000 women working for the L.N.E.R., of whom 21,000 are on specific war work at occupations not normally open to them. Bill-posting; porterage, signalling; engine cleaning engine shed labour, plate-laying, ticket collecting, signal and telegraph repair work, painting; electric light maintenance, French polishing, brass finishing, instdument making, welding and machining are some of the jobs women are now doing. Many of these jobs, such as ticket collecting and station administrative work, are ones which women can do with the minimum of training, but others, like signalling, require long preparation. Some of the heavier jobs seem to make a particular appeal to women employees. For example, it is a fact that women working in huge L.N.E.R. locomotive depots are now proving themselves better electro-pneumatic harmer operators than the men; their touch, for some reason, is better, and they have actually lowered the repair costs on engines by their superior work!

The infiltration of women into heavy industry normally dependent on men has involved the creation of a widespread training system. In this the L.N.E.R. has played a pioncering part. For example, it was the L.N.E.R. which first appointed women to its signal boxes; hitherto the Soviet Union was believed to be the only country in the world which had women signallers. Women porters, of course, are replacing men at all the main stations, for men cannot be spared from the shunting yards, where they are needed urgently to move the enormous quantities of munitions now pouring out of the armament factories. Although women porters are a familiar sight on the mainland of Europe, they were unknown in Britain, of course, before the war. It was the L.N.E.R. network, too, that the first woman train guard ever appeared. She was quickly joined by others, and at least one of the other companies started training women for this work. Already there are over 110,000 women working for the four great railways. That number increases rapidly, week by week. So does the variety of the jobs available to them.

KHADI PRICES

In the course of a communication published in *The Hindu* of July 25, the Secretary of the Spinners' Association, Tamil Nad, says: The price of Khadi is always fixed on the basis of cost of cotton used and the standard of wages to artisans as adopted by the A.I.S.A., with a reasonable margin to cover overhead charges and it is not determined in relation to that of mill cloth. In May, the spinning wages were increased by about 100 per cent. This rate secures for the spinner six annas wage per day, which is double that of the minimum wage of three annas prescribed by the A.-I. S. A Council. The weaving wages have been raised by over 100 per cent. This increase in respect of spinning and weaving wages is yet inadequate considering the present inflated value of money and we cannot feel satisfied till we raise it to eight annas level which alone would procure for the artisans three annas worth of foodstuffs on the pre-war level of prices. We do not wish to rush all at once to the eight annas level, but it should be our aim to raise it to that some time later. Under the circumstances, there is no reason to reduce the price of Khadi. However, we are endeavouring to expand Khadi production and hope to effect some reduction in the overhead charges in spite of dearness allowance and extra freight and other charges inevitable on account of war conditions.

AN INSTRUMENT OF INDUSTRIAL POLICY

The claim made by Sir Kingsley Wood (In Parliament during the debate on the Finance Bill in March last) that he had "endeavoured to pursue a policy which has paid regard to the general economic position rather than to purely revenue considerations "is a fair description of the system of war economy by which a combination of taxation, savings, rationing and the physical restriction of supplies has been pressed into service for the mobilization of national resources

for war purposes with the minimum of hardship to civilians. The most important speeches in the debate were devoted to a demand that the same broad conception of financial policy should be applied to post-war tasks. The plea of Sir George Schuster and Mr. Benson—significantly enough a labour member—was that existing methods of assessing and taxing industrial profits should be amended in order to stimulate the research, development, re-equipment and replacement in British industry that is essential if the economic position and the standard of life of this country (England) are to be maintained and improved in the post-war period. The Chancellor pointed out that the post war credit of 20 per cent. of the Excess Profits Tax which is intended to be used for the modernizing of business after the war is already accumulating at the rate of £40 million a year (though he did not add, as he might have done, that the firms to which it is accruing are very haphazardly selected); and that the Board of Inland Revenue is conducting a detailed investigation, into the treatment for tax purposes of profits which are not distributed but used for development and extension. Both Sir George Schuster and Mr Benson claimed, rightly, that the need to use taxation as an instrument of progressive industrial policy will be paramount after the war, when rates of taxation will remain high and "the need will be greater than ever before for British Industry to be progressive, adventurous, inventive and flexible."—*The Economist*, May 22, 1943.

HYGIENE RESEARCH AND WORKERS

The U.S. Army Surgeon-General's Industrial Hygiene Laboratory at Johns Hopkins University is constantly devising plans to safeguard the welfare of civilian workers in Army-operated industrial plants throughout the United States. The industrial health and safety measures which are worked out by the laboratory are then practised at Edgewood Arsenal. New techniques are ready for seafeguarding women canners of military smoke-powder from fine dust. The powder does not irritate the workers' eyes but it is a hazard to the lungs; hence a man traverses the canning rooms periodically, carrying a small box to which is attached a hand suction crank and a tube with a glass nozzle which sucks up the powder particles. Workers on luminous dials which require radium or other radio-active minerals periodically breathe into small bags. Their breath samples are sent to the United States Bureau of Standards in Washington, where they are tested for radon, which is a gas given off by radium or radio-active minerals. If a person has any radium in his body it settles in his bones and radon gas comes off in his breath. The breathing bags reveal the persons who have absorbed radium to the safety limit. A device which looks like a fountain pen is carried by workers who are exposed to X-rays and radium rays. The pen registers the amount of radiation and shows whether it is beyond the safety limit.—USOWI.

THE INFLATION TIDE

In its issue of July 24, the London *Economist* remarks that while the financial agreement between India and Britain continues to pour new currency into India, the Indian Government is attempting to order the tide back like Canute. While the order restricting advances against commodities including bullion, in which the recent speculative orgy has largely centred, will be useful in checking speculatice activity and undoubtedly has unloosened considerable weak speculative selling, it will in no way prevent persistent hoarding on which the rise in gold and silver has been based. Hoarding directly results from currency inflation, which continues unchecked. Over the twelve months ended July 2, the Indian note circulation has risen from Rs. 447 to Rs. 734 crores based on the increase in the Reserve Bank's sterling holdings from Rs. 347 to Rs. 650 crores. As long as this inflation continues, the effect of the Defence Rules can only be temporary and hence the recent reaction in bullion may prove short-lived. On the longer view, which embraced post-war removal of international restrictions on movements of silver and gold, the existing premiums of their prices in India seem more than precarious, but with the present economic forces in India these premia are likely to reach fresh records before the post-war adjustment of the situation becomes feasible.

VEGETABLES FOR THE FORCES

Large quantities of vegetables and potatoes are now being produced in several provinces to meet the needs of the Defence Services and remove the disturbing effect which large Army demands inevitably have on the ordinary market meeting civilian needs. Over a year ago certain provinces had embarked on their own schemes to meet Army requirements, and in January this year the Central Government intimated a general scheme under which each province would arrange for the production, on land not already under vegetables, of enough vegetables for all the forces located within the province. The quantity of potatoes needed in different areas was worked out, as well as the different varieties and proportions of fresh vegetables needed by Indian and British troops. An order for 30,000 lbs. of European type vegetable seeds was placed in the U.S.A. and (most of it) has already reached India. Meanwhile the provinces have not been idle. Several had begun vegetable production for the services before the All-India scheme was launched. Thus in the Bombay Presidency 4,000 acres have been under vegetables and all stations in a particular line of communication area have been getting all the vegetables they need from this source since October 1942, the surplus being sent to adjoining areas. The same area has arranged to receive 1,000 tons of potatoes a month for 10½ months in the year and an effort is to be made to increase the supply to 2,000 tons a month.

Madras has started three schemes located in the Vizagapatam district, the Nilgiris and at the Hosur Cattle Breeding Farm. The first named scheme should be able to meet Army needs in the surrounding area from the end of this month. The Nilgiri scheme should supply fresh vegetables from this month onwards to various military stations throughout the province, while the Hosur Farm aims at supplying 1,000 lbs. a day from now onwards. Arrangements have been made to supply 29,000 tons of potatoes from the Nilgiris to meet the needs of the Army, of dehydrating firms and of the services in Ceylon. Three thousand two hundred acres are being put down to produce 12,000 this year. This will, to some extent, replace the large quantities that are now taken from supplies which in normal times are consumed by the civil population. Bihar started its scheme in June 1942 and by August 10,000 lbs. of vegetables a day were available. Since last November 16,000 lbs. of vegetables were being supplied to the Army every day. In February the Provincial Government, after consulting the Army authorities, decided to expand the area to supply 32,000 lbs. a day from the end of July. The Bihar Government agreed to set up a marketing organization to deal with Army needs.

In the United Provinces a comprehensive plan, to meet the needs of the Q.M.G. and of dehydrating contractors of the Food Department, has been launched. The cost of the staff (as in the case of other provinces as well) is being shared equally between the Central and Provincial Governments, and it is expected that supplies will begin from August. In round figures about 14,900 acres are being cultivated and a yield of 5,000 tons of vegetables and potatoes for the services and 33,500 tons for dehydrating is anticipated. Supplies for the Army will be grown within five miles of the delivery points, thus ensuring that vegetables will be fresh. The Punjab has prepared a scheme for vegetable cultivation for the Army, but it is not likely that anything will be produced before the next cold weather. Other schemes are being undertaken by the Governments of Assam and Orissa. In Bengal the Eastern Army have made arrangements for supplies of vegetable seeds which will be issued to growers through the Army contractors. The Provincial Agricultural Department are to carry out propaganda and help the military to contact grower-contractors.

TATAS AND LEASE-LEND

A reference to the seriousness of the food question was made by Mr. J. R. D. Tata, Chairman of the Tata Iron and Steel Company, Ltd., at its 37th annual general meeting on Wednesday. He said that when their attempts at securing food by their own unaided efforts failed to meet the minimum requirements of their employees, they had no option but to enlist the assistance of Government and its officers.

Referring to the impression that their Company was receiving millions of dollars worth of Lease-Lend materials from America, with which they would make fabulous profits, as was evident from questions in the American Legislature, he said that the Company had paid for everything it had received and that there could be, therefore, no question of its enriching itself at the expense of the American tax-payer. The Chairman also stated that the civil demand for steel supplies continued to be starved. "While it is inevitable in war-time that the consumption of steel for private building purposes or ordinary market consumption should be heavily curtailed," he added, "the almost complete withdrawal of all structural steel during the last two or three years has had a serious effect on the pace of the country's industrialization."

Referring to the drop of Rs. 220 lakhs of gross profits from the figure of the last year, he stated that the political strike of August, 1942, and the power break-downs early in 1943 were the primary causes of this drop in the profits. Difficulties of transport, various restrictions on account of the war, increased prices of raw materials and stores and the high dearness allowance and cost of food supplied to labour were the subsidiary causes.

WOMEN AND UNDERGROUND WORK

By a notification in the *Gazette Extraordinary*, dated August 2, 1943, the Central Government have exempted all coal mines in the Central Provinces from the provision of clause (j) of the Indian Mines Act 1923 (IV of 1923) to the extent to which regulations made under the Act prohibit the entry of women into underground workings for the purposes of employment, says a Press Note. This measure has been resorted to in order to maintain an adequate labour force in the mines, particularly during the monsoon when labour is inclined to leave the mines for cultivation. The position in the Central Provinces coal fields is unique. There is an adequate wagon supply for transporting coal, but owing to shortage of labour supply the maximum output cannot be secured. It is hoped that by the temporary relaxation of the present embargo on the employment of women underground, women labour will be attracted to the fields and there will be some increase in the output. All that is possible is being done to increase output in other ways, but it is felt that unless arrangements are made temporarily to allow women to work underground it is unlikely that the transport capacity will be utilized to the full. There is, however, no intention of continuing the relaxation of this prohibition after the termination of the emergency which has given rise to this proposal.

SCIENTIFIC CO-OPERATION

The joint annual conference of six leading Chinese academic societies—Science, Geography, Botony, Zoology, Meteorology and Mathematics, held a three-day session recently at Chungking with more than 300 members attending. A special feature of the session was the discussion of the problem of international scientific co-operation in matters relating to agriculture, industry, medicine, meteorology and other topics. The thesis entitled "The problem of International Co-operation in War and Peace" by Prof. Joseph Needhham, head of the British Scientific Mission to China, was read at the Conference. The meeting asked the Government to enlarge academic and scientific subsidies to private academic societies, to improve scientific education and send scholars to study pure sciences abroad. A proposal concerning the establishment of an organization for international scientific co-operation was adopted.

Book Reviews

THE PROBLEM OF SICKNESS INSURANCE.—With special reference to conditions of Industrial Labour in India. By V. P. Keni, M.A. Published by the author at 9, Dumbell Road, Vile Parle, Bombay. 1943. Price Rs. 5.

Although the question of sickness insurance for industrial workers has come up from time to time, ever since 1927, with the recent appointment by the Government of India of an officer on special duty to work out a scheme of sickness insurance, the subject is again in the forefront today and this small topical publication by Mr. V. P. Keni will be welcomed by all. It will be suggested that in a predominantly agricultural country like India, sickness insurance for industrial workers only, does not touch even the fringe of our problem and further that our general standard of living is so low that without at least a doubling of our national income, the social insurance schemes are no better than trivial palliatives. It cannot be doubted that against the broader background, the utility of any social insurance scheme at the present stage of our economic development must be limited. Nevertheless, in this book, Mr. Keni draws copiously from his knowledge in the field gathered in the course of his official work and his general treatment of the subject as well as the tentative scheme he outlines becomes interesting reading.

Among other topics he discusses the question of State contributions, administration of medical benefits, morbidity statistics and the need of actuarial solvency. He accepts the "principle of gradualness" so much stressed in the report of the Royal Commission on Labour in India and makes an estimate of the number to be covered in the initial stage. It is interesting to find that he considers it possible to include workers in mines and on plantations in his scheme.

The question of State contribution in any insurance scheme in India is of paramount importance. Owing to the higher incidence of sickness in India and the low rate of wages, any scheme dependent on the contributions of employers and workers alone, runs the risk of failure by the criterion of social adequacy of benefits offered. The rate of State contribution suggested *viz.* 5⅓ per cent. of total contribution is not thus remarkably high in the light of such considerations. Health insurance is placed in the "concurrent list" in the constitution and the question of the respective financial responsibilities of the Provinces and the Centre becomes important. Mr. Keni's arguments on this point are nearly convincing, though his conclusions are rather too favourable for the Centre.

Mr. Keni is most interesting when he comes to brass tacks and handles the material available on the subject for evolving a general hypothetical formula for determining the contributions for full-fledged sickness insurance schemes for different industries at different centres. The difficulties caused by the absence of relevant morbidity statistics in India are well-known and, therefore, his attempts to frame a concrete scheme will be greatly appreciated, at any rate, until the Central Government's scheme based on fuller knowledge is available.

Mr. Keni also discusses fully the question of the comprehensiveness and administration of medical benefits, and plumps for the panel system as in the British system. In India where rate of wages is low, cash benefits will tend to be either too low or so high as to encourage abuse like malingering. Consideration of economy also suggests that the scheme should contemplate organization of adequate medical service on an adequate scale from the beginning. Mr. Keni insists that the situation of the dispensaries and for clinics under the scheme will have to be suitably fixed in working class localities, and not left to the choice of doctor. He also suggests the merging of the maternity benefit legislation in the different provinces in the sickness insurance legislation.

The documents in the General Appendix will also be found of considerable interest to the lay public. Altogether this is a useful publication on the subject.

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REPORT ON CURRENCY AND FINANCE FOR THE YEAR 1942-43 (Reserve Bank of India, Bombay, Rs. 2-8 or 4s. 6d.)

The report under review contains as usual a concise survey of the principal economic events in India in the financial year 1942-43 against the international economic background. There is nothing in the report of which the ordinary student of economics is not already aware. Nevertheless as an authoritative and well-documented publication, it will be eagerly welcomed by all. The present report is a definite improvement upon previous ones both in regard to the statistical data and the arrangement of the material. The chapter on 'Money and Banking' is enlarged by an account of the Government securities and industrial share markets. One chapter now deals on 'Public Finance,' including 'Government Balances and Reserves' and 'Public Debt,' whereas two separate chapters were devoted to them formerly. Long-term borrowing and short-term borrowing are rightly treated in separate sections. Attempt has also been made, in considering questions of prices, currency and trade, to draw a comparison not only with foreign countries now, but also to Indian conditions during the last war. Referring to the inflationary situation in India the report says: "The rise in prices during the war which became particularly marked during the year under review, may be alternatively described as an outcome of the growing shortage of purchasable goods in relation to increasing money demand, or of the increasing pressure of rising money incomes reflected in the expanding monetary circulation, on a diminishing flow of goods for civilian use." Such colourless comment as this and such extreme detachment and objectivity are slightly overdone; if one cannot find fault with it, one cannot profit by it either. The usefulness of the annual report of the Reserve Bank is nonetheless real. The publication is most valuable as providing the source of statistical reference. It is a pity however that the price has been increased from Re. 1 to Rs. 2-8, as such a publication should be within the reach of a wide class of readers.

Industry

South Indian Planting Industry

(Contributed)

THE Planting Industry in South India falls broadly into four groups,—Cardamoms, Coffee, Rubber and Tea. The results of the working of 1943 season of cardamom and tea gardens should show appreciably higher profits compared to 1942. Coffee growers may see one of their peak years of prosperity. The net earnings of rubber undertakings for 1943 may not exceed 1942 figures owing to the inelasticity of the controlled selling price of rubber against the mounting costs of production, a factor which shows no signs of abatement.

Cardamom

Consumption of cardamoms even before the war has been showing a consistent increase. South India is probably the main producer of cardamoms in the world. The land suitable for cardamom on the old estates has tended to decline. This is due to pests and diseases. In recent years efforts at combating these menaces to production have been gradually proving successful. Gardens whose output in olden times used to average 100|120 lbs. now give an output of about 60 lbs. per acre. Cardamom prices have shown a rise of 150 per cent. on pre-war prices. This rise is not only due to the general rise in all commodities but to a considerable extent due to production falling off from the figures of the earlier years. While prices of cardamoms may show some decline after the war, they are not likely to touch the ten-year average ending 1939 due to the factors mentioned above. Good cardamom gardens have always been a satisfactorily paying proposition over a period of years.

Tea

During the first six months of 1942 prices for tea sold for consumption in this country were barely above costs of production. The British Ministry of Food Supply did not buy extensively in this country. The position had completely changed by the end of 1942. The internal demand for tea pushed the prices to nearly three times the prices of the first half of 1942 whilst the Food Ministry of Great Britain also paid higher prices. Several undertakings have contracts for supply of tea for internal consumption at highly satisfactory prices. It is anticipated that many of the well-run undertakings will show even double the profits of 1942. Tea prices in the last few weeks have shown a sharp decline. This is due to hoarded stocks of speculators being thrown on the markets. This position however should adjust itself in the next few weeks when these stocks move into the hands of retailers and consumers.

India and Ceylon produce the greater portion of the world's tea. They will continue to hold this place even after the war, particularly in view of the fact that the scorched earth policy had been followed in the East Indies by the Dutch Government before the evacuation of those countries last year. The second factor in stabilizing tea prices is the continuance of the restriction on fresh planting. The international tea restriction scheme is still in force. No new areas can be brought under tea cultivation. Tea bushes take 6|8 years to come into bearing .The consumption of tea in India and elsewhere has steadily been going up. Therefore it looks that for several years after the war, production is not likely to outrun consumption. While tea prices may fall, such fall will be offset by lower costs of production. In consequence the margin of profit may not shrink sharply. The financial strength that is being built up by Indian undertakings now would prove a great factor in Indian estates holding more than their own against any competition from other areas in the post-war period.

The Rubber and Tea Restriction Schemes are International. The Coffee Restriction Scheme is unique in that it was formulated by the growers and the Government of this country in the interests of all. The industry which was not a paying one before the scheme came into force has now been made a paying one. When one comes to consider the conditions of the industry before the introduction of the control scheme and its condition subsequently, one is reminded of the position of the Cement Industry before and after the creation of Cement Marketing Company of India, Ltd.

Coffee prices for the current year stand at the highest for several years and show no signs of going down. In fact the Control Board has found it difficult to stop the rise in prices. It has recently warned growers against entering into any forward sale and has specifically stated no internal sales quota will be given. The measure is intended to maintain prices from rising any further.

Indian coffee in regard to liquor and flavour holds the foremost position in the world's market. Coffee like cardamoms in this country is wholly a South Indian product. The land suitable for coffee cultivation is not also extensive. Java was the main competitor to Indian coffee. In the post-war period competition from Java will be negligible due to the scorched earth policy followed in that country before the Dutch evacuated Java. In addition to this, it should be remembered that no new planting in this country has taken place prior to this year. Coffee takes about 7 years to come into bearing. Therefore, the increasing Indian demand, the feeble foreign competition and the control scheme should ensure the continuance of the present prosperity for coffee growers. In the opinion of many experienced coffee growers and those in the coffee trade the high level of prices prevailing now may be seen not only for the "duration" but for some years "after." Costs of production have gone up but only a small extent compared to the rise in the selling price. Coffee probably holds out the best prospects to anyone with money to invest, large or small; the former may go in for whole plantations and the latter may take an interest in the shares of well run and reasonably capitalized undertakings.

Rubber

It was only after the fall of the Far East that the Allies felt the necessity to increase substantially the price of rubber. The benefit of the improvement in price was reflected in the sales made by the growers in the last three months of 1942. In regard to the current year while the selling price has remained pegged around 12 annas per lb. costs of production have risen abnormally. Labour has been continually leaving the several estates due to attractive service conditions outside the planting districts of Travancore, Cochin and Malabar, in the British Indian Province of Madras. Lack of

foodstuffs in these areas has been another contributing factor to the depletion of labour. Many of the owners of the estates are unable to get rice even in the black market at prices which have no relation whatsoever to the price of rice prevailing in the other districts. Many estates are liable to attacks of malaria. The lack of foodstuffs and proper nourishment has increased this risk. The acute shortage of quinine and other essential medicines has proved an additional handicap. Recently the rubber planting districts experienced one of the wettest monsoons. In consequence, several tapping days were lost. The production during the year 1943 may be no higher than in 1942. The profits of the industry for the current year are estimated no higher than in 1942 in spite of the high selling price throughout 1943 as against only for about a quarter of 1942. The Rubber Production Board headed by Sir C.P. Ramaswami Aiyar, Dewan of Travancore produces about 90 per cent. of India's rubber. The Board which consists of growers as well as manufacturers of rubber has recently recommended that the price of rubber should be increased to Re. 1 per lb. There seems, no doubt, that this price would be forthcoming in the near future as otherwise the production of one of the war's vital necessities may slow down to the great danger of the cause of the United Nations.

The future of rubber has been engaging the attention of many. The natural rubber industry of this country cannot in my opinion be affected by synthetic rubber. In the first place the accumulated civilian demand for rubber for some years after the war would absorb all available rubber. Secondly, the countries which were supplying 90 per cent. of the rubber before the Japanese War broke out are not likely to contribute so much in the post-war era to the world's supply. Whatever rubber estates were left behind intact in the Far Eastern possessions of Britain and in the Dutch East Indies before these were abandoned by Britain and Holland would naturally be slaughter tapped by the Japanese. The outlook for the industry for some years after the war therefore appears quite good whilst it should be remembered that British financial interests have a heavy stake in South Indian Planting Industry whilst synthetic rubber is mainly an American Business. It is also reasonable to expect the Government of India to take steps to protect and foster the growth and consumption of natural rubber for which the necessary facilities in the shape of land, climate, labour etc. (for the production of raw rubber) and consuming markets (for rubber products) exist in this country.

The profits on cardamoms, coffee and rubber are wholly exempt from any kind of taxation in British India and in the States of Mysore and Cochin. A small graded income-tax subject to a maximum of 12½ per cent. of the net profits is being levied in the Travancore State. In regard to tea, 40 per cent. of the net profits are taxed in all the four areas, British India, Mysore, Cochin and Travancore. This 40 per cent of profits of the undertakings is also liable to Excess Profits Tax only in British India. The South Indian Planting Industry, undoubtedly, is now on a good wicket and there is no reason why it should not enjoy a good innings even after 'duration.'

Control In Jute Industry

The counter-proposals put forward by the Indian Jute Mills Association in place of the suggestions of control made by Government have been accepted. Neither the Government's nor the Association's proposals have yet been made public, and so we are not in a position to comment on them. We are however glad to note that the present control will be by the industry itself and not by Government. We may, however, consider what ought to be the purpose of control. The object of Government apparently is to get supplies of jute at controlled prices for war orders and export to the U.S.A. and U.K. Unlike in the case of the cotton mill industry, there is no compelling urgency of bringing down jute prices for domestic civilian consumption. In this context it is necessary to recall that soon after the order for 70 crores yards of hessian cloth was received from the U.S. Government, the I.J.M.A. fixed the price at which the mills must purchase raw jute, and restricted the purchases to the amount required for fulfilling the American order. This was done because the American Government effectually insisted on paying a price which was below the market parity in India, with the result that the jute grower was denied his share of the rise in prices, which other classes of agriculturists enjoyed. This was of little concern to the I.J.M.A., so long as the prices it got brought the usual profit. The new bye-law of the Association which came into force on the 27th supposes the partial restriction on the purchase of raw jute imposed in the middle of June, but leaves intact the provision regarding price. Nothing above Rs. 19-8 per maund can be paid for the best quality of loose jute. Other kinds of raw jute have been similarly governed by maximum price levels "in accordance with their market potentialities." The prohibition on the sale of manufactured goods in the market has also been removed and prices have been fixed for the different kinds of jute manufacture. We do not know whether the American ceiling price of jute will be brought into line with the Indian price, in case the costs of production increase. The Association is a a compact body left to control itself and is strong enough to take care of its profits. But will it evince an equal interest in the price of raw jute? The jute growers are a disorganized lot at the mercy of the monopoly buyer, the Association and the jute acreage swings widely under the conflicting influences of an external demand for jute and the domestic food crisis. It is imperative that the Government of India and the Bengal Government insist that the price of raw jute is revised in an upward direction to take account of the increased costs of cultivation, including the rise in the cost of living of the grower. If in order to get this done the prices of jute manufactures have to be raised, the Association must insist upon its right to bring American prices into parity with Indian manufacturing costs. Otherwise the mills will only serve as the intermediate agency for profiting the foreign consumer at the cost of the Indian agriculturist. It would be idle to pretend that such control of prices is an anti-inflationary measure.

Investments

(From Our Correspondents)

BOMBAY, Aug. 4.

Share values have moved narrowly and the week's closing prices in most cases remain unchanged from previous week. The only exceptions were Associated Cements and Tata Oils. In two days cements dropped sharply by Rs. 9 from Rs. 217-4 to Rs. 208-4 though they have improved today to Rs. 212. Coal shortages have compelled jute mills to close down for two weeks. Cement companies are experiencing the same difficulty. It is rumoured that cement production would be affected and the companies' profits might decline. This may be true, but it must also be remembered that over 225 cements were yielding about 3½ per cent. which cannot be a satisfactory return to attract investors in an industrial share. Around Rs. 200 cements are likely to receive attention particularly because of the brighter post-war prospects. On the other hand Tata Oils rose sharply from Rs. 83 to Rs. 95 though today's closing quotation was Rs. 92. The company has decided to capitalize a part of the reserves by distributing one share as free bonus to holder of every 20 shares and have declared Re. 1 as dividend for the year even though the company is passing through a period of unprecedented prosperity. The shareholder is getting little benefit on account of E.P.T. and poor standard profits. Perhaps bonus shares are distributed to make up in part for low dividend distribution which was Rs. 1-8 last year on the share of Rs. 25 face value. Tata Steels are rather neglected. After touching Rs. 1980 C.D. On Friday they declined to Rs. 1,927-8, but closed better at Rs. 1,950; Ordinaries have fluctuated between Rs. 390 and Rs. 400. Kohinoors are now quoting Rs. 567 ex right. Centurys continue to be speculators' favourite scrip and fluctuated actively between Rs. 735 and Rs. 765; they will perhaps gain in popularity as against Kohinoors because of latters' increase in capital from Rs. 30 lakhs to Rs. 45 lakhs. Centurys have a relatively small capital of Rs. 23 lakhs for its vast capacity viz., 1,18,000 spindles and over 3,000 looms. In 1942, gross profits earned, were over 110 lakhs that is 400 per cent. Distributable profits were 30 lakhs that is over 100 per cent. of capital though actual dividend paid out of Rs. 38 per share requiring only 10 lakhs. The working of first half of 1943 is far better though results of second half are bound to be relatively poor. Recent behaviour of the share market suggests a tendency towards stability. Speculators who wish to get rich quick find the exchange disappointing. Investors who are satisfied with a steady return on their capital find the exchange reassuring. A healthy tone is in evidence with war uncertainties greater than ever before and economic outlook cloudy. The prevailing epuipoise cannot but be welcome.

MADRAS, Aug. 1.

Money was more usable during the week than for some time past and a fair volume of business was done at 1|2 per cent. Rumours that the Government may at any time invoke the power with which they have armed themselves to prohibit bank advances of a certain type has increased the cheap money feeling among the banks. In the sterling exchange market, a fairly large volume of business has been done in the interbank market at four to one. Business on Merchant T.T. and on remittance accounts has also been done. The rates were unchanged.

The sensational developments in the international sphere with the fall of Sgr. Mussolini and the recovery of the piecegoods and yarn markets have helped the share market to stage a remarkable recovery during the period under report. The storm that shook the market might be said to have abated for the time being, as genuine selective buying has entered the market. There was considerable institutional buying in the Government Securities market and business in 3½% Paper and 3% Loans 1963-65 was brisk the prices of these scrips having been put up from Rs. 95-8 to Rs. 96 and from Rs. 96 to Rs. 96-8, respectively. Provincial Loans were in good demand and a fair volume of business was done in the Madras Loans. State Loans were again in good demand, but supply was poor. Cochin Loans were unavailable with 3½ per cent. at Rs. 105-4 and 5 per cent. at Rs. 101-6. The latter is to be met on maturity by a conversion issue of a 3 per cent. Loan by the Cochin Government. 3½ per cent. Travancore Loans were wanted at Rs. 106-4.

As has been stated in a foregoing paragraph, textile shares moved up during the period. Share values have risen to levels prevailing a fortnight ago and in certain instances, the prices are just only under 30 points of the peak levels of May last. The notable increases during the week were Cambodias from Rs. 33-12 to Rs. 34-12, Coimbatore Spinnings from Rs. 245 to Rs. 280, Janardhanas from Rs. 145 to Rs. 177, Radhakrishnas from Rs. 350 to Rs. 373, Ranga Vilas from Rs. 145 to Rs. 175 and Sitarams from Rs. 131 to Rs. 170. Planting issues which preferred to be the companions in distress of textile shares and whose prices came down out of all proportion to intrinsic considerations improved with textiles. But while the falls were heavy, the improvements were fractional. Cochin Malabars rose to Rs. 19-4, X.D., and Chembra Peaks to Rs. 13-8. Nilgiri Neerugundy and O. Valleys improved to Rs. 12-10 and Rs. 15-4, respectively. Rajagiri Rubbers improved by a point to Rs. 16-12. The new issues were unsteady. In fixed Interest Securities, debenture issues were scarce. Among the preference issues, deals were confined to plantations and chemicals. Bank shares were again active. Indians big which came down to Rs. 242-8 staged a sharp recovery back to Rs. 262-8. Indo-Commercial all shares were wanted and those on offer were immediately taken up.

NEW DELHI, Aug. 5.

The statement of the Reserve Bank for the week ended July 23, 1943, reveals an increase in note circulation of about Rs. 150 lakhs as against a fall of Rs. 20 lakhs last week. The slight increase of only Rs. 22 lakhs in the total notes issued in face of an increase in sterling holding by Rs. 689 lakhs is explained by the fact that there is a corresponding decline in the amount of Rupee securities held by Rs. 690 lakhs. This was perhaps effected by the cancellation of *ad hoc* treasury bills. The recent deflationary measures are no doubt putting Government in possession of funds. But so long as sterling accumulation continues, note issue also is bound to continue. There are definite limits to the extent to which the rupee securities can be cancelled against fresh sterling.

The position of the scheduled banks for the week ended July 30, 1943, shows an increase in demand deposits of Rs. 342 lakhs, and in time deposits of Rs. 69 lakhs. Advances have declined by Rs. 247 lakhs and cash balance with the Reserve Bank rose by Rs. 196 lakhs.

Throughout the week, the market tone was extremely weak and further falls in value served as a stimulant for more liquidation. Textiles, as before, bore the full brunt of selling pressure. Steels continued to be influenced by Textiles and, although previously it seemed that Tatas were capable of withstanding the

onslaught of selling, particularly in view of continuance of satisfactory war news, resistance was, however, broken following the heavy offerings of Indian Irons in Calcutta. Deferreds were on offer at Rs. 1,875 as against the close of Rs. 1935 and Ordinaries at Rs. 385 as against 390. But as I write these lines, the market has made a brisk recovery as a result of heavy short covering and fresh bull support. Jutes were a dull market, though the undertone, in consequence of Kamarhatty and Kanknarrah maintaining their dividends for the half-year ending June, 1943, was a shade better. In the miscellaneous section, apart from prices following the general trend of the market, business was on a relatively small scale. Banks and fixed-yield bearing issues closed below their best. Government securities, however, continued firm throughout and constituted the solitary bright feature in an otherwise gloomy market. The close this week is again encouraging.

Commodity Markets

(From Our Correspondents)

HAPUR, August 2, 1943.

The wheat market in the early days of the week reflected a very bullish feeling and broke all previous highest records on account of huge purchases and small arrivals from the villages but in the weekend reacted to the imposition of restrictions on exports of wheat, gram, barley, peas, rice, paddy, maize, bajra and juwar and their bye products from this station. his oTrder has come into force from August 1st and there would be no exports of any commodity mentioned above from Hapur except under permit from the Provincial Government or Military Credit Note. Other commodities remained easy and the prices closed at lower rates. The arrivals of all commodities continue to be poor, The average of arrivals per day was 100 maunds of peas, 80 maunds of barley and 50 maunds of arhar.

Bardana

The Bardana market remained very sensitive throughout and there was a good rise in prices, and although it was followed by a reaction, quotations on being appreciably higher as compared with last week. Bhadon prices opened at Rs. 54 and closed at Rs. 54-9. The highest and the lowest rates touched during the week were Rs. 54-12 and Rs. 52-8 respectively. This firmness can be attributed to the shortage of coal in Jute Mills and smaller yield of jute expected in India this year; private guesses are around 80 lakh bales, while last year the yield was put at 90 lakh bales.

Jowar

The jowar market remained in a very confused position. The initial period of the week was marked by a firm tone following persistent demand from Bombay and Agra speculators' purchases. Thereafter prices met reactions on account of profit-taking sales and favourable weather conditions. Again, towards the close prices turned steady on jobbers' coverings. The undercurrent of the market appears to be fully cheerful. Jowar Bhadon opened at Rs. 6-8-3 and closed at Rs. 6-7-7½. The highest and the lowest peaks touched during the week were Rs. 6-8-7½ and Rs. 6-4-1½ respectively.

The following are today's latest quotations:
Wheat: Rs. 14-1-0, Stock 227

Gram: Rs. 11, Barley: Rs. 9-11 Peas: Rs. 9-12, Arhar; Rs. 9-2; Gur: Rs. 8, Bardana: Rs. 54-9, Jowar Bhadon Rs. 6-7-7½.

BOMBAY, July 31.

There has been a decided improvement in the undertone of the local seeds market, and the alarm felt over Government of India's taking over powers to prohibit or restrict advances against commodities has subsided. There has not been any perceptible improvement in prices, but sellers are more reserved. During the week, the Food Ministry is reported to have bought a substantial quantity of groundnuts from Kathiawar and West Coast ports. The big offtake by the Ministry in recent weeks is presumably due to the Ministry being hopeful of securing larger allocation of shipping space in the near future in view of improved war situation. The price of Khandesh quality groundnuts has improved to Rs. 94-8 while Bombay bold has improved to Rs. 92. In castorseeds, there has been little doing. Linseed market is inactive and the Ministry of Food purchased small quantities at £30-7-6. Locally small business was done at Rs. 13-12.

MADRAS, Aug. 1.

The Madras Piecegoods market firmed up during the week under report. Prices have appreciated by about 20 per cent. on the week's trading. This has happened in spite of the rather good arrivals from the North Indian markets and heavy local stocks. The reason for this is attributed to the availability of free transport facilities and the consequent interest shown by the upcountry merchants. Yet another reason for the recovery is reported to be the advice given to the local merchants by two prominent millowners who are also members of the Textile Control Board. They are reported to have stated that a precipitous fall in the prices spreading ruin all round is not intended by the Government but a steady recession in prices to a reasonable level, considering the increased cost of production and distribution. The present level of the piecegoods and yarn prices is about the level which can be considered reasonable and there was no reason why there should be panic. There was a fairly large volume of business in the wholesale market. But retail sales showed a shrinkage and there has been a tendency for prices to rise to former levels.

The yarn market has seen a rapid rise in the prices during the week. With better transport facilities there has been fair export to Calcutta. There was fair demand from weavers but it was confined to 32's, 40's, and 60's.

Groundnuts

A firmer tendency prevailed in the groundnuts market. The price also rose by a rupee to Rs. 84-4. The British Ministry of Food were keenly interested in buying ready goods but were prepared to pay only £36-10-0. This being unworkable compared to the local prices, sellers to the Ministry made no offers and therefore no business resulted. Exporters were good buyers, having to cover against the recent large sales to the Ministry but the quantity forthcoming was poor. There was no demand for oil and the price was steady at Rs. 155. Local mills were not working in full and some of the mills in the upcountry have ceased to work. Cake was featureless.

Skins And Hides

Apart from a shipment of about 4,000 bales to the United Kingdom, there was nothing interesting in the Skins and Hides market, relating to overseas trade. Early in the week there was a fairly large volume of local business in sheep, goat and cow hides but towards the close the market became dull. There were further arrivals of wattle bark but these have been freezed by the local Supply Controller who releases small quantities to the trade now and then.

CURRENT STATISTICS

BANK OF ENGLAND

(000's omitted)

	July 28, 1943 £	July 21, 1943 £	Aug. 30, 1939 £	July 29, 1942 £
Total Bullion ..	1,547	1,264	263,700	1,437
Public Deposits	6,600	6,400	31,100	8,700
Other Deposits	224,500	223,200	129,100	184,700
Of which Banker's Deposits	169,900	147,400	90,100	136,900
Govt. Securities	180,400	180,800	113,100	118,900
Other Securities	28,000	16,600	31,000	28,000
Of which Discounts and Advances ..	7,300	4,700	6,400	7,100
Notes and coins	33,400	45,300	34,200	57,300
Notes in Circulation ..	968,100	956,000	529,500	824,100
Ratio of Reserve to Liabilities ..	14.46%	19.72%	21.38%	29.62%

U.S. FEDERAL RESERVE BOARD

(000's omitted)

	July 22, 1943 $	July 15, 1943 $	Aug. 31, 1939 $	July 23, 1942 $
Resources:				
Total Reserves ..	20,536,000	20,555,000	14,660,610	20,832,000
Total Bills Discounted	9,000	10,000	6,190	5,000
Bills bought in open market ..	..	..	550	..
Total U. S. Govt. Securities ..	7,577,000	7,645,000	2,426,190	3,047,000
Liabilities:				
Federal Reserve Notes in actual circulation	14,145,000	14,094,000	4,609,280	9,563,000
Deposits — Member Bank Reserve Acct.	12,319,000	12,280,000	10,851,000	12,551,000
Ratio of total Reserve to Deposit and Federal Reserve Note liabilities combined ..	72.6%	72.3%	86.9%	87.7%

RESERVE BANK OF INDIA

Weekly Statement of Account as on 23rd July, 1943.

ISSUE DEPARTMENT

Liabilities	Rs.	Rs.
Notes held in the Banking Department ..	9,32,52,000	
Notes in circulation ..	738,92,20,000	
Total Notes issued ..		748,24,72,000
Total Liabilities ..		748,24,72,000

Assets	Rs.	Rs.
A. Gold Coin and Bullion:—		
(a) Held in India ..	44,41,43,000	
(b) Held outside India ..	..	
Sterling Securities ..	577,68,54,000	
Total of A ..		622,09,97,000
B. Rupee Coin ..		14,62,48,000
Government of India Rupee Securities ..		111,52,27,000
Internal Bills of Exchange and other commerical Paper		..
Total Assets ..		748,24,72,000

Ratio of Total of A to Liabilities: 83.141 per cent.

BANKING DEPARTMENT

Liabilities	Rs.
Capital paid up	5,00,00,000
Reserve Fund	5,00,00,000
Deposits:—	
(a) Government	
(1) Central Government of India	19,44,62,000
(2) Government of Burma ..	30,68,000
(3) Other Government Accounts ..	10,27,26,000
(b) Banks	65,38,03,000
(c) Others	2,74,36,000
Bills Payable	1,87,80,000
Other Liabilities	4,19,01,000
Total ..	114,21,76,000

Assets	Rs.
Notes	9,32,52,000
Rupee Coin	13,52,000
Subsidiary Coin	1,76,000
Bills Purchased and Discounted:—	
(a) Internal	..
(b) External	..
(c) Government Treasury Bills ..	9,98,000
Balances held abroad*	92,03,28,000
Loans and Advances to Governments	36,00,000
Other Loans and Advances	..
Investments	9,31,26,000
Other Assets	2,93,44,000
Total	114,21,76,000

* Includes Cash and Short-term Securities.

ISSUE DEPT. COMPARATIVE STATEMENT

(000's omitted)

	July 23, 1943.	July 16, 1943.	July 24, 1942.	Sept. 1, 1939.
Notes held in the Banking Dept.	9,32,52	10,60,16	13,23,39	35,04,49
Notes in circulation ..	738,92,20	737,41,97	449,49,11	182,13,17
Total Notes ..	748,24,72	748,02,13	462,72,50	217,17,66
A. Gold Coin and Bullion ..	44,41,43	44,41,43	44,41,43	44,41,43
Sterling Securities ..	577,68,54	570,78,87	266,85,11	59,50,11
Total of A ..	622,09,97	615,20,30	311,26,54	103,91,57
B. Rupee Coin ..	14,62,48	14,39,95	29,14,78	75,87,11
Rupee Securities	111,52,27	118,41,62	122,31,18	37,38,98
Ratio of total of A. to Liabilities	83.141	82.244	67.258	63.15

BANKING DEPT. COMPARATIVE STATEMENT

(000's omitted)

	July 23, 1943.	July 16, 1943.	July 24, 1942.	Sept. 1, 1939.
Cash ..	9,47,80	10,73,68	13,38,36	35,15,27
Bills purchased and discounted—				
(a) Internal ..	..	..	..	..
(b) External	..	..	..	..
(c) Govt. Treasury Bills	9,98	..	6,24	1,15,67
Balances held abroad* ..	92,03,28	93,12,66	84,56,09	10,08,33
Loans and Advances to Govt.	36,00	22,00	99,00	31,00
Investments ..	9,3126	7,39,22	8,39,38	6,81,34
Deposits—				
(a) Govt. ..	30,02,56	25,21,21	28,21,85	14,89,43
(b) Banks ..	65,38,03	63,55,68	64,45,57	26,91,43
(c) Others ..	2,74,36	3,12,78	2,23,43	1,24,37

*Includes Cash and Short-term Securities.

STERLING PURCHASES

(000's of £)

	Total Amount Purchased.	Average rate.
1943:—		
January	8,132	1sh. 6d.
February	11,070	1sh. 6d.
March	17,779	1sh. 6d.
April	9,219	1sh. 6d.
May	8,721	1sh. 6d.
June	6,338	1sh. 6d.

SCHEDULED BANKS

(Comparative Statement)

(In thousand Rupees)

	23-7-1943	16-7-1943	24-7-1942	1-9-1939
Demand Liabilities in India ..	431,34,81	427,92,88	284,48,56	134,36,49
Time Liabilities in India ..	134,31,23	133,62,95	97,52,31	102,24,34
Cash in India ..	17,44,33	17,80,38	12,08,14	6,69,92
Balances with Reserve Bank	64,53,49	62,57,87	62,91,14	25,17,19
Advances in India	140,57,35	143,03,92	87,59,75	101,52,16
Bills discounted in India ..	3,93,34	3,94,72	1,50,38	3,57,29

IMPERIAL BANK OF INDIA

Week ended 23rd July, 1943

Liabilities	Rs.	Rs.
Capital—		
Authorized — 2,25,000 shares of Rs. 500 each	11,25,00,000	
Issued and Subscribed —2,25,000 shares of Rs. 500 each ..	11,25,00,000	
Called up—75,000 shares of Rs. 500 each, fully paid	3,75,00,000	
1,50,000 shares of Rs. 500 each, Rs. 125 paid	1,87,50,000	
		5,62,50,000
Reserve Liability of Shareholders—Rs. 375 per share on 1,50,000 shares	5,62,50,000	
Reserve Fund		5,75,00,000
Fixed Deposit, Savings Bank, Current and other Accounts ..		194,85,14,000
Loans against Securities per contra		..
Acceptances for Constituents		..
Sundries		75,29,000
Total ..		206,97,93,000

Assets	Rs.	Rs.
Investments:—		
Government Securities	133,85,93,000	
Other Authorized Investments	2,09,48,000	
		135,95,41,000
Advances:—		
Loans	9,69,12,000	
Cash Credits and Overdrafts	23,44,70,000	
Bills Discounted and Purchased	2,83,63,000	
		35,97,45,000
Liability of Constituents for Acceptances per contra		..
Dead Stock		1,71,69,000
Sundries		76,94,000
Bullion		..
CASH:—		
In hand and with the Reserve Bank of India	31,13,94,060	
Balances with other banks	1,42,50,000	
		32,56,44,000
Total ..		206,97,93,000

TENDERS FOR TREASURY BILLS

(In thousands of rupees)

Week Ending	Amount Tendered	Amount Accepted	Average Rate	Inter-mediates	Sold in favour of Issue Dept.
1943	Rs.	Rs.	Rs. a. p.	Rs.	Rs.
May 4	15,12,00	8,00,00	1-1-9	4,44,00	2,35,50
„ 11	15,07,00	8,00,00	1-1-7	2,90,75	1,57,00
„ 18	12,19,75	8,00,00	1-1-0	2,75,50	10,64,00
„ 25	11,92,50	8,00,00	1-1-0	1,40,00	7,91,00
June 1	11,88,00	8,00,00	1-1-0	3,90,25	6,57,75
„ 8	12,31,50	8,00,00	1-1-0	5,70,50	6,66,75
„ 15	12,80,25	8,00,00	1-1-0	3,74,25	3,37,00
„ 22	11,11,00	8,00,00	1-1-0	4,11,50	6,83,50
„ 29	9,07,00	8,00,00	1-1-0	1,20,75	7,82,00
July 6	4,81,25	3,12,25	1-0-0	40,50,00	3,15,50
„ 13	13,22,25	8,00,00	0-15-11	..	35,59,00
„ 20	15,93,76	8,00,00	0-15-9	..	10,64,25
„ 27	19,76,50	80,000	0-15-7	..	35,900
August 3	13,83,00	80,000	0-15-0	..	34,700

DATES OF MATURITY OF OUTSTANDING GOVERNMENT OF INDIA TREASURY BILLS

Date of Maturity.	Amount (000's of Rs.)	Date of Maturity	Amount (000's of Rs.)
July 1943—		31st ..	5,00
24th ..	5,00	Sept. 1943—	
27th ..	8,00	2nd ..	2,57,25
28th ..	1,92,00	3rd ..	16,25
29th ..	65,00	4th ..	8,42,00
30th ..	9,09,00	5th ..	2,47,00
Aug. 1943—		7th ..	8,00
1st ..	62,00	9th ..	22,00
3rd ..	16,00	10th ..	9,50
5th ..	1,33,50	11th ..	7,95,25
6th ..	1,04,50	12th ..	3,17,50
7th ..	8,19,75	14th ..	30,00
8th ..	28,00	16th ..	62,50
10th ..	5,00	17th ..	2,34,25
12th ..	2,16,50	18th ..	8,90,50
13th ..	90,25	19th ..	3,00
14th ..	7,28,25	21st ..	21,25
17th ..	40,50	23rd ..	15,75
19th ..	1,14,25	24th ..	39,50
20th ..	7,89,25	25th ..	7,89,50
24th ..	36,50	26th ..	35,50
26th ..	2,69,25	28th ..	40,50
27th ..	1,15,00	30th ..	33,50
28th ..	7,51,00		
29th ..	50,00	Total	102,68,00

INDEX NUMBERS OF WHOLESALE PRICES BY GROUPS OF ARTICLES

(Prices for week ending 19th August 1939=100)

	Feb. 1943	Jan. 1943	Feb. 1942
Food and Tobacco ..	207.0	190.8	132.3
Other Agr. Com. ..	193.8	183.3	125.3
Raw Materials ..	172.0	171.5	158.0
Manufactured Articles	225.5	224.1	162.3
Primary Commodities	190.5	182.0	140.6
All Commodities ..	197.6	190.4	145.0
Chief Articles of Export	187.6	177.2	142.4

*Issued by the Economics Adviser, Govt. of India.

BOMBAY

(July 1914=100)

Commodities.	No. of Items.	Mar., 1943.	Feb., 1943.	Mar., 1942.
Foodgrains ..	..	211	212	142
Cereals	7	202	204	145
Pulses	2	244	242	132
Sugar	3	222	218	151
Other Food ..	3	253	268	143
All Food	..	222	225	143
Oilseeds	5	156	153	102
Textiles	..	174	169	104
Cotton, Raw ..	5	94	94	71
Cotton, Manufactures	6	307	293	159
Other Textiles ..	2	83	83	83
Hides and skins ..	3	99	99	99
Metals	5	746	742	657
Other Raw and Manufactured Articels ..	4	232	232	220
Non-food	..	274	271	226
General Index	..	256	255	197

SUGAR POSITION

1942-43

(Figures in Tons)

Producing Areas.	Production up to 22.7.43.	Despatches during the week-ending 22.7.43.	Progressive total of despatches from 1.12.42 to 22.7.43.	Percentage of progressive despatches to production.	Physical stock as on 22-7-43*
U.P. ..	6,13,248	14,439	3,64,907	59.5	2,48,341
Bihar ..	2,37,671	4,328	1,35,965	57.2	1,01,706
Bombay ..	77,221	2,453	53,254	69.0	23,867
Madras ..	31,927	556	20,383	63.8	11,544
Punjab ..	6,579	265	5,315	80.8	1,264
Bengal ..	16,537	813	5,128	31.0	11,409
N.-W.F.P.	3,167	44	2,438	77.0	729
Orissa ..	2,092	22	1,662	79.4	430
Sind ..	2,008	81	959	47.8	1,049
Indian States†	81,604	1,804	54,647	67.0	26,957
Total ..	10,72,054	24,805	6,44,658	60.1	4,27,396

* Balance Physical Stock of 1941-42 Season Sugar as on 22.7.43 was 882 tons.

†Information received from Indian States is not complete.

CALCUTTA

(Prices in July 1914=100)

Commodities.	June 1943.	May 1943.	1942.	1939
Cereals ..	447	473	157	86
Pulses ..	365	374	162	99
Tea ..	130	192	241	142
Other Food Articles ..	565	545	298	125
Oilseeds ..	272	281	143	106
Mustard Oil ..	192	197	85‡	81
Jute Raw ..	134	147	77	80
Jute Manufactures ..	193	195	137	102
Cotton Raw ..	199	199	96	75
Other Textiles (Wool & Silk)	220	262	146	110
Hides & Skins ..	95	95	86	67
Metals ..	342	354	273	147
Other Raw and Manufactured Articles ..	199	183	147	95
All Commodities	319	325	185	108

‡ Average of 9 months.

BANGALORE *

(Base year 1914=100)

Particulars	April 1943	March 1943	April 1942
Foodgrains & pulses	247	239	142
Oils & Oilseeds ..	265	257	120
Other Food Articles	282	269	130
Textiles ..	341	313	133
Others ..	293	261	178
Gen. Index Numbers	282	264	144

* Compiled by the Department of Industries and Commerce, Mysore.

PRICES OF PRINCIPAL COMMODITIES

Commodities	Grade & Quality.	Market	Unit	This Week.	Last Week.	A Year ago.	1939.
				Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.
Rice (not in husk).§	Patna Boiled.	Calcutta.	per md.	33 0 0	33 0 0	8 12 0	4 14 0
	Basumati Sela.	Amritsar.	„	20 0 0	19 8 0	..	..
	Average.	Bezwada.	„	8 8 6	8 8 6	..	..
Wheat.§	Average qlty.	Karachi.	„	7 14 5	8 0 5	..	..
		Amritsar.	„	9 12 0	9 10 0	..	..
		Hapur.	„	14 1 0	14 3 0	..	..
		Calcutta.	„	15 8 0	15 8 0	..	..
		Lyallpur.	„	10 2 0	9 13 0	5 1 0	2 5 9
Sugar.†	Marthowrah Crystal No. 1.	Cawnpore.	„	14 8 6	14 8 6	12 3 6	9 15 0
Sugar raw (Gur).	Ahmadnagar.	„	„	..	16 11 0	8 3 0	7 0 0
Tea.	For export.	Calcutta.	per lb.	0 15 0	0 15 0	1 0 2	0 10 5
„	For consumption in India.	Calcutta.	„	0 10 4	0 10 4	0 13 8	0 4 4
Groundnuts.	Machine decorticated.	Madras.	per candy of 500 lbs.	78 7 0	78 3 0	45 3 0	29 0 0
Linseed.	Bold.	Bombay.	per cwt.	14 4 0	14 8 0	12 7 6	7 2 6†
„	Small Grain.	Calcutta.	per Ind. md.	11 12 0	12 0 0	6 14 0	6 13 6†
Rape and Mustard.	Toria 9% admixture.	Karachi.	per candy of 656 lbs.	89 8 0	90 0 0	74 4 0	36 12 0
Cotton (raw).	M.G. Jarilla Fine.	Bombay.	Fully pressed per candy of 784 lbs.	575 0 0	575 0 0	..	..
„	**Fine M.G. 4-F (Punjab) B.G.	Karachi.	„	495 8 0	562 4 0	..	..
Cotton Yarn.	No. 10½s.	Bombay.	per lb.	1 5 6	1 5 6	0 10 9	0 4 5
	No. 20s.	„	„	2 2 6	2 2 6	0 15 10	0 6 1
Cotton Piece-goods.	Grey domestics. 36"×40 yds. K12 lb.	„	„	1 15 3	1 15 3	1 5 5	0 7 0
Jute.	Raw Firsts.	Calcutta.	per bale of 400 lbs.	85 0 0	86 0 0	50 8 0	41 8 0
„ Bags	B. Twills 2¼ lbs. 44×20½. 6X9.	„	„	62 4 0	61 4 0	40 10 0 ‡	28 13 0†
Wool (raw)	Kandhar (cleaned) Indian qlty.	Karachi.	per md.	55 0 0	55 0 0	50 0 0	32 0 0
Hides and skin (raw).	Cow hides (Agras).	Calcutta.	per 20 lbs.	9 8 0 to 10 8 0	9 8 0 to 10 8 0	9 8 0 to 10 8 0	7 8 0 to 8 8 0
„	Goat skins (good quality).	„	per 100 pieces.	110 0 0 to 130 0 0	110 0 0 to 130 0 0	110 0 0 to 130 0 0	100 0 0 to 115 0 0
Hides and skin tanned.	Cow hides.	Madras.	per lb.	0 14 3 to 1 3 4	0 14 3 to 1 3 4	0 14 8 to 1 2 11	0 9 8 to 0 12 10
	Goat skin.	„	„	1 14 0 to 2 3 6	1 14 0 to 2 3 6	1 7 0 to 1 12 0	1 7 6 to 1 12 0
Shellac.	T.N.	Calcutta.	per B. md.	64 0 0	64 0 0	64 0 0	14 0 0
Kerosene Oil.	Superior.	„	per 4 gallons in in tin.	5 5 9	5 5 9	4 4 9	2 13 3
Coal.	Selected Jharia.	„	per ton into wagon.	9 12 0 to 10 8 0	9 12 0 to 10 8 0	4 12 0 to 6 8 0	4 0 0 to 4 12 0
Pig Iron.	Foundry No. 1.	„	per ton f.o.r.	94 0 0	94 0 0	94 0 0	89 0 0
Copra.	Fair average quality.	Cochin.	per candy of 500 lbs.	160 0 0	157 0 0	115 0 0	43 8 0
Cement.	Indian Swastika.	Calcutta.	per ton f.o.r.	62 0 0	60 0 0	44 0 0	..

*Indian Trade Journal July 29, 1943. † Ready.
‡ Factory delivery basis. ** Karachi Cotton Association, 31st July.
§ The Central Agricultural Mareting Department, 1st August 1943.

INDEX NUMBERS
EXPORTS AND IMPORTS

(Base: 1927-28=100)

	Declared Values of Exports.		Declared Values of Imports.	
	1941-42	1942-43	1941-42	1942-43
April ..	70	86	97	111
May ..	68	87	97	128
June ..	68	95	96	130
July ..	79	88	101	110
August ..	90	98	99	140
September	87	99	107	132
October	95	101	106	133
November	97	108	109	119
December	92	111	108	120
January	94	115	108	151
February	89	..	114	..
March ..	89	..	117	..

STOCKS AND SHARES

	This week. 4-8-1943.	Previous week. 28-7-1943.
	Rs. a. p.	Rs. a. p.
BOMBAY		
Securities—		
2¾% Loan (1948-52)	**	99 5 0
3% „ (1949-52)	**	100 12 0
3% „ (1951-54)	99 15 0	100 4 0
3% „ (1963-65)	**	96 8 0
3½% G. P. Notes ..	96 0 0	96 0 0
3½% Loan (1947-50)	**	103 11 0
4% „ (1943)	**	100 2 0
4% „ (1960-70)	**	110 12 0
4½% „ (1955-60)	**	114 10 0
3% „ (1945-55)	**	107 0 0
3% „ (1946) Defence	**	102 14 0
Textiles—		
Ahmedabad Advance ..	495 0 0	495 0 0
Bombay Dyeing ..	1,915 0 0	1,908 12 0
Central India ..	411 0 0	404 0 0
Century	757 0 0	746 0 0
Colaba Land	230 0 0	228 0 0
Gokak	328 8 0	323 8 0
Indian Bleaching ..	198 0 0	199 0 0
Kohinoor	572 0 0	758 0 0
Phoenix	**	530 0 0
Sholapur	**	7,480 0 0
Simplex	271 0 0	269 0 0
Swadeshi	533 0 0	525 0 0
Vishnu	2,430 0 0	2325 0 0
Miscellaneous—		
Alcock	215 0 0	935 0 0
Belapur Sugar ..	223 0 0	224 0 0
Bombay Burma ..	367 8 0	360 0 0
Bombay Burma New ..	128 0 0	125 0 0
Bombay Steam ..	547 8 0	547 8 0
Bombay Tramways ..	154 8 0	154 0 0
Burma Petrol ..	2 8 9	2 8 0
Scindia Steam ..	33 0 0	33 0 0
Shivrajpur ..	63 8 0	61 8 0
Andhra Valley ..	1,880 0 0	1,882 8 0
Tata Power ..	1,802 8 8	1,797 8 0
Tata Hydros ..	197 0 0	197 8 0
Tata Steel Defd. ..	**	1,948 12 0
Tata Steel Ordy. ..	397 0 0	395 8 0
Premier Construction	178 0 0	178 0 0
Indian Iron ..	34 2 0	34 4 0
Burma Corpn. ..	3 5 0	3 4 0
Indian Copper ..	2 9 0	2 8 0
Cement—		
Associated	210 0 0	274 0 0
Insurance—		
New India ..	71 4 0	78 0 0
Preference—		
Tata Steel 1st Pref. ..	215 8 0	215 8 0
Tata Steel 2nd Pref. ..	161 0 0	159 0 0
Banks—		
Central	70 0 0	69 12 0
Imperial (F.P.) ..	1,807 8 0	1,795 0 0
Imperial (P.P.) ..	435 0 0	435 0 0
Reserve	117 8 0	117 12 0
Electrics—		
Ajmer	**	14 3 0
Bombay Suburban ..	**	196 4 0
Karachi Cotton—		
Finlay	310 0 0	310 0 0
Morarji	395 0 0	392 0 0
Swan	288 0 0	288 0 0
New Great	760 0 0	**
CALCUTTA		
Jutes—		
Adamjee	**	32 6 0
Chitavalsah	**	25 4 0
Engineering—		
Bhartia Steel ..	**	14 5 0
Indian Steel and Iron (Defd.)	**	23 11 0
Indian Iron	34 0 0	34 4 0
Jessop	**	20 6 0
Kumardhubi ..	6 14 0	6 13 0
National Iron	**	12 14 0
Steel Corpn. ..	26 9 0	26 11 0
Saran Eng. ..	**	7 9 0
Paper—		
Titagarh	**	25 8 0
Teas—		
Gohpur	!24 4 0	23 3 0
Killcott	!71 0 0	68 8 0
MADRAS		
Sugars—		
Deccan Big ..	**	30 8 0
Deccan Small ..	**	70 0 0
Travancore ..	**	14 0 0
Plantings—		
Cochin-Malabar ..	†19 4 4	18 12 0
Chembara	†13 12 0	13 4 0
Coorg	**	67 8 0
Cochin	**	22 0 0
High Produce ..	**	43 0 0
Kalpettas	47 8 0	47 0 0
Textiles—		
Bangalore Wool ..	**	388 0 0
Cambodia	35 0 0	34 0 0
Coimbatore Spg. ..	285 0 0	260 0 0
Dhanalaxmi ..	**	450 0 0
Kothari Tex. ..	**	29 0 0
Lakshmi	194 0 0	210 0 0
Miscellaneous—		
Cement	**	80 0 0
Bruntons	12 12 0	13 0 0
Ind. St. Roll ..	**	7 10 0
Mysore Chem. and Fert.	**	28 10 0
Mysore Paper ..	23 14 0	24 8 0
Mysore Matches ..	**	14 0 0
Mysore Chem. and Mfrs.	**	48 0 0
Mettur Chem. ..	25 8 0	25 0 0
Mysore Chem. (Defd.)	**	10 0 0
Spencer	**	9 4 0

** Transactions not reported.
!Prices as on 2-8-1943.

FOREIGN SEA-BORNE TRADE OF INDIA

EXPORTS

Commodities	Volume Feb., 1943.	Jan., 1943.	Feb., 1942.	Value. Feb., 1943. Rs. (000)	Jan., 1943. Rs. (000)	Feb., 1942. Rs. (000)
Jute raw ..	14,490 tons	12,155 tons	15,304 tons	5,599	5,360	6,104
Jute manufactures including twist and yarn	47,808 tons	32,804 tons	81,657 tons	28,805	20,706	47,736
Cotton raw ..	2,102 tons	942 tons	21,678 tons	2,395	1,047	12,453
Rice not in husk ..	..	(a)	32,000 tons	..	(a)	5,371
Wheat ..	..	(a)	6,278 tons	..	(a)	735
Oilseeds ..	44,176 tons	47,594 tons	98,953 tons	10,883	10,244	13,737
Tea ..	22,105,000 lb	17,857,000 lb	20,552,000 lb	21,098	17,881	20,840
Hides tanned or dressed	891 tons	1,148 tons	1,269 tons	2,097	2,734	2,839
Skins tanned or dressed	543 tons	426 tons	383 tons	2,466	2,023	1,845
Lac ..	9 cwt.	15 cwt.	59 cwt.	929	1,440	5,171
Hides raw (cow) ..	34 tons	..	442 tons	32	..	604
Hides raw (buffalo) ..	26 tons	53 tons	56 tons	43	117	60
Skins raw (goat) ..	1,212 tons	1,068 tons	1,466 tons	1,906	1,848	2,538
Skins raw (sheep) ..	(a)	8 tons	54 tons	(a)	10	782

IMPORTS

Cotton manufactures including twist and yarn	..	..	..	145	356	3,715
Cotton raw ..	5,976 tons	11,063 tons	3,454 tons	11,906	22,437	3,585
Cotton piecegoods ..	0.1 milln. yds.	0.1 milln. yds.	4.9 milln. yds.	130	90	2,180
Other Textiles ..	..	..	..	316	509	1,805
Metals and Ores ..	4,771 tons	5,413 tons	9,397 tons	3,704	3,711	7,010
Machinery and Millwork ..	..	..	..	7,503	6,295	10,622
Liquors z	68,000 galls.	52,000 galls.	15,900 galls.	725	499	1,667
Vehicles including locomotives for railways	..	..	..	842	4,704	3,438
Motor-cars including taxi-cabs ..	..	..	108	..	..	199
Provisions and Oilman's Stores ..	..	..	..	719	470	937
Hardware excluding cutlery and electro-plated-ware ..	..	..	..	620	509	956
Instruments, Apparatus and Appliances..	..	..	..	1,979	2,819	3,388

The Eastern Economist

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Stable Prices or Stable Interest?

THE Reserve Bank of India and the Government have lately come in for criticism on the ground that in the face of changed economic conditions in the country they have persisted in their policy of cheap money and a 3 per cent. bank rate. In the view of some critics, cheap money policy, however desirable in some countries and in some situations, has outgrown its usefulness in India where a higher rate of interest is clearly called for to meet and check the mounting inflation which is causing irreparable damage to our economy and to draw off to the Government's defence loans large sums which would be attracted by the offer of higher rates. If, according to the Finance Member, borrowing must be the sheet anchor of India's war finances, surely the right way to handle it is to make the loans more and more attractive by offer of higher rates, and thereby mop up the excess purchasing power with the public and check inflation. These views are held widely; and find an echo in the resolution to be moved in the Assembly during this week by an influential section of public opinion who strongly hold that Government should concentrate on stability of price level and not adhere to a policy of stable bank rate which needs immediate revision.

The arguments in favour of a change in bank rate policy seem at first blush to be overwhelmingly strong. Indeed, on the face of it, the case for the offer of higher rates on public loans so as to attract all available savings to the Treasury looks irresistible because the loan proceeds would provide the necessary funds to Government and also check inflation by taking away all surplus money. It should, therefore, be doubly welcome. But closer examination of the proposal shows its futility and even its dangerousness. There is no evidence to prove either that the present inflation in India is the result of cheap money or that dear money policy will check it. The theory that low interest rates are the cause of high

prices and inflation has been proved to be mistaken. As long as there are unemployed resources in a country, an increase in investment caused by the spur of cheap money only results in increased employment and in increased output. Inflation will result only when as a result of full employment and all factors being fully employed their supply becomes inelastic and factor costs increase. It may be that even before full employment is reached certain bottle-necks may emerge on account of the scarcity of particular factors of production and a state of semi-inflation may arise. But in all such cases the remedy for the situation is not the adoption of dear money policy, thereby injuring the production of essential goods, but the resort to more direct controls of capital investment. Indeed the glaring defect of high rate policy is that it is cruel in its incidence; it injures the good as well as the bad and fails to discriminate between useful investments and wrong and speculative ones. Hence even in such circumstances economists are convinced that the remedy lies wholly in other directions than in altering the monetary policy of the country.

Now the situation in India has no analogy at all to the usual chain of causation between low interest rates and high prices. In the first place, there is practically no private investment worth speaking of. Bank advances not only did not increase but actually diminished absolutely and as percentage of total banking assets. Only in recent months as a result of various factors possibly speculative, have advances increased. The only borrower today for investment of all kinds is practically the Government, and by their control of capital issues, they have a monopoly of all available funds in the market. All doors for private investment are virtually closed. We cannot build any new industry just now because we cannot import new equipment from abroad and Government have not been able or willing to arrange for such import. Nor can we produce the equipment ourselves because all the machine shops are working on Government jobs. Cement is unavailable, bricks are unavailable, iron is unavailable and even labour of the kind required by industry cannot be easily had. Yet none of these apparent bottlenecks are inherently unbreakable: they could be overcome if Government decided to abandon their unhelpful policy and give an energetic production drive. As it is, all channels of private investment are closed. Those with funds can only invest in Government securities, as may be seen from the fact that banks hold more than 50 per cent. of their assets in Government securities. The bigger banks hold nearly 55 to 60 per cent. of their resources in Government securities. The Imperial Bank's investment has increased from 42 per cent. in 1939 to as much as 70 per cent. in 1943, and this position holds good roughly of all the scheduled banks.

Thus the usual manner in which cheap money may occasionally bring about dangerous inflation is completely absent in India. Government is the sole borrower and the investor; and if inflation has occurred through the emergence of bottle-necks and high factor costs, the situation cannot certainly be remedied by increasing the cost of borrowing. In fact, it will only accentuate the gravity of the situation because war expenditure being inelastic dear money will only further increase the cost and not reduce investment and bring about a fall in prices.

Those who argue in favour of raising the rate of borrowing do not know what they are talking about. High money rates can and may undoubtedly check a boom and even bring about depression. Of its efficacy to cause depression no one has any doubt, provided the high rates policy is continuously applied. But whereas now private investment does not function normally, and where the inexorable war demands cannot be reduced, however costly may be the financial resources necessary for the purpose, an increase in bank rate or an offer of a higher rate for loans will do nothing to check prices. Even in normal times the relation between interest and investment is not as close as some people imagine. An inquiry conducted by an economic research group in Oxford as to how far business men were influenced in their actual policy of business expansion and investment by interest rates revealed some interesting conclusions. In no case was interest the major factor either hindering expansion or causing expansion. And that is not surprising. Where the profitability of a business is judged to be great, a difference in the rate on advances by one per cent. or two is negligible, because without a risk margin of three to four per cent. no business man cares to expand his business. Low interest rate by itself does not stimulate investment either, for if the prospectiveness of an investment is judged to be low and if it is likely to result in a loss even a zero interest will not induce a business man to expand his output. Thus from every point of view a change in the rate of interest is not going to check borrowing or stimulate it unless other conditions are favourable and these latter are often far more important than interest rates.

We have dealt with these general considerations, for there appears to be widespread misconception on the subject. But ,as everyone knows, the root cause of inflation in India has nothing to do with the bank rate of interest. It is the operation in all its unmitigated vigour of the crude quantity theory of money by which increasing supplies of money are pressing upon a stationary supply of goods. In these circumstances a higher bank rate will do nothing to check high prices; it will only mean greater cost of borrowing to Government, and finally to the tax-payer.

If a change from the present low bank rate to a high bank rate will only result in a little more cost to Government, its consequences, serious as they may be, may not be fatal. But there are strong considerations which are decisive against any change. In the first place, even from the narrow point of raising large sums by way of loans, an increase in interest rates will fail in its purpose unless it is of a large size of at least 2 per cent. to induce the public to invest. A small increase in the rate of borrowing will not result in any appreciable increase in the proceeds of the loan. It may be that some marginal savers

may be attracted by the slightly increased rate, but their contributions are not likely to be large. If the object is to draw off money of the order of about Rs. 200 to 300 crores, nothing less than a rate of interest of 5 to 5½ per cent. will bring about the desired result. But even this is doubtful. For the sums available for investment in Government loans are already coming in, through banks, insurance companies and other financial institutions. The moneys that do not seek Government securities are of a kind which will not be attracted even by an extra two per cent. They are invested in speculative businesses, in hoarding and other kinds of unsocial activities. To deal with such cases, a change in the rate of interest is hardly the proper way. More direct controls are necessary, and already Government are aware of the need for direct methods of control and have recently taken some action on these lines.

But let us assume for the sake of argument that by raising the rate on Government loans success can be achieved. Is it worth the cost? It is necessary to remember, as had been already pointed out, that banks and certain other financial institutions are already in the grip of the gilt-edged. What would happen to these investments, if the rate is increased? The enormous decline in the value of these assets will be too dangerous to contemplate, and it will be an act of wanton injury to the banks and to the public who had co-operated in making the Government loans a success. The fall in the gilt-edged securities will also affect other classes of people. Worse still, the psychology of the investor who will expect further increases in the rates will add to the difficulty unless it be that the higher rates are offered in one big jump.

Is there, finally, any justification for increasing the burden of war debts to the public? If Government offer higher rate of interest, it will be a wrong to the public. The rate of interest in all belligerent countries is maintained at low levels because the only source of investment being Government securities and Treasury bills, the public must accept what they can get. It will be foolish to burden oneself with high interest-bearing obligations while money is available at cheap rates.

Whether the present policy of cheap money may and can be continued in India after the war is a question that need not be considered now. But there is no reason why it should not be. We have already expressed the view in the *Eastern Economist* that in the future as in the present cheap money should be the bed-rock on which all other economic policies should be built and that it is a necessary, though by no means a sufficient condition, of economic progress. The British Chancellor of Exchequer has already enunciated the monetary policy for post-war Britain. "It is the Government's intention to maintain its present policy of cheap money after the war for the purpose of reconstruction and development as well as in the interests of the Exchequer itself." Lord Keynes has been no less emphatic. "The maintenance of a low rate of interest for gilt-edged loans is to be a vital part of our policy after the war as it has been during the war." However much conditions may differ in India there is no gainsaying the fact that in respect of monetary policy there are clear advantages in our following a low rate policy in the future. If the demand for capital arising out of large investment needs and opportunities is far in excess of available savings, let us not adopt the double-edged weapon of dear money, but let us ration capital and evolve a system of well-planned priorities. We should not, by making money dear, hamper the production of essential goods and services. Several essential schemes of public utility await execution at the end of the war, and they will all be held up by high bank rate. The weakness of our monetary system lies in the unorganized nature of our money market. Cheap money does not percolate to the farthest corners of our economy. Rural finance, for example, is outside the ambit of the organized money market. Our aim should be to have an an integrated and well-knit monetary structure so that the benefits of cheap money may irrigate all channels of credit supply. It may be remarked in passing that cheap money does not necessarily mean always 3 per cent. Anything between 2 per cent. and 4 per cent. may in the circumstances of India be regarded as a moderately low rate.

If the above coniderations are valid—and we do not see how they can be seriously challenged—the case for continuing the present bank rate policy is very strong. Indeed the one act of the Government of India which during all the war years since 1939 deserves most commendation is their faithful acceptance of the cheap money policy initiated and maintained by the Reserve Bank.

War Finance And Social Structure

IN the good old days when war between nations was a much more limited affair, a prudent king would accumulate in times of peace a "war chest" which would help him to finance the costs of any war into which he might unfortunately get himself embroiled. War absorbed only a small part of total national energy and the even flow of national life at large was hardly disturbed by it. Today war is totalitarian and requires the mobilization of the entire nation. Inevitably it affects the daily life of the nation. Inevitably also the very process of mobilization itself impinges heavily, and at many points, on the social and economic structure of the particular country. Even when the war ends, the country finds that it cannot pick up the threads of its economic and social life just where it left them and start with a clean slate as if the war was nothing but a parenthesis. For the process of mobilization twists out of

shape the social and economic pattern and not all the battered parts can regain their old forms even after the pressure of war-effort has been released.

Modern war is, thus, an active social agent. The method by which the war is financed, determines the way in which the burden of war-effort is distributed through the community. Today we understand more of the economic process to be deceived as formerly by such catch-phrases as "making posterity pay" for the war. The cost of the war must, in the main, be currently paid by the community at the expense of its current standard of living. Even so, the financial devices used determine not only the distribution of this burden, but have also direct effect on the post-war income-structure of the country. For example, if a country finances its war expenses predominantly out of direct taxation, we know at once from the incidence of the tax system, the way in which the cost of the war has been distributed. There is the minimum distortion to both the present price-structure and the post-war price-income structure. Again, a predominant loan-finance will lead to the accumulation of a large national debt. After the war, consequently, the price-structure will have to be inflated to minimise the burden of this large national debt and this will inevitably alter the class distribution of income. An inflationary finance, on the other hand, is regressive in its incidence and has altogether different effects on the standard of living of the poorer and the middle classes during the war and again after the war as the financial mechanism swings back for readjustment. The social impact of war finance is illustrated by the different ways in which the United States, Great Britain and India have respectively financed the war and the differential way in which war-finance has reacted on the social structure of the three countries.

If the criterion of a successful war-finance is a social standard which distributes the burden of war in the most equitable way as between classes and at the same time ensures actively that the human minimum of standard of living and efficiency is not encroached upon in the pressure of maximum war-effort, Great Britain undoubtedly makes the best showing and India the poorest show of all, while the United States occupies a place somewhere in between. Great Britain had a comprehensive rationing scheme ready to ensure that the human minimum of standard of living and efficiency is effectively

Table I

	India		U.S.A.		U.K.	
	Wholesale Prices	Cost of Living	Wholesale Prices	Cost of Living	Wholesale Prices	Cost of Living
1939	75	106	77	99	103	158
1940	81	112	79	100	137	184
1941	94	122	87	105	153	199
Oct., 1941	105	125	92	109	155	199
Jan., 1942	127	137	96	112	156	200
April, 1942	135	132	99	115	160	200
July, 1942	153	168	99	117	160	200
Oct., 1942	161	172	100	119	160	200
March, 1943	177	225				

maintained. The levels of her prices and cost of living have been largely stabilized at a higher level and the increasing momentum of her war-effort since 1941 has been able to make little impression on her prices and costs. In contrast, in India the Government has shown no conception of the distribution of the burden of war-effort in a socially equitable manner and the regressive nature of our war finance is fully reflected in the rapidity of the rise of price and cost of living indices. In the United States, a "somewhat immature social conscience" is tempered by "rugged individualism," and a part of the burden of war is being extracted by an inflationary method moving at an easy canter.

It will be interesting to compare here the impact of the direct tax system on the class distribution of income in the various countries during war. The rates of personal income-taxes in Great Britain and Canada are higher than the rates in the United States and India at most income levels. There are also various allowances and refunds in the tax systems of the various countries which make them not strictly comparable. For example, at some income levels in Canada an important part of the tax is refundable. In the United States refunds are less important and are very limited in scope in India and Great Britain. However, in the first examination it may not be necessary to look very closely and the following figures will convey a fair impression of the incidence of the direct tax system in the various countries.

Table II

Income-tax liability in United States, United Kingdom, Canada and India.

(In United States dollars)

Net income	U.S.A.	U.K.	Canada	India
$	$	$	$	$
1,000	113	189	190	44
2,000	353	624	628	148
5,000	1,167	1,975	2,180	401
10,000	2,914	4,620	5,229	2,406
20,000	7,896	11,340	12,069	7,466
50,000	28,558	36,550	36,318	26,080
100,000	70,165	84,200	82.531	63,321

The table at once brings out the general heaviness of the direct tax structure in the United Kingdom and Canada compared with that in India and the United States. The Indian direct tax system is rather lenient to the middle classes but at higher levels compares favourably with the American system in the degree of progressiveness, although very much below the level in the United Kingdom and Canada.

In the United Kingdom, indeed, the fiscal system has been the agent of what we might justifiably call a social revolution. The British White Paper (Cmd. 6438) published in April last enables us to have a view of this truly amazing phenomenon of a steadily tilting social structure. Owing to the strict rationing system, net personal income retained, even if allowed for changes in price-level, does not accurately show the change in the standard of living of the various classes. But we find that valued at 1938 prices, aggregate income to "capitalists" i.e., rent, profits and interest accruing to persons, has fallen from £1,515 mn. in 1938 to £1,249 mn. in 1942. Salaries, etc., or the incomes of the white-coated workers have also fallen from £1,081 mn. to £971 mn. But in the same period the share of the labouring classes have increased from £1,787 mn. to £2,351 mn. In other words, the workers have unmistakenly increased their share of the national dividend. The following table compiled from the White Paper show clearly the changing social structure in Great Britain.

Table III

Range of gross personal income. £	Number of incomes.		Aggregate gross income.		Aggregate net income with income-tax and surtax. at rates in	
	1940-1 000's	1941-2 000's	1940-1 £ mn.	1941-2 £ mn.	1940-1 £ mn.	1941-2 £ mn.
Under 250	..	..	3,328	3,398	3,302	3,307
250— 500	3,295	4,450	1,069	1,490	984	1,276
500 — 1,000	770	1,050	516	685	411	495
1,000 — 2,000	250	285	345	400	245	245
2,000 —10,000	97	97	360	360	197	170
10,000 and over	8	8	170	170	48	35
Total private income	..	..	6,412	7,264	5,397	5,728

If we look at the average gross income within each range of income we find that there has been practically no change in the upper reaches but it has somewhat fallen in the range of £500—1,000 and has risen a little on either side of this range. On the other hand, there has been an up-grading of income of a vast number at the lower end; for more than a million, on balance, have entered the £250—500 group and more than a quarter million the £500—1,000 group, all presumably from the lower income levels. By contrast, in the upper reaches, the number of income recipients has remained unchanged and so also has aggregate gross incomes but aggregate net income of these groups has sharply fallen off, whilst aggregate net income has increased appreciably towards the lower end of the scale. In the highest income-group the average net income which was £10,500 in 1938 was in 1941-42 no more than £3,200 in terms of stable prices. The general standard of living in Great Britain has been fairly maintained in war time and the White Paper shows that the index has only fallen from 1.00 in 1938 to 0.82 in 1942. Evidently, the fall in general standard of living in the lower income groups has been remarkably small. The rate of tax will probably fall at the end of the war, but it is unlikely to go back to the pre-war level. Thus the war will have caused a permanent change of the social structure in the direction of egalitarianism.

In contrast, in India war finance has been largely inflationary in method and reactionary in social impact. The budget itself indeed does not reveal the extent of this inflationary finance, because it excludes the major part of the total expenditure, viz., the purchases on behalf of the British Government, the method of finance of which is, in effect, nakedly inflationary. In Great Britain, in spite of the magnitude of the war-effort, fall in consumption has been barely 15 to 20 per cent. in quantum, because of the great increase in productive capacity. In India, on the other hand, in the field of both agriculture and industry, the increase in production has been obstructed by the consistent shortsighted policy followed by the Government. As a result, industrial war-effort has been below what it could be and there has also been a crisis in the supply of consumers' goods to civilians. Total war expenses (including budgeted expenditure and non-budgeted rupee finance) will in 1943-44 be probably of the order of Rs. 600 or 700 crores. Out of these business tax *plus* direct tax amount to only Rs. 90 crores. Indirect tax is estimated to amount to Rs. 66 crores. Excepting the small amount of loan that would be raised, the whole of the remaining expenses will presumably be by inflationary methods. Thus the bulk of the war expenditure has fallen on the shoulder of the poorer classes, and while privations have undoubtedly been aggravated by the inflexibility of the administrative system and resistance within our economic system, the scale of expenditure itself is certainly too heavy in view of the low standard of living and the failure of the Government to give a concerted production drive. The method of finance which concentrated the bulk of the burden on the poorer classes, has only made the burden the more intolerable. Meanwhile, in spite of the excess profits tax, there has been a considerable accumulation of private fortunes and the tendency towards the concentration of economic power in a limited number of hands. The impact of war-finance on social structure has been no less marked in India than in Great Britain, but it has been in the opposite and inegalitarian direction.

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The Week's Notes

ECONOMIC SANCTIONS AGAINST SOUTH AFRICA

In an illuminating article on the subject (published elsewhere in this issue), Mr. Kodanda Rao analyses the items of trade between India and South Africa and gives his finding that the effect of retaliation will depend on the extent to which South Africa can go without jute, and India without wattle, and that stoppage of rice export to South Africa will affect only the Indians and not the whites. Many of our tanneries already would seem to do without wattle; but South Africa must have jute which is a monopoly of this country. Indians in South Africa are quite prepared to forgo Indian rice and make the sacrifice if that is essential to the restoration of their elementary rights of citizenship. In fact this readiness to do without our rice is implicit in the demand for retaliation made by Indians and their spokesmen in South Africa. In any case, it is their concern, and they know too well that the temporary abstinence from consuming a particular food article is not too high a price for permanent rights and a moral cause. As to the effect of retaliation on war effort, there are at least three parties to consider the case, *viz.*, the British Government, the South African Government, and the India Government, leaving aside other 'united' nations like the U.S.A. and Russia, who, though vitally concerned in the question, may not interfere with the so-called domestic affairs of the Empire. The South African Government knows that retaliation is certain to hamper war effort, but discriminates with impunity in the confidence that India being a subordinate branch of the British Government cannot take protective measures. The British Government acquiesce in this racial policy, because it is part of their Indian policy and because they know that war effort in India does not entirely depend upon the willing or enthusiastic co-operation of the people. They would not simply let Indian Government retaliate. The Government of India are perhaps willing to retaliate by trade sanctions, but fear being admonished by Home Government. Meanwhile public opinion is almost unanimous and emphatic in the demand for enforcing trade sanctions. The duty, then, of well-intentioned public men like Mr. Kodanda Rao must be not to assume away the inability of the Indian Government to retaliate and to advocate on that basis a futile course of persuasion and moderation, but to urge upon the Government of India to take the necessary steps. If a right thing cannot be done at once, there is nothing to prevent us at least from willing it done. Seeing that persuasion has failed and is destined to fail, and also that we have no power to take the right measures, the least that we should do is at least to take a firm stand on our moral right to resist.

STERLING BALANCES AGAIN

We have more than once drawn the attention of readers to the unsavoury attention bestowed on India's sterling assets and the disingenuous economic gibberish that has emanated from British financial circles either underrating India's sacrifice in building them up or inventing devices for wiping them out. The *Economist*, whose comments are published elsewhere, once again deplores Britain's 'generosity' to India and suggests a method of 'blocking' our balances. In its opinion, even the more permanent part of India's currency reserves in London may become highly volatile, as a financially autonomous India might show a strong preference for gold instead of sterling as backing for the note issue. True. An independent management of our money must surely control the unbalanced accumulation of one currency. But the *Economist* must find a way out. It finds that the United States, British and Canadian currency plans provide for global solutions for this problem of abnormal balances, but none seems correct. The British plan says that some provision must be made by which these balances may be regarded as liquid by the creditor countries without imposing a corresponding strain on the bancor resources of the debtor country. This is more generous than the American plan, under which India would be repaid in annual driblets over a period of 20 years. If the British plan, uncertain of Britain's financial status in the world after the war steers a course of moderation both in regard to debts and credits, and if the American plan seeks to secure Britain's acceptance of her own proposals by dealing generously with the credit balances of other countries with Britain, the *Economist* is satisfied with neither. It confidently assumes that the Lease-Lend debts will not cause strain on the exchanges, and is at the same time in favour of a "bilateral clearing" of these balances as being more realistic, though less tidy. What a commentary on Britain's genuineness in discarding bilateralism in the post-war period! The contention that the sterling balances of Canada, Australia and India are not homogenous and that, therefore, a funding agreement for the repayment of British debt to India over a number of years by means of a British export surplus to India is necessary cannot in the least be sustained. Such funding coupled with bilateralism, improvised by a debtor country after enjoying external loans exhibits neither financial probity nor economic liberalism.

A FUNDING AGREEMENT

The process by which India has earned her sterling assets is very much the same as that of Australia or Canada. If anything, India's privation has been greater. There can be no justification whatsoever for isolating these hard-earned balances for special discriminatory treatment in the post-war period. A funding agreement will impair the liquidity of India's currency reserves, and commit the country to their liquidation for purchase of goods in the English market. It will cut at the root of the multilateral clearing system on which Britain has depended so much in the past and on which Lord Keynes lays so muchmuch stress for the future. India is not opposed to having an import surplus with Britain, if consistently with quality British goods are cheap. Nor is she unaware of the possible difficulties in the way of Britain's immediate repayment to India of her loans. India would be willing to buy as much as possible from Britain; but certainly she should be free to convert sterling into any other foreign currency to finance imports from elsewhere. In any case, we should sedulously keep free from long-term funding agreements which would immobilize our reserves, for after the war large import of capital goods every year will be necessary to put through a plan of industrialization with speed, and if Britain is unable to supply them in quantities and at prices favourable to us, we should at least be left free to command our credits. It would indeed be strange if we found ourselves in as helpless a plight as a creditor nation as we were as a debtor with Britain's strangehold on us.

THE SCREEN AND PROPAGANDA

With the Press and the Radio the Screen is an important instrument of mass propaganda in modern communities. In fact, it is more important than they, because, being visual appeal and preponderantly emotional, it can permeate even the most ignorant and illiterate among the masses, while the Press depends on literacy and the Radio on some elementary powers of reasoning. In war, the medium of the cinematograph is, of course, of immense potentiality for spreading one-sided versions and self-righteousness. The Indian Motion Picture industry is now faced with an unfair situation as a medium of Allied war propaganda in this country. A Defence of India Rule, No. 44-A, imposes an obligation on all exhibitors of British India to include in every cinematograph performance held after the 14th September, 1943, no less than 2,000 feet of war propaganda films which are approved for that purpose by Government. We have before us a letter addressed about this rule to the Government of India by the Secretary of the Exhibitors' Group of the Motion Picture Society of India. It is a frank and reasonable document. While agreeing with the Government that the medium of the Screen should be used to advance the war effort of the country, it points out that Screen propaganda for the present war has been more effectively done by every country from Russia to America through the full length feature film rather than through the short film. And this the Indian exhibitors will be doing as the Indian film industry has guaranteed the production during the next twelve months of as many as 25 films on stories which are approved by Government in advance. These will be shown in all the cities of India with a population of a lakh and more for at least a period of 8 weeks which comes to about 15 per cent. of the annual exhibition time of cinema houses. But to compel the inclusion of an additional 2,000 feet of propaganda in such films is quite meaningless and, as the letter says, "too much of propaganda in one performance is certain to defeat its object to the same extent as the total absence of it would do." Hence the very sensible suggestion is made by the letter that this 2,000 feet need not be included in such films, and in others the minimum length of the propaganda short be fixed at 1,000 feet.

Another point to which the Exhibitors' Group draws attention is that Government are expecting to be paid for the projection of these films. This expectation is indeed preposterous and indicates the extent to which iniquity can go in matters of propaganda. The Group rightly says that for films exhibited under compulsion from Government it is only fair that the latter should pay. Even at that it is courteous of the Exhibitors' Group to have offered to show 1,000 feet free of charge as their contribution to the war effort. It is to be hoped that the Government will give up the tall presumptuousness implied in the new rule and modify it so as to bring it in conformity with equity and commonsense.

AN INSULT TO INDIAN ECONOMISTS

In reply to a question in the Assembly as to why Dr. Nemenyi was appointed as special officer and whether Indian economists were not available for the purpose of consultation with public bodies in respect of anti-inflationary measures, the Finance Member stated that "no other economist possessing the same personal qualifications was available for the immediate purpose." Despite the reservations with which he has safeguarded himself, the answer of the Finance Member is a wanton insult to Indian economists. Of course, the Indian economists cannot have the same personal qualifications as Dr. Nemenyi. For one thing, they are Indians, and apparently for some posts to be non-Indian is an important personal qualification. Nor have the Indian economists the advantage of being like Dr. Nemenyi apostates, and therefore having a claim on the Government's grace. For did not Dr. Nemenyi proclaim that there was no inflation in India till March, 1943, and is he not the best person therefore to advocate anti-inflation measures, now that he has abjured his previous views?

Indian economists do not certainly worry about these appointments nor desire to become the beneficiaries of Government. If there be any such, they do not represent the vast majority. But they cannot afford to ignore the larger aspect of this matter. Sir James Grigg like Sir Raisman taunted the Indian economists as not competent. But competent or not, Indian economists have one supreme qualification which non-Indians, however eminent, do not have. They are at least interested wholly in India's welfare and do not suffer from conflicts of loyalties (assuming that non-Indians have loyalty to India). This matter is of some importance as in the coming international conferences the question of who is to represent India should be decided. Indian public opinion should express itself unmistakably and strongly that only representative Indians and Indian experts should represent us. We cannot afford to let our cause suffer by our being represented by non-Indians, however eminent experts they may be. We must put a stop to this illusion of imported expert guidance and counsel. Experts should serve only as technical assistants to representative Indians at all conferences, especially in the international sphere.

CATTLE SLAUGHTER

In the course of the debate in the Council of State on Mr. Hossain Imam's resolution urging the import of meat from the U.S.A. and Australia for the requirements of the Defence Services and also recommending the import of live-stock from nearby countries for supply to the agriculturists at reduced prices to encourage the grow more food campaign, the attention of the Government was drawn to the indiscriminate slaughter of prime cattle throughout India, in contravention of the orders of the Central Government regarding protective cattle and to the necessity for stopping such a depletion of our cattle wealth solely on economic grounds although sentimental or religious considerations may not be wholly ignored. Sir Jogendra Singh, Member for Education, Health and Lands, while expressing sympathy with the object of the resolution, namely, the protection of India's livestock, remarked that his Department was anxiously watching the cattle position and that there was at present no real cause for alarm. This complacency on the part of the Government Member is not warranted by the rapid pace at which cattle slaughter is proceeding at present in India, which is said to be five times the peacetime number. As pointed out by a member of the House, it is also apprehended the number of cattle slaughter would increase still further when India is made the base of operations for an Allied attack on Burma and more forces come to India.

The importance of an adequate number of good quality cattle cannot be questioned in a predominantly agricultural country like India and especially now when all Government efforts are at least designed to be directed towards an increase in agricultural production through the grow more food campaign, as well as protective foods. Sir Jogendra Singh himself exposes the deficiency in the production and consumption of milk in India (which are only 8 and 7 ounces per head per day as compared with other countries as New Zealand where they are as high as 245 and 56 ounces respectively) and stresses the need for proper nutrition for all the people by increasing India's milk supply. Having admitted this much he contends that there is no cattle shortage in India, possessing as she does, the larg

cattle population in the world, numbering over 200 million heads, nearly a quarter of the world population. But the Hon'ble Member forgets that efficiency is two dimensional, one of quality and another of quantity. Perhaps, the larger number of cattle population in India has been in a sense a blessing in disguise in that it has made up for the inferior quality. Judging from the very poor record of the Government in the field of livestock improvement so far, it is certain that the Government cannot make adequate replacement arrangements for the number that is now being slaughtered. The problem of replacement will prove insuperable and in spite of the assurances of the Hon'ble Member, the present rate of cattle slaughter does constitute a real danger to the rehabilitation of our agricultural economy now and in the post-war period and calls for immediate action and does not admit of a policy of 'wait and see.'

CHINA'S POST-WAR PLANS

In a broadcast speech this week, Dr. T. V. Soong, the Chinese Foreign Minister, declared that after Japan has been defeated, China will remain mobilized in order that a vast plan for post-war industrialization on modern lines may be carried through as the keystone of an ambitious social reconstruction scheme. Dr. Soong continued: "'Our people are thinking and planning how to improve our national standard of living—victory over Japan will lose much of its meaning if we cannot achieve this. We are determined to build up our industries. Therefore, we are resolved that there should be no gap between our mobilization for war and our mobilization for industrialization."

The war against Japan has revealed to China all too painfully the grave handicaps under which a country has to fight if it is backward in industrialization. In peace time, again, it means appalling poverty and degrading living conditions. China possesses in her huge industrious population and limitless natural resources the basic pre-requisites of a highly industrialized nation. If she has lagged behind so long, it was because of her social inertia and internal disunity. But the long and unequal war against Japan with its saga of immense sufferings and sacrifices, has forged her national unity in a fashion unequalled in her long history. After this pitiful episode of destruction, if she bends her immense energies to a programme of internal reconstruction, with her inexhaustible manpower and natural resources, she can undoubtedly transform herself within a generation into the mightiest industrial country in the world.

THE NEW BALANCE OF POWER

With China transformed into a mighty industrial power, and with the immense resources of Siberia also developed by the Soviet Government, we shall be presented with an altogether new Asiatic balance of power—indeed, a new world balance of power. China with her new-found national consciousness and full political sovereignty, will lose no time after the war in pushing through an ambitious economic plan. In India, on the other hand, our political prospects are still in a flux and disunity is rampant. It is also not clear that immediately after the war we shall be in possession of full political sovereignty to be able to put through an ambitious economic plan. Further, China will constitute an immense, unified land-mass with a powerful raw materials base. This will enable her to improve her standard of living and economic power at a very rapid rate. On the contrary, Southern Asia will be divided into a large number of small States like the Middle Eastern countries, Burma, Thailand, and so on. If, in addition, India is also fragmented into a number of small States, none of these States will individually possess sufficient natural resources for rapid economic development. This will lead to a growing rupture of balance of power and thus create complex economic and political problems. The paradoxical situation is this: The technological and economic realities of modern industrial civilization call for wider and wider regional integration which cut across the narrow, historical, political frontiers. On the other hand, the nineteenth century doctrine of political sovereignty and nationalism demand regional disintegration and lead to political organization on a territorial base which is so narrow as to be economically invalid.

THE FOOD MEMBER'S TALE OF WOE

In the debate on food on August 9 last in the Central Legislative Assembly, the Hon'ble Sir M. Azizul Haque gave a "faithful picture" of the actions taken by the Government in the face of the rapidly deteriorating food situation in the country. His speech is a dismal narration of the general unpreparedness of the Government, inability to anticipate events, extemporizing from crisis to crisis, dispersion of power and overlapping of responsibilities. The net harvest of Government efforts so far to tackle the food situation, consists of six price-control conferences, three food conferences and one basic plan found to be basically unworkable. As the Food Member recounted one by one the difficulties faced by the Government, one is almost seduced to believe that the stars are conspiring. For he tells us that just at the time when the Government could clear up the operational difficulties in the way of making arrangement for transport of foodgrains, the Damodar flood came and nobody knows when the railway lines would be restored. They then tried to send more grains by ships and in fact two ships were *actually* loaded with wheat. But just after loading, the ships developed engine troubles and are now under repairs. The Food Member's account of provincialism rampant and of even local authorities issuing conflicting orders, makes most amazing reading. The Food Member further recounts the difficulties of control caused by lack of authoritative statistical informations. In accordance with the unanimous decision of the second food conference, all provinces were to supply certain statistical informations about the food situation in their respective provinces: out of 52 returns expected, 3 were received by the Central Government. He also admitted that even before the war food production was lagging behind growth of population; that new consumer classes have been created due to the war effort; and also that recently the military and export requirements have been at the rate of nearly 700,000 tons per year. Yet even now the Government continues to pretend that our "statistical position" is good and that although our stomachs may in fact be empty, they are in reality statistically full. It is a bit late in the day for the Government to complain after four years of war that "it is not possible within a period of few weeks or even a few months to neutralize the effects of all the (adverse) factors or set up any effective machinery to deal with these problems fully."

Almost immediately after the food debate, it was made known that the Food Department would be transferred to the charge of Sir J .P. Srivastava. It seems the Food Department, born late, is the howling baby which nobody wants to hold for long. So the baby has been passed on to a new man who will, presumably, devote the time till next harvest to further study and experimentation in the classical scientific spirit.

CLOTH CONTROL TROUBLES

Organization of resistance to and evasion of the disposal clauses of the cloth control order is proceeding rapidly. Dealers are busy urging revision of the provisions, while reports are being received that in Delhi and other centres, the speculators are leaving nothing to chance and driving stocks underground, pending the expected revision of the order. Government have declared their decision in no uncertain terms. No extension of time is to be granted for the liquidation of stocks, and the goods must be sold within a definite period. But what have the Government done to perfect their machinery of inspection and enforcement? The control order comprehends every dealer in cloth and yarn, wholesale and retail, carrying on the business in conjunction with other trade or not. There must at least be some lakhs of such dealers in the whole country. What have the Government done to secure, in the first place, that all dealers have submitted stock declarations, secondly, that the declarations submitted are not a gross underestimate, thirdly, that stocks have not been removed to invisible corners not amenable to control prior to the making of the declarations, and, fourthly, that after all this, black markets do not flourish with high prices, while the open shops have very little stuff left to sell at the low market price? The debacle witnessed in the distribution of food will repeat itself in the cloth control also, and Government would stand discredited by their incompetence and bungling, if, after passing orders whose success depends entirely upon the machinery for enforcement, they do not devise the requisite machinery for administering them. A large inspecting staff is imperative. In Bombay City, licensing of dealers has been introduced. But what of the hundreds of towns and thousands of villages still left out of account, where hawkers and pedlars can also sell undeclared stocks from unknown sources? If, as contended by the dealers, stocks are left unsold within the specified period even at low prices, are the Government and the mills prepared to organize distribution themselves on the lines of the employers' shops suggested by the Bombay Millowners' Association and sell cloth at reasonable prices to the public? How have Government dealt with the ticklish question of the bank's advances against cloth to see that such a practice does not shield speculation and entail distress? Government are surely heading for a cloth debacle in the coming months, if they do not bestir themselves in time.

RESERVE BANK AND INFLATION

At the shareholders' meeting of the Reserve Bank held last year, we were assured by the Governor that there was no inflation so called, though there was a considerable rise in prices caused by the large purchases of goods and services in this country by the British Government. The remedy he suggested was greater production all around. But at the meeting held this month, the Deputy Governor admitted by implication that little or nothing has since been done to step up production and thus check the inflationary tendencies which he tells us have "steadily gathered strength." And yet curiously enough in the recommendation which he makes "by order of the Central Board of Directors" for dealing with the situation, the emphasis is on "the intensification of the existing physical and financial controls" and not on increased production, though this is formally included in the catalogue of defensive measures which the country is advised to adopt. The Directors' report should have been outspoken in this respect and should not have carried self-suppression to the extent it has done.



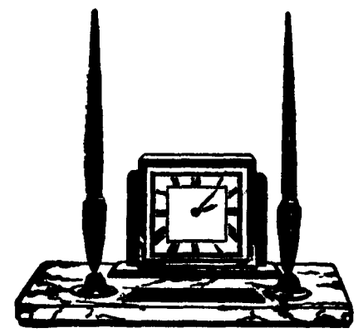
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NEWS PAGE

Sir Jogendra Singh, Member for Education, Health and Lands, announced in the Council of State on August 6, that he was appointing a Committee to consider public health in India and that Sir Joseph Bhore had agreed to preside over the Committee. Press inquiries reveal that the Committee will have about 25 members on it, the majority being non-official.

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British newspapers are now allocated only 19-1|2 per cent. of their pre-war paper consumption. In order to make the best possible use of limited supplies, all newspapers now belong to the Newsprint Supply Company, which allocates the newsprint released by the Ministry of Supply according to a prearranged plan.

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The Bombay Government has promulgated the Bombay Cotton Cloth Dealers' Licensing Order (1943), which provides that, after October 15, no person shall sell cloth or store cloth for sale except under licence.

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Economically China was hampered by lack of ports and transport, but there was no actual starvation in Free China, stated Dr. T. V. Soong, the Chinese Foreign Minister, in London, on August 4. Japan was taking rice from the occupied territories and in some of these there was famine. Chungking was solving its inflation problems by the collection of some taxes in kind rather than in money.

* * * * * *

At a meeting of the Meerut Khaddar Manufacturers' Association, Government were asked to clarify the position with regard to the application of the Cotton Cloth and Yarn Control Order to hand-made and hand-spun cloth and to people engaged in this cottage industry including weavers and spinners.

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As the result of a special study which was begun with the advent of shoe rationing in the United States, the Government will foster the establishment of neighbourhood "swap shops" in which shoes which have been outgrown by the children of one family will be made available to the smaller children of another family.

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The desirability of the Government of India immediately announcing their decision on the recommendations made by the Exploratory Committee appointed by the Board of Scientific and Industrial Research regarding the manufacture of internal combustion engines in India is emphasized by the Committee of the Indian Chamber of Commerce, Calcutta, in the course of a communication addressed by them to the Government of India.

The importation of cotton textiles and yarns from India will be controlled by import licensing measures against quarterly quotas, said the Australian Minister of trade and Customs, Mr. Keane, recently. With the introduction of ceiling prices, he added, the Government would have to make appreciable subsidy payments in relation to Indian textiles and it was, therefore, obliged to ensure that only the best quality materials were imported.

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The problem of "involuntary" unemployment, a statement by the Provincial Governments regarding parallel tripartite machinery in the provinces and more representation for labour in legislatures, local bodies, statutory committees, etc., etc., are among the items on the agenda for the Plenary Session of the Labour Conference to be held in September.

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A £5,000 Post-Matriculation Bursary Scheme has been launched by the University Indian Students' Bursary Committee, says a message from South Africa. The Bursaries will be available for Indian students of any province for study in the Witwatersrand University.

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The Cotton Cloth and Yarn Control Order 1943 lays down that no cloth or yarn manufactured before Aug. 1, 1943, shall remain in bales after August 31, 1943, and that all such cloth and yarn shall be finally disposed of by retail sale not later than October 31, 1943.

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Senator Truman of Missouri told his audiences in a recent Middle West tour that the $100,000,000,000 which the United States appropriated last year for war would have been enough to support an international peace organization with power to enforce its decisions.

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In the Council of State on August 5, Mr. P. N. Sapru said that there were over a lakh Indian settlers in British Guiana, 54,000 of whom were engaged on sugar plantations. In Trinidad, the Indian population numbered 361,000. Labour was unorganized and education in Trinidad was practically in the hands of Christian missionaries with the result that Indians had not taken full advantage of it.

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Excess profits in United States war contracts have been cut. Re-negotiation of war contracts by the price adjustment agencies of the United States War and Navy Departments and the Maritime Commission up to June 30, resulted in the elimination of excessive profits by $ 3,555,174,000.

Special Articles

Economic Sanctions Againt South Africa

By P. Kodanda Rao

THE recent anti-Indian legislation in South Africa has aroused legitimate indignation in India to white heat . For lesser causes wars have been fought. Since war is impossible, there have been loud demands for retaliation against South Africa. Among the measures proposed is the boycott of trade. It will be useful to glance at the trade relations between India and South Africa in this context.

The following figures are taken from the South African Year Book, 1941, published by the Union Government. They relate to the total exports and imports of South Africa and the share and percentage therein of India (including Burma) for the years 1937 to 1939 in thousands of pounds:

	Imports			Exports		
	Total	India		Total	India	
	£	£	p.c.	£	£	p.c.
1937 ..	103,282	1,944	1.8	38,513	311	0.8
1938 ..	95,612	1,731	1.8	28,249	224	0.8
1939 ..	91,321	2,257	2.4	29,858	389	1.3

It will be noticed that India's share either in the import or the export trade of South Africa is not large, at any rate, not large enough to be seriously missed by South Africa.

The following figures give the principal items of Indo-South African trade and their relation to the total trade of South Africa in those particular items:

South African Imports.

	1937		1938		1939	
	Total	India	Total	India	Total	India
	£	£	£	£	£	£
Rice ..	291	495	272	441	332	596
Tea ..	39	878	40	867	51	1,075
Oil seeds	21	1,452	122	1,508	143	1,153
Leather ..	26	1,134	15	845	21	1,041
Textiles ..	186	13,310	181	10,791	244	11,426
Clothing ..	52	7,703	63	6,276	52	6,692
Jutes ..	834	955	586	711	970	1,055

It will be noticed that India's share of South African imports of jute products is a very large proportion, amounting almost to a monopoly. India's share in rice is also a considerable proportion. Textiles come next. It may be added that Indian rice and textiles are largely consumed by the Indians in South Africa.

South African Exports.

	1937		1938		1939	
	India	Total	India	Total	India	Total
	£	£	£	£	£	£
Fruits and Nuts ..	4	3,718	4	3,294	3	3,013
Wattle Bark	118	425	111	453	237	691
Wattle Extract ..	12	579	3	455	9	601
Coal and Coke ..	23	1,486	15	1,664	21	1,502
Copper ..	133	678	62	512	97	516

It will be noticed that wattle bark is the largest single item, though by no means the great bulk of South Africa's export of it, as India takes only a third of the total export. On the other hand, India gets practically all the tanning bark from South Africa. According to the figures published by the Government of India, India imported in 1939-40 tanning bark of the value of Rs. 4,438,000, of which only Rs. 421 was from countries other than South Africa.

There has been a remarkable increase in trade between India and South Africa since the war began, though official figures are available only up to 1939-40. The following figures are taken from the *Sea-borne Trade of British India 1939-40*, published by the Government of India in thousands of rupees:

Indian Imports to South Africa.

	1937-38	1938-39	1939-40
	Rs.	Rs.	Rs.
Total ..	4,817	3,475	6,050
Wattle, etc. ..	2,277	2,400	4,370
Coal and Coke ..	525	643	115
Fruit	458	61	210
Copper ..	584	115	722

The imports of wattle and copper have gone up, while those of coal and coke have fallen. The rise in fruit imports is largely due to cashewnuts which seems to be intermittent. There were no imports of the nuts in two consequent years, 1935-36 and 1936-37 and again in 1938-39 . In 1937-38 they rose to Rs. 401,000 and in 1939-40 they fell to Rs. 154,000.

Examination of these figures shows that while South Africa depends on India almost wholly for her jutes, India depends on South Africa almost wholly for her wattle. But South Africa exports to India but a small quantity of her total exports of wattle, and, of course, India exports but a very small quantity of her jutes to South Africa. If the export of jutes to South Africa is prohibited, India will not suffer but South Africa will. If India stops her exports of rice and textiles, the Indians in South Arica will be hit and not the Europeans. If, on the other hand, South Africa stops her exports of wattle, she is not likely to suffer but India will, unless, of course, India finds a substitute for wattle and South Africa for jutes. In that case, the stoppage will not have retaliatory effect, but only an easing of the pressure on shipping, a very welcome relief.

India's stoppage of the export of jutes will have a retaliatory effect only if South Africa cannot do without Indian jutes, and India can get along without South African wattle or South Africa does not retaliate in her turn and stop the export of wattle. If both retaliate, it is difficult to tell which will suffer more.

It may be presumed that most of the trade between South Africa and India, particularly the recent rise in it, is due to the war effort and is needed for it. It is very unlikely that goods not essential for war purposes will have found shipping space. Interference with it may affect the war effort of both the countries.

It remains to consider whether India should take any action which would adversely affect the war effort of either or both the countries. It may be recalled that the South African Indian Congress, which contemplated passive resistance against the Stuttaford Act in 1939 and was dissuaded from it by Mahatma Gandhi, did not contemplate such action against the recent Lawrence Act On the other hand, it was, according to *Reuter's* cables, anxious to do nothing that might affect the war effort of South Africa notwithstanding its bitter opposition to the Lawrence Act. India may well consider whether she should embark on trade retaliation which is very likely to affect the war effort of both countries. It may be urged with reason that the South African Government knew that its action would embarrass

itself and the Government of India and perhaps affect the war effort of both, but went ahead with the anti-Indian legislation all the same. It may well be urged that India need not hesitate when South Africa did not. But South Africa is independent . India is not. The Goverment of India as at present constituted, has neither the will nor the power to take retaliatory action which may affect the war effort. To talk and threaten trade retaliation and then drop it will only humiliate India further and make the resumption of negotiations, the only alternative, more difficult. Ineffective retaliation is not likely to persuade the Union Government to change its Indian policy; pursuasion may.

Post-War Town Planning

By P. C. Mittra

WE are passing through a period of chaos. The whole world is in conflict today. The fate of civilization is being settled on the battlefield. But after this tumult and turmoil is over, peace will come when we shall have to start again towards a new and better way of life.

Most of our planning during the war is planning for destruction or for the avoidance of it, but planning for peace is planning for living.

The present war has given a great impetus to industry. In fact, we are witnessing an industrial revolution in the country. Big industries have attracted crowds from villages by offering them better wages; the result has been terrible congestion in every big city. Everywhere the housing problem is acute. This housing difficulty is not new and, though aggravated by war, is not the result of it. New houses had long been needed, for the paucity of dwellings for families with small incomes had been steadily increasing for the last 20 years.

The pell-mell growth of Indian towns and the indiscriminate location of new industries combined to make still more complex the already acute housing problem.

It is essential, therefore, to base our future plans in the light of these modern conditions.

Housing like most normal ventures in civil life is at a standstill during the war, but there is bound to be tremendous activity when the war is over. If we are to avoid tragic muddle and mess, it is essential that we have beforehand well thought-out plans or at least basic principles for the rebuilding or recasting of ugly towns.

Before embarking on a scheme of town-planning it is also very necessary to study the housing conditions in that city. An examination of almost any town in India will reveal the phenomenal increase of populations during the last few decades. A glance at the census report shows that in Bengal Kharagpur has increased five times, Tittaghur three times and Howrah has almost doubled within a decade. Similarly Cawnpore, Bangalore, Ahmedabad and Sholapur have recorded an increase of over fifty per cent. within the last ten years. Thus population has increased fast in those cities specially that have become quickly industrialized. This relationship between industrial development and population increase merits serious and expert consideration.

The changes brought about by industrial development have altered many towns in India beyond recognition within the last fifty years. New towns have sprung where there were none. Karachi, formerly an unknown fishing place, is now the third busiest port in India. Jamshedpur, now a thriving industrial town with about a lakh of inhabitants, was twenty-five years ago a village with a population of less than 6,000 souls.

It is not surprising that this vast problem found the municipal authorities unprepared to deal with new towns springing up and old ones doubling and trebling themselves in a generation, for the public authorities had more than enough work in coping with the increased demand for public services, such as water-supply, sanitation and police to speak nothing of undertaking the provision of cheap housing. Besides, it was assumed that the demand for dwellings would be satisfied by private enterprise like other personal and individual needs but, as the demand of new abodes was mostly for the labour class whose earnings were very low, it was inevitable that the supply should fail to keep pace with the great and ever-increasing need, and that the standards of accommodation should deteriorate. The industrial progress has dislocated agriculture. Thousands of men and women had been driven to the mills and mines which in due course became the only sources of livelihood. The people working at the machines were, therefore, often those who were least able to earn their livelihood in their village homes; they gradually formed the majority of the inhabitants in big industrial towns throughout this country.

A contributory cause of bad housing conditions is that the principles which should govern town-planning are not really understood and the standards to which buildings should conform are not drawn up in relation either to national needs or to the requirements of the new population. Consequently, our towns are very congested, with narrow streets and houses several storeys high. As the population increased, the houses had to be built higher and higher and all packed closely within the restricting limits of the municipality. Every building site is overcrowded with dwellings, and the dwellings themselves are packed with people, the normal home in a city being a flat or a portion thereof. The great bulk of population live in single-room tenements in *chawls*. and *bustis* while lower middle class in partitioned houses and messes.

Of the total population of Bombay 74 per cent. live in one-room tenements, 66 in Cawnpore, 60 in Nagpur and 58 in Karachi, as against 6 per cent. in London, 5 in Edinburgh, 9 in Dundee and 13 in Glasgow. The average number of persons living in a single room is 4.01 in Bombay as compared with 2.5 in Edinburgh and 3.25 in Glasgow, although houses and rooms are much larger in England than in India. A one-room

tenement in Bombay normally varies from about 10 by 10 feet to about 12 by 15 feet while in Cawnpore it was less than 10 by 8 feet; thus each person has on the average 5 to 7 sq. ft. of floor space. In Bombay 86 out of 100 persons live in overcrowded conditions; 65 per cent. of the one-room tenements in that city contain two families. It is appalling to think that more than three-fourths of the families in Bombay and two-thirds of the families in Cawnpore live in such limited accommodation which makes it impossible even to maintain the necessary privacy in domestic life. A considerable majority of the labour population in Indian cities are street dwellers. In rainy months they will be found crowding in cellars, godowns, public buildings or even under bridges and culverts. These persons are not all tramps by any means, the majority indeed being ordinary citizens in every respect but the possession of a roof overhead.

The squalor, the degradation and poverty are rudely conspicuous in industrial towns. Vices of all types and degrees are rampant here. Family life is practically impossible. Everywhere there is striking excess of males over females. In most cities and industrial towns the males outnumber the females by over two to one. In Calcutta the number of families per 1,000 males is only 490; but among immigrants taken alone, there are only 236 families to every 1,000 males. In some of the mines and plantations the disparity is even more glaring. It is estimated that in the coal mines of Bihar there are only two women to every seven men. Such a scarcity of women in cities, mill-towns and mining centres promotes improvidence, reckless living and sexual vices, and indeed the atmosphere in the *bustis* and *chawls* is immoral in the extreme. A Bengal Government report states that among the immigrants from Midnapur out of 300 women mill workers one in three leads the life of a prostitute and among the people born in Hooghly one-third of the families worked in the mills, among whom one in every four professed to be a woman of ill fame.

The problem thus falls naturally into three parts, first, how to rectify the arrears of past caused by years of underbuilding; secondly, how to prevent a recurrence of the evil by systematically planning a regular supply of new dwellings to house the annual increase of population; and, lastly, how to demolish and replan the worn out or unhealthy parts of the city in accordance with modern needs.

The first part of this programme is obviously by far the biggest and most difficult, in fact no country is yet in the proud position of supplying its annual additional housing requirements and of having eliminated its slum areas. We, therefore, regard low-cost housing as the concern of Government, and not of private individuals.

The object of town-planning in a nutshell is the application of the numerous principles of promoting healthy, pleasant and efficient town-life. It is, therefore, too wide and specialized a science to be reduced to some set rules. Houses and towns are as variable as human beings and rules to govern all aspects of town-life would be as impossible as to suggest standard food for all men.

In view of the complexities of the problem each Provincial Government should appoint a Town-Planner whose expert advice may be available to the authorities of small municipalities. In each province a Town Planning Act should be passed, and it may be applied to all towns with populations of 50,000 or more. It is a wrong idea that town-planning must entail extensive demolition and widespread acquisition of property. Much can be done by acquiring only a small area of land in a congested area and utilizing it for widening streets and providing parks and realizing the cost from the betterment values charged from owners of adjoining properties.

Excellenct results have been achieved in this direction in foreign countries. Let us look to Sweden, famous for its well-arranged, clean and prosperous towns. In 1931 a Town Planning Act was passed by which each local authority, even the smallest, was required to prepare a rebuilding and development scheme, and submit it within six months to the Government for approval. In these plans all new buildings had to be designed in relation to the town as a whole, but the city authorities were only given power to order the demolition of any unsatisfactory building when its destruction was necessary to complete the entire comprehensive scheme for rebuilding the whole district.

Co-operative building societies have, in Sweden, been in the van of building movement, and their growth in efficiency and power is one of the most remarkable features in post-war Sweden. They are generously encouraged by the Government, and have since become the most potent and stable force for improving housing conditions in that country.

In Holland between 1921 and 1934, 78,010 new buildings were built, of which 48 per cent. got Government and Municipal help, while in Germany almost during the same period the figure was 1,800,000.

Before leaving the question of housing, it should be helpful to consider briefly the provision of roads. A few good main roads capable of taking a heavy load of traffic should be at least 50 feet wide while narrow roads where only low buildings are erected save in construction and upkeep and also waste of land. The proportion of road-width to building height is of prime importance and 'forty-five degree angle of light' principle seems to be quite scientific. Promenade streets where traffic is expected to be light should be introduced.

We have now come to the end of this short discourse. Within the short compass of an article we have dealt with the various aspects of the problem. We have not entered into details as there is the obvious danger in advocating a set detailed policy for any problem so complicated as town-planning.

The problem of each town requires separate consideration and treatment and should be dealt with exclusively on merits. But the awakening and urgent need has to be felt and tackled if the nation has to be saved from degeneration and decay.

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NOTICE

CONTROL OF CAPITAL ISSUES.

DEFENCE OF INDIA RULE 94-A.

Applications for consent to the issue of capital by companies should be addressed to the Examiner of Capital Issues, Finance Department, Government of India, New Delhi, and should be made in the form of a letter which should include answers to the questions shown below:

NOTE.—The answers should follow the order of these questions and the short title of each question should be quoted against the corresponding answer. The letter (but not enclosures) should be in duplicate.

A.—New business; and further issues for cash by existing companies.

1. *Name.*—Name or proposed name of company.

2. *Incorporation.*—Place of registration of company and of head office; and whether public or private.

3. *Previous applications.*—Give particulars of any application previously made to the Government of India in this connection by or on behalf of the same parties since 17th May, 1943.

4. *Business.*—(a) Proposed business of the company, with particular reference to the issue now proposed.

(b) The place where it is to be carried on.

5. *Directors, etc.*—Give names and business addresses of directors (or in the case of new companies, of promoters and proposed directors, and their experience in businesses of a similar character).

6. *Cash issues—amount.*—Exact amount of shares, debentures and any other security which it is desired to issue at this stage for *cash*, distinguishing between ordinary preference and deferred shares and giving the nominal value and issue price of each.

7. *Cash issues—nature.*—(a) Will the above cash issues be public or private, or if both, to what extent of each kind?

(b) If public, give proposed terms of the issue, *e.g.*, names of underwriters, amount of commission and how payable, issue of prospectuses or circulars etc.

(c) If private, to whom to be issued.

8. *Cash Expenditure.—(a) Objects.*—The exact manner in which the proceeds of the cash issue will be expended, showing the amounts to be allocated to the various items.

(b) *Controls.*—If any of these items involve the purchase of goods subject to any control, give reasons for anticipting that the goods will be available.

(c) *Transport.*—When the objects include the establishment of factories, workshops or other buildings during the war,

(i) quantities (weight or wagon-loads) of construction materials and/or machinery and plant estimated to require rail transport and from what sources;

(ii) estimated quantities of raw materials, including coal, and of finished goods to be moved by rail in a given period, and from and to what places;

(iii) increase or decrease, if any, in rail transport to result from the new enterprise when compared with the present movements of the commodities to be produced and their raw materials.

(d) *Foreign purchases.*—State separately the amount (approximately) of the materials or plant to be purchased out of the proceeds of the issue which are to be obtained from sources elsewhere than in India; and if the actual business of the concern will involve the purchase of imports, give particulars.

(e) Purchase of existing concerns.—If the assets of an existing concern are to be acquired otherwise than as dealt with under head B below, give name of concern, particulars of purchase price of assets and method of valuation adopted.

9. *Issues not for cash.*—(a) Give details as against question 6 of any securities which are to be issued for a consideration other than cash.

(b) Details of such consideration.

(c) Names of parties.

10. *Government contracts.*—If the company has the assurance of anticipation of securing any contracts or sub-contracts for Government departments, a statement should be furnished giving full particulars, including name of department and grounds for expectation.

11. *Other particulars.*—(a) Any additional facts which you wish to adduce in supprt of your application.

(b) In case of existing companies state date of incorporation and amounts of capital already subscribed and already paid up; and forward copy of latest balance sheet (with certified translation in English, if not in that language).

(c) In case of new companies, send (draft) Memorandum and Articles of Association and draft Prospectus, if prepared.

B.—New companies—conversion of existing businesses into limited companies, where fresh capital is to be raised.

Questions 1 to 11 (a) and 11 (c) above, and the following further questions:—

12. *Present owners.*—Names and addresses of present owners of business, and whether a partnership or an individual or family concern.

13. *Taxation.*—(a) Date on which the existing concern came into existence.

(b) *Pro forma* balance sheet or statement of accounts showing liabilities and assets of the concern;

(c) Value at which the assets are to be taken over by the new company, showing separately such assets as good-will, working capital and land.

C.—New companies—conversion of existing business into limited companies, where fresh capital is not to be raised.

Questions 1, 2, 3, 4, 5, 9, 11 (a), 11 (c), 12 and 13 above and the following further question:—

14. *Small Issues.*—Details (as for question 6) of any small issue of capital to be made, not for the purpose of introducing fresh capital, but for such purposes as those of qualifying directors or of interesting employees.

D.—Existing companies—transactions involving no new money, e.g., capitalization of reserves or profits or issue of shares in exchange for debentures, etc.

Questions 1, 2, 3, 4, 9 (a) and (b) and 11 (a) and (b) above; and in the case of capitalization of profits or reserves, the following further information:—

15. *Reserves and Profits.*—(a) Exact amount (in figures) at the time of application standing to the credit of—

(i) the Reserve Fund,

(ii) the Profit and Loss Account.

(b) Are these amounts arrived at after making proper provision for all tax liabilities; if not, give estimate of such provision.

(c) If any amount for good-will is included as an asset in the balance sheet, and not shown clearly as a separate item, state such amount.

16. *Reasons.*—Reasons for proposed capitalization of reserves or profits.

A. H. LLOYD,
Examiner of Capital Issues.

NOTE.—Cut this notice out and keep by you. If you mislay it, you will probably be allowed to take a copy from one on the files of the nearest Registrar or Assistant Registrar of Companies.

The World Abroad

Cotton Conference at Memphis

(From Our Washington Correspondent)

WASHINGTON, Aug. 9. (By Cable).

THE Presidents of State, regional and national cotton organizations throughout the United States meet next week at Memphis, Tennessee, to launch an intensive drive ever conducted in this country to improve the grade of American cotton. The campaign, sponsored through the Government, will, if successful, not only improve the quality of the current crop as a war-time measure but is intended to enhance the United States' position in post-war cotton export markets.

The cotton leaders of the nation are disappointed that in the current year plantings are only 21,576,000 acres, which is the smallest figure since 1895. Nevertheless, the condition of the crop indicates that the yield per acre will reach a record level of 279.4 lbs. lint cotton per acre. The Department of Agriculture forecasts the season's production at 12,558,000 bales according to indications on August 1, or 84,000 bales above average production over the decade 1932 to 1941.

Raw cotton has long been in surplus position. The present supplies of the U.S.A. cotton approximate 10 million bales. The addition of new crop would bring the season's supply to 22 million compared to the requirements for domestic mills and for exports totalling around 12 million. Under these circumstances, there is little worry regarding the total available supplies but there is much concern over the steadily declining quality of the American growth. It is this factor which has prompted the calling of next week's Memphis meeting. Officials representing all branches of the cotton industry of 15 States are summoned to discussions starting on August 16 by Oscar Johnson, President, National Cotton Council, who has received an appeal from the War Food Administrator, Marvin Jones, who has urged the necessity of obtaining greater percentage of high grade cotton for 1943 crop. Jones has written to Johnson that the "average grade in the last two cotton crops was lowest on record; that the use of lower grades in many cases would not only reduce production but would affect the quality of vital war goods; and that we should do all we can to prevent this. Staple lengths and good variety are important factors in the general problem of quality, but nothing can be done about these things this season. It is possible, however, to do something about grades for this year's crop."

Commenting on Jones' letter, Johnson said: "It is going to take super-human effort to reverse such a trend during the year when labour is short both in the field and at ginning factory, but we are going to make just that sort of effort." In five years preceding 1933 the supply of middling of better grades constituted 37.7 per cent. of the total U.S.A. crop, in the next five years it was 26.7 per cent. and by 1939 it dropped to 17.7 per cent. During 1941 season this classification fell to 13.8 per cent. of the total, next year to 11.6 per cent., and last year to 8.5 per cent., which is the lowest on record.

Mr. Johnson pointed out that the Army depends on cotton crop for 11,000 different products from lint alone not including chemical products of linters, food products of cotton seed oil, and livestock food derived from meal and hulls. He remarked that "the entire industry will wholeheartedly respond immediately to Mr. Jones' requests." The cotton leaders contemplate a threefold programme to meet the situation, firstly, to improve the grade of the present crop, secondly give the growers (producers) greater information on cotton problems and research activities and strengthen the ties between producers and manufacturers—the former will appreciate the need for longer staples of higher qualities— and, thirdly, tell the cotton trade how to profit from recent experiments and conduct further experiments showing how better cotton can be produced and ordinary cotton better utilized.

Meanwhile, the cotton growers are closely watching the European war developments and are already preparing for opening export markets. It is believed possible that once Italy falls the road may be made clear for beginning shipments to both Italy and Switzerland. Since the outbreak of war shipments towards Europe, including Britain, have been small, but it is reported 774 bales as compared with 63,592 bales a year ago were sent to Spain. American exporters opine that Europe's need for cotton will be great in the post-war period. Europe started the war with little cotton and stocks evaporated in most areas. It is reported here that Europe's textile plants have not suffered as heavily from bombings as it was believed earlier. Adequate raw cotton supplies would greatly aid recreating industry in other countries through the efforts of United Nations.

Post-War Planning Section

VII

The State and the Private Sector

WE now come to perhaps the most difficult part of planning—its organizational aspect. Some authority should plan, and when the plan gets accepted by Government some one should ensure that its main structure is not destroyed and that the plan is executed without violence to its integrity. This implies a central planning organization and also a body equipped with the necessary powers to ensure its fulfilment. What would be the powers and limitations of such planning and executive authorities? No central planning can succeed unless it visualizes the whole economy of the country and stretches its authority to every organ of economic activity. If this be so, is planning conceivable or practicable except under socialism? Logically, perhaps, planning leads to socialism; for if the planning authority is to have the ultimate and decisive voice in the question in the quantum of production of various kinds of goods and services, it should also have the power of distributing or allocating the factors of production, labour, materials, capital goods, etc., among the various industries according to the authority's own plan. We are at once faced with a dilemma. We all feel the need for some kind of planning to eliminate poverty and are urged by a burning conviction that a huge communal effort to fashion a poverty-less order is both indispensable and practicable. We are conscious that the community will not hereafter accept any regime which fails to guarantee to them the minimum of essential needs and a steady improvement of standards of living. But when we actually set out to achieve the end, we are faced with (to some at least) the intolerable prospect of full-fledged socialism with all that it implies. If planning of the kind envisaged in the preceding articles cannot be achieved except under socialism, we shall have to accept socialism with all its pitfalls, imperfections and dangers. For let there be no mistake about it; socialism is toltalitarian. It can achieve a large measure of success in the economic sphere; it can provide plenty of essential consumers' goods, if it so wills. It can eliminate poverty. But it has one fatal defect. It is bound to be dictatorial. It is not an accident that Russia is totalitarian like Germany or Italy. We may grant that Bolshevism and Nazism are poles apart in their motivation; but that is not the issue. Both require of the citizens a surrender of their freedom; in some cases even of consumers' freedom to buy the goods they want, but in all cases of the right to employ our labour and capital as we like. Even that perhaps can be conceded to Government, as we actually do in war-time. But what of personal freedom? Even the Webbs, admirers of the Soviet system, say that "any public expression of doubt or even of fear that the plan will not be successful is an act of disloyalty and even of treachery," and punishments are of extreme severity. "The suppression of every expression of dissent and the ruthless use of all possible instruments of propaganda are not accidental accompaniments of a centrally directed system; they are essential parts of it." The truth is that where the State concentrates all economic power in its own hands, there is a confusion of functions and objects. A difference in the economic sphere also becomes an act of treason and treachery. Thus collectivism and freedom become incompatible. In the result the question forces itself on us: Is all this material comfort worth so much sacrifice of personal freedom?

If, therefore, socialism is the only instrument of planning, either we should cheerfully put up with the inevitable loss of freedom or abandon planning. But is there no middle way? The writer firmly believes that there is. We can plan in such a way that we may retain democratic freedom and yet seek to achieve the desired ends. The problem is to ensure *firstly*, that the entire State machinery will remain fully amenable to democratic control, and, *secondly*, that private enterprise will function under defined limits subject to over-all co-ordination by the planning authority. Already in most countries for reasons economic and social an extension of State enterprise is approved and even welcomed. In India private enterprise has failed to develop the key, basic and defence industries and it is clear that their development cannot be put off any longer. Considering their national importance and the dangers of creating vested interests, it is necessary that all basic industries should be controlled by the State. It may not be necessary to own all industries. The defence industries should certainly be owned, but it may be enough for the State to control the key industries (*e.g.*, metals, machine tools, machinery, heavy engineering, heavy chemicals, etc.) and to allow private capital to be invested therein. Government should nationalize all public utility industries at least in regard to the future and exercise control over them.

In this way the ground may be prepared for delimiting broadly the areas to be assigned to State and private enterprise. The growth of monopolies, *e.g.*, cartels and trusts, has everywhere been productive of grave political and social dangers and all the regulations so far attempted have not successfully eliminated these dangers. Hence certain kinds of businesses which, on account of technical or other causes, inevitably lead to monopoly will have to be nationalized. But there will remain a broad field outside these classes of industries which may well be left to private enterprise to own and manage. In this way, in the words of Sir Arthur Salter, something like a selective compromise may be attempted by which the respective fields will be demarcated after

a close examination of the social and economic effects of private and State trading in particular fields of economic activity.

Even under the present system of unplanned capitalism the sphere of State activity has been rapidly extending. Apart from education, sanitation, public health, social insurance and such economic service functions, the State is taking responsibility in the sphere of industrial housing, and in assuring a certain minimum of national welfare. On the other hand, even Russia has had to concede a considerable degree of private activity in the sphere of individual and family production and trade, although subject to severe handicaps and limitations, while in agriculture the New Economic Policy of the early period, and even the present policy, do concede peasant farming. Thus it is not to be understood that in defining the respective areas of private and State enterprise there is anything which is inherently unsound or impracticable.

Let us, therefore, proceed on a pragmatic basis and discuss how the actual plan may be worked out in India. If the goal of doubling the national income in, say, five years is accepted, the planning authority will have to draw a blue print of economic development laying down the targets in respect of each industry and the best methods of attaining the goal. Three broad divisions of industrial activity may be considered in this regard. Industries whose products may be sold at full cost; those the size of whose output must increase for social purposes but which can be sold only below cost; and industries and services where cost considerations do not enter. So far as the last are concerned, they fall entirely within the scope of the public finances of the country. The cost of defence services and industries and of social services like education, sanitation, public health, etc., comes within this category. In respect of other industries, except where the State must own and directly manage industries on grounds of social policy, the planning authority will leave the output to be produced by private enterprise by a system of tender. If the total expected output falls below the target fixed in that industry, two courses will be open. The authority will itself arrange for the starting of a public trading company to undertake the production which will enjoy only the same facilities as private enterprise, or actively plan for increased output by allocating more capital and equipment for the industry. In the case of industries and services whose output must be sold below cost, the planning authority will have to subsidize production. Here again, it should be open to the authority to establish a State corporation which will compete with other businesses on equal terms. Private enterprise will be equally eligible for subsidy. The crux of the problem may be clearly stated. The actual distribution of factors of production between the various industries and services may not be in line with that required to secure the planned output in those industries and services. It will, therefore, become the duty of the planning authority to shift the factors of producion in such a way that the production targets may be reached. In other words, it means that the planners will have control over the distribution of capital, materials and in the last resort of even labour. But this control being exercisable only at the margin may not be required except to bring about the necessary adjustment.

Even extreme individualists must reckon with the continuance of economic controls of several kinds in the post-war period. The control over capital, internal and external, and of investment, within and abroad, is inevitable and has to be accepted. If this control is conceded, it is only a logical corollary to allow that priorities will have to be fixed in allocating the available capital among various industries. Under the new planned economy the role of the capitalist entrepreneur will be different from what it was in the past. Since investment will be publicly controlled, the capitalist will tend to lose some of his entrepreneurial functions and become more and more a rentier.

But there is no reason to think that in the planned economy of the future the initiative and enterprise of the people should be curbed. The provision of research may be expected to be on a liberal scale both in the public sector and in the private sector. There should be nothing in the plan to obstruct the investment of capital in new or risky enterprises, if people are prepared to come forward to invest.

It may be argued that the execution of the plan envisaged here is likely to become most inefficient and ineffective because in effect the capitalist will have ceased to be an entrepreneur and the State will remain the only entrepreneur and further that it may have the disadvantages of both socialism and private capitalism. To such criticism the only answer is that we have no choice in the matter. Private capitalism has failed to meet the needs of the community and in spite of all administrative inefficiency, planned economy will make possible a much greater rate of economic progress, because it could provide for a far more rapid rate of capital formation than could be possible under private capitalism. On the other hand, mere State socialism—unless it takes very special care to encourage democratic institutions and democratic processes to the fullest extent—will convert the community into an automaton, curb its freedom and make the State a totalitarian monster. We must, therefore, provide for that kind of democratic planning in which all productive activity may subserve social ends, in which there will be no coercion and propaganda and in which the activities and decisions of the individual citizen may be reconciled with the fundamental needs of the community. The task is, of course, beset with difficulties, but there is no alternative to it.

[*With this article concludes the present series on some of the principles of post-war planning. The articles will soon be available in the form of a pamphlet.—Ed.*]

FROM THE PROVINCIAL ANGLE

Madras Letter

PROBLEMS OF THE RUBBER INDUSTRY—ANNUAL MEETING OF THE U.P.A.S.I.—SANCTIONS AGAINST SOUTH AFRICA—S.I.C.C. URGES PROMPT AND DRASTIC STEPS.

(From Our Correspondent)

MADRAS, Aug. 7.

MR. J. E. PITCAIRN, Chairman of the Rubber Products Section of the United Planters' Association of South India dwelt on the problems facing the rubber industry at the annual meeting of the section held last week-end. He referred to the request of the South Indian planter for parity in rubber prices with Ceylon and conceded by the Government of India in December last by raising the price to Rs. 77-10 per 100 lbs. of rubber. This has, however, been granted to the Ceylon planter eight months earlier and Mr. Pitcairn estimated the loss to the South Indian planter on this account at Rs. 20 lakhs. On the question of increasing rubber output and the feasibility of carrying out the recommendations of the Fellows Mission which visited this country last year, he announced that the compensation proposed to be paid by the Government for "slaughtered" areas would be upwards of £45 per acre. Mr. Pitcairn regretted the official delays in evolving a scheme to step up rubber production, though several months have elapsed since the Fellows Mission left India. Unwanted stocks of rubber were held in the country which the manufacturers could not handle because they were told it was a special committee sitting in Washington that decided what India might retain and when any quantity should be released for shipment. Regarding the competition from synthetic rubber in the post-war period, he said that it was likely that world demand would absorb as much synthetic rubber and natural rubber as could be produced, at least for some years after the war. One difficulty which the industry is keenly feeling is the inadequate supply of copper sulphate necessary for spraying. The industry is forced to depend on the available stocks manufactured in this country. Therefore the distribution of this chemical on a quota basis as between the war industries and civilian consumers would be necessary.

Ban on Advances Against Commodities

The powers taken by the Government of India under the Defence of India Rules to control the advances by banks against commodities and bullion have already come in for sharp criticism in banking and commercial circles as an unwarranted infringement in the course of normal trading. A few days ago, the Associated Body of Nidhis representing the various Nidhis and Benefit Societies run in the City and in the Province sent a memorandum to the Government of India stating that the institutions represented would have to wind up their business if the new power is invoked. The organization asked for an exemption of the Nidhis and Funds from the scope of the new rule. From a *prima facie* reading of the Reserve Bank's circular to the banks, it does not seem to be the intention of the Government to interfere with the course of normal trade. These powers have been taken as part of the measures designed to control speculation, which easy money conditions now prevailing have actively stimulated. It cannot be denied that in recent months a large body of interlopers have invaded business lines, in which they had no previous knowledge, merely to exploit the bullish market. It seems to be the intention of the Government to check only the activities of these exploiters and that they have no desire to bring any pressure on the facilities that were available to the mercantile community by bank credit. But in commercial circles it is described as the thin end of the wedge and much would depend on the application of the rules. One thing is certainly clear and that is the Government have no desire to intervene in the advance made by the Nidhis and Funds against jewellery to their constituents and these institutions seem to be needlessly apprehensive of the new powers taken by the Government of India.

Army's Contribution to the Food Drive

The *Eastern Economist*, writing under the caption "The Food Conference and After," last month wrote *inter alia* as follows: "The army in India should also make their due contribution to our food drive. This would not be difficult considering that the bulk of the Indian troops come from the cultivating class." The military authorities seem to be already moving in the direction indicated, though confined to the growing of vegetables at present, as can be seen from the observations made by Lt. Gen. Sir Noel Beresford-Peirse, Commander of the Southern Army, at a luncheon party given by the Madras Provincial Committee of the All-India Newspaper Editors' Conference. The General explained how the army was helping to relieve the food situation. The Southern Army had 4,000 acres under cultivation for potatoes and other vegetables and this was being expanded to 9,000 acres. The output of fresh vegetables daily was 70,000 lbs. and potatoes 2,000 tons per month. 21,000 acres in the Nilgiris were now under potato cultivation as against 14,000 acres when the war broke out. As there has been a good deal of criticism regarding the army appearing in the open market for its requirements, much to the detriment and distress of the civil population, an extract from a Press Note issued by the army authorities would be found interesting: "Firm action has been taken to ensure that the army does not appear in the open market as a competitor to the ordinary civilian. To give a local example, every service unit, big or small, in Madras area, has been given strict instructions to ensure that masses and contractors when making their purchases of live-stock, fresh meat, fresh vegetables and firewood do not exceed the prevailing market prices, in other words, those fixed by the civilian authorities. Units are furnished with lists of current prices as amended from time to time by the local authorities and even if it means going short of certain commodities, under no circumstances, are these prices to be exceeded."

Sanctions Against South Africa

The consensus of opinion in the country seems to favour the enforcement of economic sanctions against South Africa in retaliation of the "Pegging" Act. India being in a strong position in this regard, the Andhra Chamber of Commerce in the course of a communication to the Government of India urges the Government to prohibit all exports and imports between India and South Africa, if necessary by an Ordinance of the Governor-General-in-Council, in the first instance. Any dilatory action, the Chamber points out, will enable the South African Government to accumulate resources beforehand for which they have to depend entirely upon India. Any the least hesitation to take prompt and drastic steps will expose the Government to public criticism and the Chamber trusts that the Government will maintain its attitude which has enabled it to rise equal to the occasion.

Bombay Letter

CLOTH AND YARN MARKETS—OUTLOOK GLOOMY AND UNCERTAIN—BULLION PRICES REMAIN STEADY—PROBLEMS OF INSURANCE.

(From Our Correspondent)

BOMBAY, Aug. 7.

THE cloth and the yarn markets have maintained steady till late in the week on the belief that Government would at the last moment extend the time-limit for the disposal of stocks laid down under the Cotton Cloth and Yarn (Control) Order. All doubts about this were set at rest by Mr. Hydari who announced in the Assembly that the Government would give no extension, and intended to take over the unsold stocks on October 31, from the dealers. Mr. Hydari did not mention at what prices Government will take over stocks and the manner in which these stocks would be disposed of. It is now certain that the Government of India are determined to pursue the policy already laid down and the realization of this brought about an easy tendency in the cloth market. The Government of Bombay have decided to license all dealers in cloth and yarn on and from October 15, the idea being to exercise effective check over them. The outlook both in the cotton piecegoods as well as in the yarn markets is gloomy and uncertain. It has been suggested by the All-India Cloth Dealers' Association that if the Government had fixed rates of various styles of cloth and yarn, it would have served the purpose of bringing down rates and it would have saved the demoralization that has now followed the present stringent measures. It is doubtful whether mere fixing of the rates would have been enough as the aim of the Government was to get the cloth distributed, rather than merely fix "ceilings" which would have been good only on paper.

Cloth Prices

It is further notified that declaration of stocks under Clause 16 of the Cotton Cloth and Yarn (Control) Order has been amplified so as to include compulsory declaration of stocks by every person including banks and others with whom stocks may have been pledged, in addition to manufacturers and dealers, by August 15. Prices at the end of the week eased. Leopard cloth 43 inches by 38 yards, good mills, have been offered at Rs. 2-5|2-6 per lb. These in 35 inches and upwards could barely fetch Rs. 2-2|2-4 per lb. Sheetings in 35 inches by 30 yards, Rs. 9-10 lbs., have declined to Rs. 2-5|2-6 a pound. Dhootys 50 inches by 2-8 yards (60 by 80s counts) are obtainable at Rs. 8.

Bullion Prices

The Bullion market remained steady for the greater part of the week, with gold quoting about Rs. 75 and silver about Rs. 112. It was notified on the 5th instant that the Government of India had modified the definition of a Forward Contract in bullion so as to include any contract for delivery for more than four days from the date of the contract. In other words, only contracts for spot will be legal, the spot meaning delivery within four days. On the spur of the moment, "bears" sold, but they very soon realized that in a market with floating stocks so small, their time for covering was limited and in the frantic effort to cover, gold rose from Rs. 72-12 to Rs. 75-12 and silver from Rs. 105-8 to Rs. 110-4. The remarkable strength in the bullion market is fundamentally due to the shortage of stocks of metals. Floating stocks of gold which used to be in the vicinity of 200,000 tolas in recent weeks are reported to have declined to 30,000|40,000 tolas and thus there is little chance for "bears" to make effective delivery against their sales. The same thing is true more or less of the silver position. The strength of the statistical position is borne out by the premium for ready metals. The latest quotations are Ready gold Rs. 72-4 and Ready silver Rs. 107.

Finance Member's Threat

The Finance Member gave a threat to the bullion market yesterday in the Assembly, stating that, if necessary, he was quite prepared to make use of the powers taken over by the Government with regard to prohibition of loans against bullion. On this threat the market declined somewhat, but one wonders whether there would be a substantial decline even if this threat was carried, owing to the inherent bullish technical position that is there. The Board of the Bombay Bullion Exchange has stopped enrolling new members to carry out the spirit and the purpose of the Government Ordinance to prevent speculation. Membership of the Bombay Bullion Exchange would generally mean qualification for getting loans from banks against bullion and in order to avoid any newcomer being qualified to receive such loans, enrolment of new members is stopped and likely to remain till some time after the war. A London message states that the Metal Exchange Chairman stated that it was unanimously agreed that the time had come to take whatever preparations possible for the resumption of business after the war. He pointed out that Mr. Churchill forecasted that controls would not be removable as quickly as in 1919, but would need a transition period of probably four years during which controls would be removed gradually. As de-control could come only by Government action, the Metal Exchange has joined the new British Federation of Commodity and Allied Trade Associations to present the commodity markets' case jointly. Overhauling of contract forms is undertaken and a comprehensive survey is being made of the marketing system for a publicity campaign.

Downward Trend in Cotton Prices

The cotton market continued on its downward march. New crop Sind N.T. has been sold at Rs. 600 which is exactly Rs. 125 per candy below the maximum rate recommended by the Government of India to the mills to pay. A similar fall of Rs. 125 to Rs. 170 is seen in all Indian varieties of cotton. Under normal conditions, such a severe fall as at present would have brought about either investment buying by merchants or mill buying, but these sources of demand have been dried up: the merchants because they have no hedge facilities, and the mills because of the debacle in cloth market and secondly, because of the effects of Government method of fixing prices of "standard cloth" and cloth for war orders. These together aggregate about 65 per cent. of the cloth produced by mills. Prices for every quarter are fixed at rates prevailing a week before the commencement of the quarter so that all buying centres round two or three weeks. This means fitful demand for cotton. For example, mills are unable to buy for the quarter November|January, whatever may be the amount of fall now, because if the prices at the end of October are lower, they would stand to lose. Further, they would have to incur carrying charges from now on till October.

Mill Consumption of Indian Cotton

Consumption of Indian cotton by mills in India for May is returned at 368,255 bales as against 373,144 bales in April. The total for the nine months ending

May is 3,142,957 bales which compares favourably with 3,011,017 bales in the corresponding period of the previous year. The consumption thus promises to reach a record of over 4 million bales from a crop officially estimated at 4.5 million bales with exports estimated at 3 lakhs bales. Thus the reduction in the cotton crop has brought about a balance in the cotton position. The cotton statistical position, except for a bigger carryover as a result of war years, is fairly sound. The bigger carryover contains mostly short stapled cotton.

Stock Exchange And Money Market

The money market continues to be easy and there is no fresh development. The inter-bank call money is quoting 1|4 per cent per annum and the rate for 3 to 6 months deposits continues to be quoted at 3|4 per cent. to 1 per cent per annum. The gilt-edge securities continue to be firm. On the Stock Exchange the spurt in prices noted at the close of last week has been well-maintained. But there has been intermittent profit-taking at every rise. The fact however is that all sales of a profit-taking character are easily absorbed and that prices of the majority of scrips quoted on the Exchange are a little higher indicating thereby that the market is tending to stabilize at these levels at least for some time to come. The market now needs a fresh incentive to move either way. A notable point is the continuance of investment inquiries for equities. These, although on a small scale, are of a highly selective nature. Individual scrips are moving solely on their own intrinsic merits and not due to any general buying fervour. One view is that good opportunity to invest in sound mills and steel shares will come as the anti-inflationary measures take their course. The other view is that with too much redundant money coming out from the commodity markets, there is bound to be more investment in first class industrial scrips; and that the prices of these will be maintained as investors will be guided not so much by the current yield as the safety against depreciation even after the war is over.

Problems of Insurance

Certain problems of Insurance were dealt with by Mr. J. C. Setalvad, on the occasion of the 15th Annual General Meeting of the Indian Insurance Companies Association which was held this week. Of the various problems raised by him, particular attention should be drawn to his plea to the Government of India to allow, for the purpose of taxation, amounts transferred to additional reserves as "expenditure incurred solely for the purpose of earning the profits of business." As he himself observed, this used to be the position before the Income Tax Act was amended in 1938. The relevant section of the new Act does not provide for this and this has been pointed out repeatedly to the authorities. The Government's view is that such a provision is unnecessary as transfer to reserve for unexpired risks and for exceptional losses is a normal disbursement. But this does not seem to be the view of the Income Tax Department which, we are told, has begun to question the allowance of amounts transferred to "additional reserves," as "expenditure incurred solely for the purpose of earning the profits of business." This question assumes great significance not because general insurance will continue to be, as has always been, of a speculative nature, but because more and more Indian Insurance Companies have been taking to general insurance business including those which formerly were content to confine themselves to life assurance. It is very necessary that Indian general insurance business should be able to build up reserves. Some British Companies have more than 200 per cent. of additional reserves to the premium income of the year, which fact not only inspires confidence in the prospective insured, but also imparts to insurers the strength required to meet even exceptional claims, if need be, without disturbing the structure of public credit. Mr. Setalvad recognizes that the Government cannot allow as expenditure for income-tax purposes, additional reserves to an indefinite extent. He, therefore, proposes "ceilings" in respect of each class of general insurance business, *e.g.*, he suggests that when the additional reserve fund reaches, say 100 per cent. of the year's premium income, the Government may waive the allowance in the case of fire and accident insurance, while this figure may reach 150 per cent. in respect of marine business.

Expansion Of Indian Banks

During the last few weeks, new Indian Banks have opened and begun working. In the city the United Commercial Bank opened a branch in the Fort and another branch in the heart of the business locality. At Sholapur the Dena Bank opened a branch. This expansion of Indian banking is a sign of the changing times. Several other banks are expanding their activities. It is to be hoped that profiting by the sad experiences of the Indian banks over a generation ago they will build up on sound lines so as to take a proper and worthy share of the financing of foreign trade long monopolized by foreign institutions. These gave easy facilities naturally to foreigners and left internal banking undeveloped as well as neglected to support and promote industries. Will the newcomers grow strong enough to supply the gap in our economic structure?

Bengal Letter

FOOD CENSUS IN THE CITY—EXCESSIVE STOCKS LOCATED—RELIEF SCHEMES FOR THE DISTRESSED —PROBLEMS OF THE JUTE INDUSTRY.

(From Our Correspondent)

CALCUTTA, Aug. 8.

CALCUTTA'S food census, announced on Wednesday has gone off very well in the week-end. The count of food stocks may be the prelude either to rationing or fixation of prices or just an episode in the Civil Supplies Department's career. Volunteers were drawn to help the police and the Government servants numbering 2,800 to inspect food stocks. The Bengal Chamber instructed its members to help in the census so that the large employers' stocks could be ascertained. The results should be revealing, but the Central Assembly will have debated the Bengal food problem by then and the figures can only be forwarded to indicate how far General Wood's estimate of May departed from accuracy. Most encouraging news to hand is that a number of unlicensed hoards have been detected by the police. Pending investigation, they have been seized. In shops and houses too excessive stocks have been located, and they have been frozen. The Government declared a holiday in order to get the census over by Sunday. Jails and hospitals were exempt. But the census, apart from giving information about the 250,000 family stocks, will have helped in getting information as to what must be imported from the surplus provinces which have returned to control this month. The reports of scarcity and soaring prices in the mofussil indicate that Calcutta cannot count on large imports, and requisitioned stocks may be diverted

in spite of the high priority assumed for local industries. About 800,000 labourers reap the benefits of the employers' supply plans and 50,000 workers get the benefit of similar plans.

Teachers' Grievances

Food, of course, is one of the grievances of teachers. There was a big meeting on Sunday last with Mr. Wordsworth presiding. Teachers in all schools claim that they must receive the benefits in regard to dearness allowance and food at controlled prices available to employees of Government. The Sargeant Committee's recommendation of a national minimum for teachers in India was recalled by Mr. Wordsworth when he pleaded that the status of the teacher must be defined. The resolutions adopted last Sunday dwelt on the hardships of an underpaid profession and asked for subventions so that colleges and schools could carry on. The fact that India needs more education, and can pay for it, at least in the interest of developing her resources was mentioned by Mr. Wordsworth. More money for education is demanded also by the post-war planning enthusiasts. The stagnation of education in India in wartime pains Dr. S. P. Mookerjee who mentioned that a food supply scheme for helping 1,000 families of teachers was drawn up for Calcutta and suburbs by an organization. Mr. Justice Biswas expressed doubt as to private effort and urged that Government must come forward to help the profession.

Relief Schemes for the Distressed

Dr. B. C. Roy, who heads with Sir Badridas Goenka and Dr. S. P. Mookerjee, the new Bengal Relief Committee is turning to public nutrition readily. The Committee described in an appeal to the public the prevailing distress and the destruction of cattle wealth by the contractors selling beef or other meat for the Army. The immediate objects of the Committee are opening of free kitchens, the establishment of canteens to sell food at low prices and the supply of food at concession prices. The Government has assured the supply of sufficient quantities of rice and atta at reduced rates so that the scheme outlined by the Committee could be put into effect. Donations and volunteers have been asked for by the Committee of which Mr. Bhagirath Kanoria is Secretary and Treasurer. The Marwari Relief Society has raised funds, and business men have given donations, but Government's duty to help voluntary organizations is not overlooked. The opening of free kitchens to give gruel is not limited to the city. The Marwari Relief Society intends to open shops to sell rice at Rs. 15 per maund and atta at Rs. 16-8 per maund to families with a monthly income of Rs. 20 or less. Seven shops are to be set up in different wards of the city. The Minister opened a two-anna canteen and three relief kitchens have been opened by the Calcutta Relief Committee. The women's food committee concentrates on the feeding of destitute children. The distribution of clothes has also been undertaken. The Calcutta Muslim League has opened a kitchen where 1,000 people are fed once a day and the Sadharan Brahmo Samaj has organized a free kitchen on its own to serve 70 persons a day.

Problems of the Jute Industry

The jute industry here will start work from Monday. The decision announced on Friday evening followed much speculation as to the coal supply. The decision has not caused excitement in the share market or elsewhere because it is known that some mills have scanty stocks of coal and may find it hard to keep up full production. The Jute Mills' Association may be inclined to cut the working week to 40 hours if the coal supply position does not improve. This may be good for the hessian market which is slowly recovering but is full of adverse implications for the jute-growers. Interest in the new crop (repeatedly damaged by heavy rain in East Bengal) is at a minimum and raw jute prices (even of export grades) have been falling. The indications are not favourable, apart from the mills' holiday, since the mills have fairish stocks (higher than in June in respect of both jute and hessian) at present. The argument that rice is dear and jute too must be dear has been heard again of late and the Bengal Government has not indicated its views in the matter. The mills, of course, are strongly placed and parity with Calcutta prices in distant markets may be established sooner than imagined. The enforcement of control is not discussed because the Central Government has not revealed its intentions. A capable controller acceptable to the industry may not be found easily and the main problem forced in the case of cotton mills by flagrant profiteering and speculation is absent. The problem of reconciling the consumer's interests with that of the mills is hardly acute, and the mills in laying down price schedules have indicated the maxima for raw jute. Much depends on the final forecast (due in September) and improved export trade prospects may have little bearing on the main question of adjusting jute prices. Pleas for high prices recur but mills have developed a measure of reserve and it is hoped that the Central Jute Committee will examine the conditions of the jute trade at its next meeting.

Jute Shares

The jute share market of late has been weaker than expected and the loss of earnings for 2 weeks is expected to lower dividends for the current half-year. One of the steadiest shares has been Birla Jute which announced a dividend of Re. 1-4 for the half-year ended March, 1943. The Company issued bonus shares six months ago in lieu of the usual payment and the maintenance of the dividend after the increase in issued capital has been well received. A yield of over 6 per cent. on the 10-rupee ordinary shares certainly makes for confidence among local investors who are aware that the 7½ per cent. preference shares would attract far more attention if they were not liable to tax. Quoted at 136 at present they indicate that prior charges have certainly appreciated with the cheapening of money.

Promotion of Sericulture

Silk is a controlled industry and the Bengal Government disposes of the raw silk which feeds 3 factories of which two are given over wholly to the manufacture of parachute cloth. The cessation of raw silk imports from the Far East and of rayon yarn since 1941 has been met by the introduction of control. Over 10,000 workers, it is assumed, are employed in the local silk industry apart from the cottage workers in the mofussil and the Bengal Government apart from previous help in the setting up of a Raw Silk Conditioning House in Howrah has improved reeling by the import of Italian appliances for the Murshidabad silk industry. The Government of India before the Tariff Board reported in 1940 assigned special grants for sericulture and this branch of the silk industry has made continuous progress in Bengal. Major factor has been the lift in silk prices from 1940 and locally sericulture has been promoted by the special provision in the Industries Department's budget every year. In 1941-42 it was reported that 9,538 acres were under mulberry cultivation in Bengal. Malda was the chief producer

and improved cultivation methods were in vogue there while new plantations were developed in Bogra and Rajshahi. The Industries Department concentrated on seed supply. It has its own seed farms and 7 nurseries devoted to the securing of a better yield of cocoons. The Department gives subsidies for rearers and examines the seed especially in Malda where 73 per cent. of the rearers' output is sold as seed. The value of cocoons sold in that district was 19.39 lakhs and selected rearers today outnumber those using ordinary seed. Four different races of silkworm are noticed in Bengal which hopes for hardy hybrids and investigation into disease is part of the development plans. At Berhampore the weaving school helps local weavers and the Calcutta University helps sericultural research in various ways.

Punjab Letter

DEVELOPMENTS IN THE CLOTH MARKET—WAYS AND MEANS TO ESCAPE CONTROL—SURPLUS RICE AND BAN ON EXPORTS.

(From A Correspondent)

LAHORE, Aug. 6.

INTERESTING developments have taken place in the cloth market in the last fortnight. Panicky dealers announced reduction of 30 to 40 per cent. in the prices of cotton cloth and appointed a large number of hawkers and opened hundreds of depots in different parts of the big cities to dispose of their stocks. While formerly the sellers used to ask the buyers either to buy the cloth offered or to leave their shops, now they had to woo the consumers. The buyers in the beginning rushed to the market to take advantage of the falling prices but for the last ten or twelve days the tendency seems to be to postpone buying to a future date, particularly in October by which month, it is hoped, a further fall in prices will be recorded. The stocks, that have poured in, have almost glutted the market. The existence of large hoards in the hands of dealers has now been proved. Of course the shopkeepers have still, with their usual ingenuity, invented ways and means to circumvent the Control Order. Having failed to get extension of the final date of sale beyond July 31, the big dealers in Amritsar and Lahore have tried to export to the neighbouring states. Cases have come to light where the railway receipts for the consignments, the delivery of which had not been taken so far, were handed over to the exporters on a substantial margin of profit. The opinion is strongly held here that such a step has been deliberately taken to escape the legal implications of the contracts and the clutches of the law. Moreover, the dealers have been helped by the fact that the quality of cloth and yarn which the exporter buys will not be known at all as the figures of export will not be made available during the period of the war. The machinery of the Government has, however, moved very slowly in the matter. Six days have elapsed since the final date for the declaration of the stocks with the dealers and yet the Government has failed to devise plans for the purpose or to take action as guided by the declarations filed by the dealers or producers. This failure on the part of the authorities has led certain shopkeepers to create an underground market where unsold cloth and yarn are being conserved with a view to selling them, later on, at higher prices, which they think will be fixed by the Government in the near future under the Control Order. They say that they can easily wait without losing anything because they made their purchases at practically pre-war prices. Fearing that the prices which the Government will fix will be much lower certain factories at Amritsar and Lahore have closed resulting in the unemployment of a large number of labourers.

Hosiery Products

The producers of hosiery, till very late, were self-complacent thinking that their production did not fall within the ambit of the Control Order and for that reason they could easily sit tight over their sales. The Textile Commissioner, however, when approached very recently to clarify the position, by the Punjab Beopar Mandal, explained that cotton socks, banians, vests, dusters, handkerchiefs, and sweaters—all were covered by the Cotton Cloth and Yarn Control Order. He further informed the Mandal that the question of marking of these products was under the consideration of the Government. But if grey coarse cloth was conserved for the process of bleaching, etc., that was exempted from the clauses of the Order. Whereas this interpretation has produced a kind of panic amongst the hosiery producers and the general merchants now at Jullundur, Ludhiana, Amritsar, Lahore, Sialkot and Rawalpindi, the exemption clause has given the producers an excuse to declare that much of their stock is yet to be bleached.

Khadi and Control

Complaints have been made by the Khadi producers in the province to the authorities to the effect that the Cloth Order was ambiguous with regard to their products. They express the fear that the Government is not clear about the position of thread at least and the steps that are to be taken for the marking of their products. The position of handlooms under the Order, as explained by the Textile Commissioner to the Government of India in a recent *communiqué*, has not been well understood by the khadi dealers or small-scale producers and particularly by the cottage industrialists in villages and small towns.

Surplus Rice And Ban on Exports

At a recent meeting of the rice merchants of the province held in Sheikhupura under the auspices of the Punjab Rice Merchants' Association a number of resolutions were passed. One resolution protested against the ban imposed by the Punjab Government on the export of rice from the province "even though there was a large stock of about 22 lakhs of maunds of rice of all qualities, including 15 lakhs of maunds of rice of superior quality and a large exportable surplus." The Punjab Government at once moved in the matter and agreed to release a further 12,500 tons of rice for purchases by the Central Government. It was also declared that "as the surplus in hand consists mainly of superior qualities it is the intention of the Government to continue purchases to such quantities, so as not to disorganize the rice position as far as domestic consumption is concerned." But the dealers' point of view in the matter is that about 6 lakhs of maunds of superior quality are quite sufficient for home consumption and "carry over" and the rest is easily available for export. The next crop, they say, is expected to be a bumper one. Though their move is to force the hands of the Punjab Government to allow the export of their huge accumulated stocks hoarded at important rice markets like Sheikhupura, Narang Mandi, Churkana, Hafizabad, Akalgarh, Karachi, Gujranwala, Dina Nagar, Amritsar, Lahore and Jullundur, and to force the prices to go up, yet this can very well help the deficit areas in the country. The Punjabis are not much fond of rice and the military demand is not very heavy. A big surplus can be requisitioned from this province by the Central Government.

Cattle Slaughter

The Civic Defence Society, at a recent meeting held in Lahore, expressed its grave concern at the report that a large number of prime cattle was being slaughtered to feed the Army. The Government was urged to stop this at least on economic grounds, particularly in the interests of agriculture. The Society deplored that the recommendation of the Food Advisory Board putting certain restrictions on the slaughter of particular kinds of cattle had not been carried out. Strong resentment is being expressed by the villagers at various kisan meetings to this effect. It is pleaded that the "grow more food campaign" was already becoming a farce because of the lack of supply of good ploughs (and other machinery), good seeds and manuring. And if now the prime cattle were taken away the cultivators would be without the dynamic force which actuates them to work.

Sind Letter

REVISION OF LAND REVENUE ASSESSMENT—HIS EXCELLENCY'S DEFENCE—NO DROP IN RETAIL PRICES OF CLOTH—LABOUR ADVISER ON ACTIVITIES OF THE GOVERNMENT.

(From Our Correspondent)

KARACHI, Aug. 5.

AS indicated in a previous despatch by me, the Governor of Sind has come forward to give effect, on his own responsibility, to the conclusions of the Government in regard to the revision of land revenue assessment in the province. This action has been taken in supersession of the advice of the Council of Ministers and in exercise of his individual judgment under Section 52 of the Government of India Act. The present revision covers the whole Province, excluding Karachi district and certain riverian and *barrani* areas. The main features of the new rates of assessment are (1) the extension of the sliding scale of assessment, which is at present applicable only to cotton in the barrage area, to cotton in the non-barrage area also, and to wheat and rice in both the barrage and non-barrage areas except for *kacha* land; and (2) provisions for the introduction, during the currency of the revised settlement, of soil classification based on soil texture in the barrage area. The revised rates are based on the principle of charging 33-1|3 per cent. of the net income of the zamindar from land after deducting all reasonable expenses of cultivation. These allowances for expenses of cultivation apply at datum point prices. With the rise or fall in prices, they will rise and fall automatically with the application of the formula by which sliding scale rates of assessment are calculated.

New Rates of Assessment

In justification of the action taken by the Governor, His Excellency thinks that "they (Ministers) pay too much regard to the actual amount of the immediate increase in assessment, and too little regard to the possible continuation of the inflation of prices, which may leave the State in the position of collecting only a fraction of the net assets, which is the State's due." He states: "At the present moment, owing to the increased prices of agricultural produce brought about by the war, Sind has a heaven-sent opportunity of building up her financial resources, in a way that will enable her to wipe out for ever some of these blots on her scutcheon," and adds: "The automatic application of sliding scales without limit will, if high prices for agricultural produce continue to prevail over the next few years, enable Government, after the credit of a reasonable proportion of the increased revenues, to some sort of a Revenue Equalization Fund, to embark on a progressive policy for the development of the Province, and for the expansion of those activities which are usually designated as nation-building. If, in order that a comparatively small number of rich zamindars may become richer still, this opportunity is allowed to go by, Sind will continue to be tied to low standards of administration, and to a low standard of education and subsistence for its poorer population."

Capitalization of Family Pensions

The Karachi Indian Merchants' Association have sent a communication to the Secretary, Finance Department, Government of India, protesting against the move to capitalize family pensions and provident funds out of India's accumulated sterling balances in England. They point out that such fund is derogatory to India and her credit, inasmuch as it savours of distrust of India's *bona fides* and ability to meet her obligations. "It will be a slight to national honour, which the country has reason to resent." The Committee further urge that capitalization of sterling balances for the purpose of meeting pensionary obligations is unnecessary and uncalled for, and insist that the proposal be dropped. In this connection, the Association also suggest that India's sterling assets be utilized to liquidate India's liabilities in the shape of foreign investments. The Association further point out that in the absence of gold standard, it is very necessary in the interests of India and for the safeguarding of the value of her sterling resources, to link them to price index, so that when sterling depreciates, India's balances might not be dissipated.

Cloth and Yarn Control

The opinion that the Government of India were not prepared to grant any extension of time after October 31 for disposal of stocks of cotton dealers was expressed by Mr. H. M. Patel, I.C.S., Deputy Secretary to Commerce Department, Government of India, in the course of a reply to the local mercantile community last week. He, however, added that individual cases of genuine hardship might be represented to the Textile Commissioners who, he hoped, would, no doubt, consider each case on its merits, and grant a reasonable extension, if such was deemed necessary. He added that the Order in question was brought into force because there was acute cloth famine in the country. He asked the dealers to give the figures of their stocks and bring down the prices, and added that the Government had all along proceeded on the assumption that there were inadequate stocks in the country. Referring to the point that the retailers had not co-operated with the wholesalers and that the retail prices had not gone down, Mr. Patel said it was in the hands of the wholesalers to deal with the retailers properly with a view to bringing down the prices, for the retailers depended upon wholesalers, and they were also required under the Order to dispose of their stocks before October 31, 1943. Regarding the apprehension by the traders of hardship at the hands of officials in connection with the

execution of the order, the official spokesman referred to a clause in the Order stating that such prosecutions were allowable only with the permission of the Provincial Government, and that this was a sufficient check against undue harassment of the public.

Retail Prices of Cloth

In this connection inquiries reveal that the retail prices of cloth in Karachi market have not dropped to any appreciable extent in keeping with the fall of prices in the wholesale markets in Bombay and Ahmedabad. It is said that for a few days, immediately in the wake of the promulgation of the Textile Control Order, retail prices were easier. A popular variety of voiles which had sky-rocketed to Rs. 5 per yard, from its pre-war price of 8 annas, came down to Rs .1-2 a yard. But the easy tone quickly disappeared and the same variety of cloth is now sold in the retail market at Rs. 2 per yard. In order to secure quick disposal of stocks, wholesalers themselves have just now started selling cloth in units of one piece or half piece, that is 20 or 40 yards, rather than bales. In the meantime, the Provincial Government have issued orders that supplies of standard cloth would hereafter be made available to all without the production of house rent receipts or charcoal ration cards. This is taken as an indication of dimunition in the demand for standard cloth, in view of the greater abundance of cloth of finer quality and variety available in the market as a result of the Cloth Control Order.

Labour Welfare

Mr. R. S. Nimbkar, Labour Adviser to the Government of India, visited Karachi last week in connection with a dispute in regard to Karachi Port Trust Labour Union. Incidentally, he had an opportunity of meeting various employers of labour, on whom he impressed the necessity, not only for humanitarian considerations but for the very foundation of the economic prosperity of the capitalist classes, of improving the lot of workers. He expressed the opinion that "Karachi might be a paradise for the wealthy, probably, tolerable and even good for the middle classes, but horrible and intolerable for the poor, voiceless working classes." He had met, he said, women in tattered clothes, and they told him that they could stitch their torn clothes, but asked how, in the absence of grain supply, they could stitch their stomachs! The cry of food he had heard everywhere. In another connection, Mr. Nimbkar explained the various labour welfare activities which had been initiated by the Government of India and hoped that private employers of labour would emulate this example. He also adverted to the statistical side of his Department, and observed that a directorate for the cost of living index was already functioning. In his opinion, the most important activity of the Labour Department was the Bevin Boys' and technical training scheme, which, he said, would go a long way in elevating Indian labour in every conceivable direction.

Book Review

LEAGUE OF NATIONS MONTHLY BULLETIN OF STATISTICS, February, 1943.

The February Number of the League of Nations' Monthly Bulletin of Statistics contains, in addition to regular monthly tables, two special tables, one relating to the production of electricity, 1932-41, and the other to government expenditure, tax receipts, and borrowing during the period 1938-42 or 1938|9-1942|43.

The expansion of government expenditure since the war has, of course, been determined on the one hand by the war effort and on the other by the level of pre-war government expenditure. In the United Kingdom, for instance, the total expenditure of the central government is now about five times as great as in the last pre-war year. In Canada it is about six times, in Australia eight times and in the United States nearly ten times as large as in 1938-39. In Germany and Japan, where a considerable growth had taken place before 1938, there appears to have been a three-fold increase since that date. Even in neutral Sweden and Switzerland, total government expenditure is now approximately three times as great as before the war. Wherever possible, the table shows the war or defence expenditure of the various countries separately. Thus in the United States and Canada and the United Kingdom, military requirements account for more than 80 per cent. of total government expenditure. In Finland and Japan military expenditure seems to be about 70-75 per cent. of the total. Even in neutral Switzerland the share of defence expenditure has risen to more than 70 per cent. How has all this expenditure been covered? The answer to this question is given in this table by the figures for tax receipts, short-term borrowings and long-term loan issues. The proportion of total government expenditure that was covered by tax receipts in 1941 or 1941-42 appears to have been less than 20 per cent. in Japan, 40 per cent. in Finland, 41 per cent. in the United States and the United Kingdom, 50 per cent. in Switzerland, 65 per cent. in New Zealand, and 70 per cent. in the Argentine. These receipts have shown a considerable increase in most countries, but nowhere have they kept pace with the growth of expenditure. Government debts, in consequence, have rapidly increased. In certain European countries, including Germany, France, Belgium, and Bulgaria, most of this increase has been in the form of short-term debt. In the United States, Canada, India and Japan, on the other hand, government borrowing in recent years has been mainly on long-term account.

The production of electricity has increased, generally with marked rapidity, in all 53 countries included in the table. The total recorded production of these countries rose from an estimated 26,55,000 million Kwh. in 1932 to an estimated 480,000 million Kwh. in 1939. Both old and new industrial countries contributed to this expansion. The following are among the more important percentage increases shown in the table between 1932 and 1941: 180 per cent. in the Union of South Africa, 133 per cent. in New Zealand, 110 per cent. in Chile, 108 per cent. in Canada, 105 per cent. in the United States, 71 per cent. in Mexico, 74 per cent. in Argentine; between 1932 and 1940: 107 per cent. in Australia, 76 per cent. in Sweden, 66 per cent. in Uruguay; between 1932 and 1938: 80 per cent. in the United Kingdom; between 1932 and 1937: 67 per cent. in Japan.

A DELHI DIARY

NEW DELHI, Aug. 12.

FOOD questions formed the major business in both the Houses of the Central Legislature, but so far as one can see no tangible results have emerged from these discussions. Curiously enough it was from an European Member that the most trenchant criticism of the Government's policy came—Mr. Griffiths of the Assembly who holds a quasi-official position as the head of the National War Front. The Government's defence was, as Major General Wood told the Council of State today, that for "the execution of food policy in the country, whatever that policy may be, there is but one instrument, and one machinery" and that "instrument and the machinery is found in the administrative organizations of the Provinces and the States." Though they did not specify the names of these provinces the Government's spokesmen in both the Houses charged certain provinces with "obstruction." A caustic reply came from Mr. Griffiths who wound up his speech with the demand for "very much stronger action with regard to those Provincial Governments which will not play." He told the Government: "It is no use at this stage in the war for my Honourable friend, the Food Member to come here and say—'There is Provincial autonomy. We are helpless. What can we do?'....the Central Government has through indirect methods, endless ways of bringing pressure to bear upon the Provinces." He referred to the feeling in the country that "there is nobody at the helm of affairs, that the Government of India is weak and spineless"—and he bluntly warned the Government of India: "If they are irresolute and hesitate to take decisive action in time then they will meet with nothing but condemnation at the bar of history." There is little doubt that taking the debates in the two Houses together the verdict of elected members went clearly against the Government's policy. The main charge was that in their speeches the Government's spokesmen were "disappointingly unconstructive" and did not formulate any plans for dealing with the serious situation in the country.

From lobby talks one gathers that the Government's mind is working in three directions. The first difficulty of the Government of India is that it has still no administrative machinery of its own to take up centralized control. Sooner or later, it will be forced to do it—though Major General Wood told the Council of State today that "not only have the Central Government no executive instrument or machinery for the day-to-day execution of food administration but that it would be improper for the Centre to attempt to build up such instrument and impossible to do so even were it deemed desirable to do so." The conviction, however, is gaining ground that the administrative machinery of the Government of India is far from effective for the purposes which it is intended to fulfil. The first step has been taken in relieving the Commerce Member of this additional responsibility of administering the Food Department and transferring it to Sir J. P. Srivastava whose work as Civil Defence Member is rapidly diminishing. The reason why the Viceroy has selected him for the Food Department is said to be that he as a business man may be better fitted to discharge the responsibility. It was for that same reason that he has also been put in charge of post-war reconstruction work. Opinion in the Assembly lobbies, however, is that Food requires a full-time Member who has not only business experience but has also the capacity to inspire public confidence. I understand that in the place of Major-General Wood who is going back to the Supply Department, Mr. Hutchings, at present Additional Secretary of the War Department may be appointed Secretary of the Food Department. The second problem before the Government of India is to devise ways and means to put pressure on recalcitrant Provinces and States and see that they fall in line with a national food policy. The weakness and hesitation of the Central Government is naturally due to the fact that it has no popular backing—for this reason it is afraid to take strong and bold measures which a popular Ministry would not hesitate to adopt. The economic situation, however, is so serious that the Government of India has either to act as a popular Ministry would and try to win public confidence—at least in its food policy—or frankly confess its inability to deal with the situation. And the third question which arises is the formulation of a programme for giving further incentive to the "grow more food" campaign—measures, such as the importation of machinery for developing the fertilizer industry, emergency irrigation, bringing of new lands under cultivation, etc.

Further details are now available of the decisions, though tentative, of the Foodgrains Policy Committee, which concluded its meetings last week. Though the final report will not be ready for some time, its preliminary recommendations and the general conclusions reached are reported to be already in the hands of the Government of India. They will also be sent to Provincial Governments within the next few days for their information. The Committee is reported to be of the view that as the general level of prices in some of the deficit areas is now so high as to impose a serious strain on the poorer sections of the population, a process of levelling should be taken up in the form of reducing these prices rather than of raising prices in the more fortunately situated provinces, by importation of maximum quantities from surplus areas, procurement, rationing, anti-hoarding measures, etc. It also holds that while the policy of subsidization is not ruled out such policy cannot be acceptable in so far as it involves Central assistance unless in the areas requiring such assistance dearness allowance and wage rates are frozen, there is adequate rationing of all sections of the population, anti-hoarding and requisitioning machinery is enforced, etc. It is likely to be the recommendation of the Committee that there should be a Standing Prices Committee at the Centre. It is also felt that even if it is not possible to enforce an all-India statutory control of prices such provinces and States as desire to enforce statutory control should be free to do so subject to the approval of the statutory price by the Central Government. It is also provided that subject to necessary safeguards every effort should be made to encourage the distribution of foodgrains through consumers co-operative societies. A number of detailed suggestions are expected to be made as regards rationing and ancillary issues. There is the suggestion that in order to make rationing successful in Calcutta wheat should be imported from abroad and a good stock of it should be with the Government. Among the measures suggested for accelerating the "Grow More Food" campaign are assistance to rice mills in securing mill stores, facilities for importing tractors and ploughs and other agricultural machinery, increased funds for agricultural research and the promotion of emergency irrigation schemes upon which Sir William Stampe is now working for advising Provincial Governments. And lastly, there is the important suggestion made to all Governments that the killing of food of plough and transport cattle should be prevented as far as possible.

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Gleanings

BOMBAY'S INDUSTRIAL PROGRESS

The report of the Department of Industries, Government of Bombay, for the year 1941-42 records that there was a further expansion in both perennial and seasonal factory industries during that year in the Bombay Province. The number of working factories rose from 3,120 in 1939 (2,357 perennial and 763 seasonal) to 3,318 in 1940 (2,471 perennial and 847 seasonal) and to 3,621 in 1941 (2,718 perennial and 903 seasonal). The figures for the consumption of electric power consumed pointed to an appreciable increase in industrial activity. The steady growth of joint stock enterprises was maintained. The number of companies at the end of 1941 had increased by 191, with a net increase in capital of Rs. 9,87,77,000. Among the new companies registered were four cotton and wool mills, two silk mills, four oil mills, three ginning factories, one cycle factory, five concerns connected with the cinema industry, and one concern for the manufacture of aircraft, with an authorized capital of Rs. 1,00,00,000.

The year was a period of intense activity for the cotton mill industry. The labour force employed reached a record figure. Large orders from the Supply Department resulted in a further increase in the production of the woollen industry. The total production of yarn and piecegoods, including hosiery, was nearly double that of the preceding year. The stoppage of imports of art silk yarn from Japan adversely affected the artificial silk mills. Imports of yarn declined from 26,343,000 lb. in 1940 to 11,147,000 lb. The total output of sugar factories was maintained at approximately the previous year's level, but the production of the Khandsari factories was much reduced. Imports of sugar into Bombay Province during the year totalled 40,509 tons, valued at Rs. 91,24,714 against 21,558 tons valued at Rs. 52,04,125 in the previous year. The number of chemical factories dropped from 29 in 1940 to 12. The industry did fairly well on the whole, but several concerns suffered from a lack of essential supplies. The value of imports during the year was Rs. 2,39,00,000, against Rs. 1,92,00,000 in the previous year. Two of the six match factories were closed owing to a shortage of chemicals, and the total production decreased. The five paper mills increased their production to maximum capacity to meet the heavy internal demand. The oil mill industry continued to do well. Though the number of mills declined from 113 to 104, exports increased from 2,184,000 gallons valued at Rs. 52,29,000 in 1940 to 2,460,000 gallons valued at Rs. 73,78,000. The vegetable ghee, cigarette, soap, confectionery and glass industries all reported satisfactory progress.

The Department put into operation a scheme to grant subsidies and loans to artisans for the purchase of tools. In eight months' working of the scheme, subsidies and loans totalling Rs. 31,704 were granted to 155 artisans. Towards the end of the year, the Government also sanctioned a scheme of grants for educated unemployed persons to enable them to set up industries of their own.

NEW U.P. IRRIGATION SCHEMES

The U.P. Government have decided to undertake many emergency irrigation projects to increase production of food crops in the province. These schemes which are in addition to measures already adopted, include construction, extension and improvement of distributaries and outlets in the Meerut and Bulandshahr divisions of the Ganges canal, the Fatehpur, Narora, Cawnpore, Etawah and Mainpuri divisions of the lower Ganges canal, and the Mat branch and lower Agra and lower eastern Jumna canal divisions in the III Circle. These works will serve an estimated additional area of 36,350 and 17,750 acres of rabi and kharif respectively, at a total cost of approximately Rs. 3,12,000. The schemes are expected to be in commission from the next rabi season.

Two hundred new tube-wells will be constructed in the tube-well districts of the province, where 1,650 such tube-wells are at present working. The 200 new wells will give an additional irrigated area of from 40,000 to 60,000 acres. Efforts are being made to complete as many of these wells as possible in time to help in the next rabi irrigation. The working of the existing State tube-wells E of the Ganges will be intensified to secure an increase of the area irrigated by them by about 50,000 acres from the next rabi.

BRITAIN'S POST-WAR ECONOMIC POSITION

There is little fear that post-war economic reconstruction will be unduly hampered by inter-Allied war debts as after the last war. Lend-Lease and Mutu-Allied agreements to provide Britain's post-war settlement will not be allowed to injure international equilibrium or economic recovery. But Lend-Lease and Mutu do not cover the whole field. Britain since the outbreak of war has been building up the biggest external debt of any belligerent, not even excluding Germany's clearing debts, namely, sterling assets which other countries are acquiring from their transactions with the United Kingdom. Part of the "overseas disinvestment" which contributed £2,185,000,000 to British war finance in 1940, 1941 and 1942 represents the loss of gold and foreign investments, but the part which can properly be called Britain's war debts is sterling being accumulated here by overseas countries, mainly the Empire sterling countries which normally leave their surpluses as short-term assets in London, but now anyway have no alternative.

The latest ascertainable London balances are: India, July 1943, £500,000,000; Eire, March 1943, £121,000,000; Canada now, £157,000,000; Interest-free Loan, Egypt, December 1942, £71,000,000; Malaya, July 1941, £58,000,000; Australia, May, 1943, £64,000,000; New Zealand February, 1943, £34,000,000; Argentina, December 1942, £17,000,000. Including Colonial Currency Boards, special accounts and Middle Eastern balances, the total of this indebtedness now probably exceeds £1,000,000,000. Moreover it is still growing, and faster, now that the possibilities of debt repatriation are nearing exhaustion.

Sterling owing to India which dominates the whole position increased by £227,000,000 during the year ended July 3, 1943, while India repaid a 105 million long-term sterling debt which virtually completed repatriation of the Indian Government's sterling debt. Accordingly with other things unchanged, the Indian Reserve Bank's sterling assets henceforth are likely to rise by about £300,000,000 annually. Not the whole of this debt is dangerously liquid awaiting the first opportunity to get away, for example the Canadian Interest-free Loan and India's. Eire's and Egypt's sterling reserves against note issues and Australia's and New Zealand's normal London reserves cannot be considered bad money from Britain's standpoint, but even with liberal allowance for these more or less permanent balances, enough remains potentially mobile to create a serious

problem which cannot be ignored in considering post-war exchange stabilization. Even the more permanent part of the debt, for instance, India's and Egypt's currency reserves could, under easily conceivable circumstances, become highly volatile. A financially autonomous India might show a strong and inconvenient preference for gold instead of sterling as backing for the rupee note circulation. Britain often has been a short-term debtor to the remainder of the world, but hitherto such debt has been abundantly covered by long-term investment which now is largely disappearing.

The United States, British and Canadian post-war currency plans, all propound different global solutions for this problem of abnormal balances which are mainly sterling balances, but none seems correct. These balances are not homogeneous, for instance Australia's. Canada's, S. America's and India's all differ and hence bilateral handling seems more realistic though less tidy. The dominating issue is India's sterling claims. The generosity of the financial agreement between the British and Indian Governments which caused the present enormous accumulation is doubtless creditable to Britain but its unrealism is deplorable. The operation of this agreement has revolutionized the debtor-creditor relations between Britain and India. At the present rate Britain's debt to India within another year will approach £700,000,000. Some may be settled after the war by further transfer to Indian ownership of British capital invested in India, but the remainder will necessitate a funding arrangement and repayment of the British debt to India—a debt largely incurred in India's defence—over a number of years by the only feasible method, namely, British export surplus to India. Before the war Britain's balance of payments averaged a small deficit, although overseas investments and merchanting activities earned £200,000,000 annually. Creating post-war surpluses to service the war debt will require export priorities which must affect domestic consumption and will necessitate fair access for British exports to the world's markets, especially to new creditors. Overseas claims are likely to impose a "full employment" policy on Britain—but on tighter belts.—*The Economist,* July 31, 1943.

THE EXCHANGE AND PRICE LEVELS

Discussing the post-war Pound-Dollar exchange rate, the *Manchester Guardian* says that any decision must be provisional. A comparison of price levels is always imperfect and will be wild guesswork because prices in war economy are artificial and controlled, while mobilized war economy is not better guide in comparing wages or production costs. At present the United States' production cost for certain well-known types of war materials are reported to be about double Britain's at the present exchange rate, while in some cases where speed counted more than the cost, the United States' costs exceed Britain's fourfold. These temporary values do not indicate that the sterling would be worth eight or 16 dollars. Wage rate comparisons would be more sensible but this also is impracticable as United States wages for munitions work have risen sharply, whereas here the rise has been smaller but more general. The fact that a welder in the Kaiser shipyard now earns as much as a shipyard manager on the Clyde means little because he will not earn such after the war.

Lord Keynes complained that the British authorities, after the last war, overvalued the Sterling by restoring the old dollar parity because they consulted the wrong index, namely, wholesale prices which comprises largely international commodities, which, naturally, maintains international parity. Wages or cost of living indices at that time would have demonstrated at least a ten per cent. variation.

The pre-war sterling rate of roughly five dollars proved untenable and dollars became extremely scarce but the heaviest demand was for transfer of capital not for commercial settlement. Assuming political conditions in Europe after the first 12 months after the war inspire sufficient confidence to cause Continental owners to repatriate their capital from the United States, there will be a heavy outflow of dollars and therefore of gold. By that time, potential inflation may have become actual and prices may have risen substantially. These are big assumptions, but by making them only in a moderate degree a post-war starting rate of between four and five dollars per sterling might not be far wrong.

THE EXCHANGE AND EXPORTS

The bulk of Britain's £1,000-million war debt would be liable to instant recall as soon as Britain lifted exchange control. This means that Britain is bound to send abroad two full years' export on the 1938 scale without getting an ounce of imports in return. The repayment over 20 years would require an additional annual surplus of £50 million on Britain's balance of payments. This addition to the enormous export effort, which Britain must anyway make, would not be beyond our means provided world trade is flourishing, but we could not risk lifting exchange control until such funding arrangements are safely made, nor afford to settle at least the largest items of debt except by direct excess exports to creditors. For instance, if India could freely convert block sterling to dollars and spend them on imports from the United States while the United States market continued hostile to British exports, the world trade system would crash in a year.—*The Manchester Guardian.*

SHIPPING AGREEMENT

An important pronouncement on Anglo-American Co-operation in the matter of war-time production of shipping, was made by Mr. Churchill in the House of Commons on August 3. Mr. Churchill read a letter from President Roosevelt, specifying the understanding that had been already reached between the British Premier and the American President on this subject, and the manner in which that understanding would now be implemented. President Roosevelt, after recalling this prior understanding, dwelt in his letter on the advantages that would accrue to Britain if that country, specialized in constructing combat vessels, leaving the production of merchant shipping to the United States, where "had been developed a welding technique which enables us to construct a standard merchant ship with a speed unequalled in the history of merchant shipping." Accordingly the President suggested the transfer of a minimum of fifteen American merchant ships per month to the British flag for the first ten months.

Mr. Churchill revealed that a hundred and fifty to two hundred American merchant ships will be transferred to the British flag, over a period of ten months. The transfer would absorb the reserves of Britain's trained seafaring population. A similar arrangement with Canada was forecast by Mr. Churchill. "There is no financial arrangement," said Mr. Churchill, "The method we work is that we use all things to common advantage." This arrangement was intended only for the war period.

Investments

(From Our Correspondents)

BOMBAY, Aug. 11.

The feature of the week is a further rise in the price of 3½% rupee paper from Rs. 96 to Rs. 96-8. Demand for rupee paper continues unabated. Both investors and speculators are coming in to take advantage of the rising market. As usual, mass psychology is at work this time in the gilt-edged market for over six months. Till the end of June rupee paper ruled steady at Rs. 94. In forty days it has recorded a rise of Rs. 2-8. The market is now confident that it will go higher. Is there any reason, they assert, why paper should not improve to Rs. 98 or even Rs. 100? So the wind is blowing, and people are carried away. Loan subscriptions in seven weeks amounted to Rs. 58 crores. Out of these approximately Rs. 25 crores are in 3½% paper. Since then heavy purchases have been made probably between Rs. 15 and Rs. 20 crores. According to this rough estimate sales of 3½% paper on Government account total at the most Rs. 40 crores in the last two months—these are record figures and they show India's potentiality, once favourable atmosphere is created for mass action in any direction. How long can loan absorbtion of this magnitude go on? How much can Government supply? What is the extent of the nation's savings that can flow into Government loans? Without trying to answer these larger questions one can lay down whatever facts are available. An official announcement says that Government have decided to issue 3½% rupee paper equivalent to the amount of 2½% and 3% non-terminable Indian sterling stock repatriated early in 1942. This amount was £88 million and thus approximately Rs. 100 crores of 3½% rupee paper is created. How long can market take to absorb this amount if sales are as heavy as in the last two months? This amount will be taken up before the year ends. It will take much longer if we judge by past years' sales. In the whole of last year Rs. 56 crores of rupee paper was sold, that is,, on an average of under five crores per month. In 1941 only Rs. 17 crores was sold and in 1940 Rs. 10 crores. The total sales of all loans in the last three years ending March, 1943, was over Rs. 300 crores. The sale of terminable as against non-terminable loans was relatively greater in 1940 and 1941 due to the vicissitudes of war this year. With brighter war outlook and high level of commodity and share prices coupled with Government anti-inflation measures, the non-terminable paper has found greater favour with the investing public. But when allowance is made for these factors, the average monthly sale of Rs. 10 crores of 3½% rupee paper cannot be an unreasonable estimate. At the end of March 1943, non-terminable loans totalled Rs. 245 crores or 20 per cent. of cur total rupee debt. With the new creation of rupee paper of about Rs. 100 crores the ratio of non-terminable debt will perhaps go up to 25 per cent. which in no way can be considered high.

CALCUTTA, Aug. 10.

Although bank deposits have gone up and call money rates are nominally quoted at 1|2 per cent. in Calcutta and 1|4 per cent. in Bombay, the actual takers of call funds hardly get their requirements from the market. Trade demand is not responsible for this scarcity. If anything, there is greater stagnation; and the chief factor responsible for drying up of call funds is the large number of applications that are being made by banks, speculators and investors for 3-1|2 per cent. G.P. Notes on the expectation of a further increase in its selling price by the Reserve Bank of India. All such subscriptions do not go to increase the monetary funds of the market but cause avoidance of expansion in currency and are consequently an anti-inflationary measure. This will be further confirmed by reference to the returns of the Reserve Bank of India which though continues to show increase in the sterling assets of the Issue Dept., shows reduction in the Government of India securities.

Treasury Bills

Under the apprehension that the Treasury Bill rate will be gradually but steadily reduced, applications for nearly Rs. 14 crores were made for the Gov- against Rs., 8 lakhs required. Tenders at Rs. 99-12-3 ernment of India Treasury Bills at the last tender day per cent. were allotted approximately 81 per cent., the average rate of interest on accepted tenders being 15 annas per cent. per annum. During the week ended 30th July, 1943, Treasury Bills for Rs. 3.47 crores were sold in favour of the Issue Dept. of the Reserve Bank of India.

Stock And Shares

For the first four days of the week, the market was weak with bears holding sway. The Government Securities market, however, continues to be strong principally in the non-terminable and long-dated sections. The market anticipates that the Reserve Bank of India would further increase its price of selling 3½ per cent. Paper which may ultimately may reach Rs. 98. In this connection it must be remembered that when in the past the values of Government Securities were tumbling down the Reserve Bank tried to prevent the landslide and for some time it went on buying to prop up the market but had ultimately to abandon the task and content itself with fixing up minimum prices for Government Securities. For considerable time the Reserve Bank was a free seller at 94 of 3½per cent. Paper. Now that the tide has become more favourable and the Reserve Bank is continuously putting up its price of 3½ per cent. Paper in order that it may recoup all loss on previous sales.

Bullion And Exchange

In spite of the Government's threat to put a ban on bullion advances the market has gained considerable strength and the bear sales have no effect. The strength of the ready markets in gold and silver as compared to the rates for one week delivery shows that there is genuine demand. The exchange market has been very quiet with no variation in rates.

MADRAS, Aug. 7.

Money was in good demand in Madras and a fairly large volume of business was done in the call market at ½ per cent. Almost all the banks including Exchange Banks were borrowers and one prominent Indian Bank was a lender. This sudden demand has been attributed to the large volume of deliveries of Government Securities which the banks have recently bought. In the sterling exchange market, a fair volume of business was done in the inter-bank market at four to one at 1|6d. and 1|5—31|32d. respectively, with Bombay selling to Madras. There was also a fair turnover in merchant T.T. for one month and on remittance account.

Stock And Shares

The Government Securities market showed renewed firmness during the week. A very large volume of business was done in 3½ per cent Paper and 3 per cent. Loans 1963-65. Paper was keenly sought for by insurance institutions and the 3 per cent. loans by banks. The fact that these loans in a few years would be first class medium dated loans and are now quoting only at a premium of Rs. 1-4 was responsible for the eager buying. The reports that the Government may put up

the price of Paper shortly to Rs. 99 added to the keen buying by the institutional investors. There was good demand for Mysore State Loans and Madras Loans which have hardened further during the period under report. Once again unsettled conditions prevailed in the share market. The uncertainties of the piecegoods and yarn market played a prominent part in pushing down the share values irrespective of the intrinsic merit. But for the introduction of the new rule by the Stock Exchange authorities to the effect that deliveries must be completed within seven days which has prevented bear selling and to a large extent speculative business, the share values would have gone to much lower levels. Combodias were again down to Rs. 34. Saradas, Ranga Vilas, Janardhanas and Coimbatore Spinnings were down by about 15 points. Mettur Industries declined to Rs. 275 X.D. In the Planting section, there was some selling but share prices were affected only fractionally. The majority of the new issues were easy and stood at a discount. Generally speaking, particular attention was paid to those companies having an acreage under coffee, in view of the high price of coffee and the substantial large profits anticipated. O. Valleys, Be Be Rubbers, Nilgiri Neerugundis and Kalasas were all taken up at declines. There was a fair turnover in bank shares and most of the local bank shares found buying interest. Reserves were slightly easier at Rs. 114. In the Fixed Interest Securities, all good class stocks have found a ready demand but business has been hampered in the absence of available scrip. Only a limited volume of business was done in sugar shares. Chemicals were active. There was some renewed buying in Spencers. The Mysore Industrial group was generally firm with a moderate volume of business. There was some speculative support in Bruntons.

Commodity Markets

(From Our Correspondents)

HAPUR, Aug. 9.

The trend in the local wheat market in the early part of the week under review was easy, and prices suffered a loss of As. 4 per maund; in the week-end prices rallied owing to scattered export demand from the eastern districts. The average of daily arrivals was 400 maunds. The buyers of ready wheat in the local market were Government agents and E. I. Railway authorities. Eight khattis of wheat were exported from here to the eastern districts and the stock has come down to 219 khattis.

Juwar

The juwar market during the week under review ruled unexpectedly firm and active and the prices broke previous records. The Poos prices for juwar opened at Rs. 6-7-4½ and closed at Rs. 6-11-0. The highest and the lowest rates touched during the week were Rs. 6-12-0 and Rs. 6-6-9 respectively.

The following are today's latest quotations:—

	Rs.	a.	p.	Stock
Wheat ..	14	0	0	219 khattis.
Gram ..	10	13	0	3 ,,
Barley ..	9	14	0	10 ,,
Peas ..	10	3	0	96 ,,
Arhar ..	9	2	0	241 ,,
Gur ..	8	0	0	
Juwar ..	6	11	0	
Bardana Bhadon	53	9	0	

BOMBAY, August 7.

The local seeds market has presented a firm tone. There has been a hardening in the prices of groundnuts owing to the scarcity of stocks as a result of heavy purchases by the Ministry of Food in the past which drained most of the stocks held in the godowns of ports, and due to the pronounced shortage of wagon from the up-country. Further, the import of groundnuts into Bombay is prohibited except if it is consigned to crushers. During the week, the Ministry of Food bought substantial quantities of groundnuts at £36-5. Local crushers are buying Bombay Bold at Rs. 96 as compared with last week's quotation of Rs .90. Khandesh quality has sold at Rs. 102 per candy. The linseed market showed some activity. The Ministriy of Food has purchased about 3,000 tons at £37-6 per ton.

Linseed

In connection with linseed it is of interest to note that the Argentine Grain Board is reported to have withdrawn all linseed offers to U.K. This indicates that the Government of Argentine contemplate reserving further liberal supply for their fuel requirements. It is believed in Liverpool that Argentine will have practically no carry-over by the end of the year, whereas in the absence of fuel usage, the carry-over would have been the biggest on record. Meanwhile, Argentine weather is favourable with the area probably showing some increase over last year. The U.S. linseed crop, like the Spring wheat which is grown in the same area, is reported to be progressing favourably.

MADRAS, Aug. 7.

The groundnuts market ruled very firm during the period under review. The quotation opening at Rs. 84-8 improved to and closed at Rs. 85-8. This was mainly due to exporters' desire to buy up large quantities to cover against their recent large sales to the British Ministry of Food and the poor quantities forthcoming. Over forty per cent. of the Pollachi crop seem to have been contracted already and the agriculturists there have shown no disposition to sell more just now. A small quantity is reported to have been sold to the Ministry at £36-5-0 but this cannot be taken as an index of the market, as the buying offer of the Ministry at £36-10-0 has been rejected again by the sellers this week. It is stated that small quantities of groundnuts have been released from the Hyderabad State for sales to the Ministry. The oil market after being dull during the early part of the week showed some activity at the close with an improvement in the price by Rs. 5 to Rs. 163. Oil cake was featureless.

Skins And Hides

About 1,200 bales were lifted from the market on U.K. account and apart from this there was nothing interesting. There was small local trading in goat and sheep which showed a tendency to rise. Arrivals from the tanneries were poor due to the high cost of tanning materials and difficulties in getting wattle bark freely.

CURRENT STATISTICS

BANK OF ENGLAND

(000's omitted)

	Aug. 4, 1943 £	July 28, 1943 £	Aug. 5, 1942 £	Aug. 30, 1939 £
Total Bullion ..	1,540	1,547	1,514	263,700
Public Deposits ..	5,300	6,600	23,300	31,100
Other Deposits ..	202,200	224,500	166,300	129,100
Of which Banker's Deposits ..	148,600	169,900	118,100	90,100
Govt. Securities ..	183,200	180,400	130,900	113,100
Other Securities ..	17,700	28,000	20,200	31,000
Of which Discounts and Advances ..	1,300	7,300	7,900	6,400
Notes and coins ..	23,400	33,400	42,800	34,200
Notes in Circulation	978,100	968,100	833,300	529,500
Ratio of Reserve to Liabilities ..	11,28%	14.46%	25.45%	21.38%

U.S. FEDERAL RESERVE BOARD

(000's omitted)

	Aug. 5, 1943 $	July 29, 1943 $	Aug. 6, 1942 $	Aug. 31, 1939 $
Resources:				
Total Reserves ..	20,503,000	20,519,000	20,812,000	14,660,610
Total Bills Discounted	18,000	13,000	5,000	6,190
Bills bought in open market				550
Total U. S. Govt. Securities ..	8,165,000	7,951,000	3,303,000	2,426,190
Liabilities:				
Federal Reserve Notes in actual circulation	14,433,000	14,228,000	9,768,000	4,609,280
Deposits — Member Bank Reserve Acct.	12,336,000	12,300,000	12,602,000	10,951,100
Ratio of total Reserve to Deposit and Federal Reserve. Note: liabilities combined	71.2%	71.6%	86.8%	86.9%

RESERVE BANK OF INDIA

Weekly Statement of Account as on July 30, 1943.

ISSUE DEPARTMENT

Liabilities	Rs.	Rs.
Notes held in the Banking Department ..	10,39,68,000	
Notes in circulation ..	740,37,59,000	
Total Notes issued ..		750,77,27,000
Total Liabilities ..		750,77,27,000

Assets	Rs.	Rs.
A. Gold Coin and Bullion:		
(a) Held in India ..	44,41,43,000	
(b) Held outside India ..	..	..
Sterling Securities ..	582,87,46,000	
Total of A. ..		627,28,89,000
B. Rupee Coin ..		15,15,02,000
Government of India Rupee Securities ..		108,33,36,000
Internal Bills of Exchange and other Commercial Paper ..		..
Total Assets ..		750,77,27,000

Liabilities	Rs.
BANKING DEPARTMENT	
Capital paid up	5,00,00,000
Reserve Fund	5,00,00,000
Deposits—	
(a) Government—	
(1) Central Government of India	20,75,23,000
(2) Government of Burma ..	1,35,20,000
(3) Other Government Accounts..	8,83,62,000
(b) Banks	65,43,03,000
(c) Others	2,51,25,000
Bills Payable	1,79,41,000
Other Liabilities	6,85,12,000
Total ..	117,52,86,000

Assets	Rs.
Notes	10,39,68,000
Rupee Coin	15,65,000
Subsidiary Coin	2,00,000
Bills Purchased and Discounted—	
(a) Internal	..
(b) External	..
(c) Government Treasury Bills ..	9,98,000
Balances held abroad*	95,50,05,000
Loans and Advances to Governments ..	31,00,000
Other Loans and Advances ..	50,00,000
Investments	7,66,50,000
Other Assets	2,88,00,000
Total ..	117,52,86,000

* Includes and Cash and Short-term Securities.

ISSUE DEPT. COMPARARTIVE STATEMENT

(000's omitted)

	July 30, 1943	July 23, 1943	July 31, 1942	Sept. 1, 1939
Notes held in the Banking Dept.	10,39,68	9,32,52	12,29,72	35,04,49
Notes in Circulation	740,37,59	738,92,20	450,99,87	182,13,17
Total Notes ..	750,77,27	748,24,72	463,29,59	217,17,66
A. Gold Coin and Bullion ..	44,41,43	44,41,43	44,41,43	44,41,43
Sterling Securities ..	582,87,46	577,68,54	286,79,17	59,50,11
Total of A.	627,28,89	622,09,97	331,20,60	103,91,54
B. Silver Coin ..	15,15,02	14,62,48	29,71,78	75,87,11
Rupee Securities ..	108,33,36	111,52,27	102,37,21	37,38,98
Ratio of total of A to Liabilities	83.552	83.141	71.489	63.149

BANKING DEPT. COMPARATIVE STATEMENT

(000's omitted)

	July 30, 1943	July 23, 1943	July 31, 1942	Sept. 1, 1939
Cash ..	10,57,33	9,47,80	12,43,59	35,15,27
Bills purchased and discounted—				
(a) Internal ..	..	..	..	..
(b) External ..	..	..	..	..
(c) Govt. Treasury Bills..	9,98	9,98	6,24	1,15,67
Balances held abroad* ..	95,50,05	92,03,28	80,63,58	10,08,33
Loans and Advances to Govt. ..	31,00	36,00	59,00	31,00
Investments ..	7,66,50	9,31,26	6,39,80	6,81,34
Deposits—				
(a) Govt. ..	30,94,05	30,02,56	20,68,13	14,89,43
(b) Banks ..	65,43,03	65,33,03	65,20,09	26,91,43
(c) Others ..	2,51,25	2,74,36	1,90,26	1,24,37

* Includes Cash and Short-term Securities.

STERLING PURCHASES

(000's of £)

	Total Amount Purchased.	Average rate.
1943:—		
January	8,132	1sh. 6d.
February	11,070	1sh. 6d.
March	17,779	1sh. 6d.
April	9,219	1sh. 6d.
May	8,721	1sh. 6d.
June	6,338	1sh. 6d.

SCHEDULED BANKS

(Comparative Statement)

(In thousand Rupees)

	30-7-1943	23-7-1943	31-7-1942	1-9-1939
Demand Liabilities in India ..	434,32,14	431,34,81	288,36,55	134,36,49
Time Liabilities in India ..	134,60,79	134,31,23	97,76,79	102,24,34
Cash in India ..	18,06,74	17,44,33	12,22,27	6,69,92
Balances with Reserve Bank ..	64,57,20	64,53,49	63,26,77	25,17,19
Advances in India	144,17,91	140,57,35	85,61,64	101,52,16
Bills discounted in India ..	3,97,17	3,93,34	1,44,12	3,57,29

IMPERIAL BANK OF INDIA

Statement of Accounts as on July 30, 1943.

Liabilities	Rs.	Rs.
Capital—		
Authorized — 2,25,000 shares of Rs. 500 each	11,25,00,000	
Issued and Subscribed —2,25,000 shares of Rs. 500 each ..	11,25,00,000	
Called up—75,000 shares of Rs. 500 each, fully paid ..	3,75,00,000	
1,50,000 shares of Rs. 500 each, Rs. 125 paid ..	1,87,50,000	
		5,62,50,000
Reserve Liability of Shareholders—Rs. 375 per share on 1,50,000 shares ..	5,62,50,000	
Reserve Fund ..		5,75,00,00
Fixed Deposit, Savings Bank, Current and other Accounts ..		196,49,01,00
Loans against Securities per contra ..		..
Acceptances for Constituents		..
Sundries ..		78,10,00
Total ..		208,64,61,00

Assets	Rs.	Rs.
Investments—		
Govt. Securities ..	130,71,68,000	
Other Authorized Investments ..	2,09,63,000	
		132,81,31,000
Advances		
Loans ..	11,51,07,000	
Cash Credits and Overdrafts ..	22,54,24,000	
Bills discounted and purchased ..	2,33,20,000	
		36,38,51,000
Liability of Constituents for Acceptances per contra ..		..
Dead Stock ..		1,71,71,000
Sundries ..		86,23,000
Bullion ..		..
Cash		
In hand and with the Reserve Bank of India	34,94,52,000	
Balances with other Banks ..	1,92,33,000	
		36,86,85,000
Total ..		208,64,61,000

TENDERS FOR TREASURY BILLS

(In thousands of rupees)

Week Ending	Amount Tendered	Amount Accepted	Average Rate	Intermediates	Sold in favour of Issue Dept.
1943	Rs.	Rs.	Rs. a. p.	Rs.	Rs.
May 4	15,12,00	8,00,00	1-1-9	4,44,00	2,35,50
„ 11	15,07,00	8,00,00	1-1-7	2,90,75	1,57,00
„ 18	12,79,75	8,00,00	1-1-0	2,75,50	10,64,00
„ 25	11,92,50	8,00,00	1-1-0	1,40,00	7,91,00
June 1	11,88,00	8,00,00	1-1-0	3,90,25	6,57,75
„ 8	12,31,50	8,00,00	1-1-0	5,70,50	6,66,75
„ 15	12,80,25	8,00,00	1-1-0	3,74,25	3,57,00
„ 22	11,11,00	8,00,00	1-1-0	4,11,50	6,83,50
„ 29	9,07,00	8,00,00	1-1-0	1,20,75	7,82,00
July 6	4,81,25	3,12,25	1-0-0	40,50,00	3,15,50
„ 13	13,22,25	8,00,00	0-15-11	..	35,59,00
„ 20	15,93,76	8,00,00	0-15-9	..	10,64,25
„ 27	19,76,50	8,00,00	0-15-7	..	3,59,00
Aug. 3	13,83,00	8,00,00	0-15-0	..	3,47,00

PROVINCIAL TREASURY BILLS

(Bengal)

Aug.	2	1,78,00	1,50,00	1-1-0	..	..

DATES OF MATURITY OF OUTSTANDING GOVERNMENT OF INDIA TREASURY BILLS

Date of Maturity.	Amount (000's of Rs.)	Date of Maturity	Amount (000's of Rs.)
Aug. 1943—		Sept. 1943—	
1st ..	62,00	2nd ..	2,57,25
3rd ..	16,00	3rd ..	16,25
5th ..	1,33,50	4th ..	8,42,00
6th ..	1,04,50	5th ..	2,47,00
7th ..	8,19,75	7th ..	8,00
8th ..	28,00	9th ..	22,00
10th ..	5,00	10th ..	9,50
12th ..	2,16,50	11th ..	7,95,25
13th ..	90,25	12th ..	3,17,50
14th ..	7,28,25	14th ..	30,00
17th ..	40,50	16th ..	62,50
19th ..	1,14,25	17th ..	2,34,25
20th ..	7,89,25	18th ..	8,90,50
24th ..	36,50	19th ..	3,00
26th ..	2,69,25	21st ..	21,25
27th ..	1,15,00	23rd ..	15,75
28th ..	7,51,00	24th ..	39,50
29th ..	50,00	25th ..	7,89,50
31st ..	5,00	26th ..	35,50
		28th ..	40,50
		30th ..	33,50
		Total	90,85,00

INDEX NUMBERS OF WHOLESALE PRICES BY GROUPS OF ARTICLES

(Prices for week ending 19th August 1939=100)

	Feb. 1943	Jan. 1943	Feb. 1942
Food and Tobacco ..	207.0	190.8	132.3
Other Agr. Com. ..	193.8	183.3	125.3
Raw Materials ..	172.0	171.5	158.0
Manufactured Articles	225.5	224.1	162.3
Primary Commodities	190.5	182.0	140.6
All Commodities ..	197.6	190.4	145.0
Chief Articles of Export	187.6	177.2	142.4

* Issued by the Economic Adviser, Govt. of India.

BOMBAY

(July 1914=100)

Commodities.	No. of Items.	Mar., 1943.	Feb., 1943.	Mar., 1942.
Foodgrains ..	..	211	212	142
Cereals	7	202	204	145
Pulses	2	244	242	132
Sugar	3	222	218	151
Other Food ..	3	253	268	143
All Food	..	222	225	143
Oilseeds	5	156	153	102
Textiles	..	174	169	104
Cotton, Raw ..	5	94	94	71
Cotton, Manufactures	6	307	293	159
Other Textiles ..	2	83	83	83
Hides and skins ..	3	99	99	99
Metals	5	746	742	657
Other Raw and Manufactured Articels ..	4	232	232	220
Non-food	..	274	271	226
General Index ..	..	256	255	197

SUGAR POSITION

1942-43

(FIGURES IN TONS)

Producing Areas.	Production up to 22.7.43.	Despatches during the week-ending 22.7.43.	Progressive total of despatches from 1.12.42 to 22.7.43.	Percentage of progressive despatches to production.	Physical stock as on 22-7-43*
U.P. ..	6,13,248	14,439	3,64,907	59.5	2,48,341
Bihar ..	2,37,671	4,328	1,35,965	57.2	1,01,706
Bombay ..	77,221	2,453	53,254	69.0	23,967
Madras ..	31,927	556	20,383	63.8	11,544
Punjab ..	6,579	265	5,315	80.8	1,264
Bengal ..	16,537	813	5,128	31.0	11,409
N.-W.F.P.	3,167	44	2,438	77.0	729
Orissa ..	2,092	22	1,662	79.4	430
Sind ..	2,008	81	959	47.8	1,049
Indian States†	81,604	1,804	54,647	67.0	26,957
Total ..	10,72,054	24,805	6,44,658	60.1	4,27,396

* Balance Physical Stock of 1941-42 Season Sugar as on 22.7.43 was 882 tons.

†Information received from Indian States is not complete.

CALCUTTA

(Prices in July 1914=100)

Commodities.	June 1943	May 1943	June 1942	Sept. 1939
Cereals ..	447	473	157	86
Pulses ..	365	374	162	99
Tea ..	130	192	241	142
Other Food Articles ..	565	545	298	125
Oilseeds ..	272	281	143	106
Mustard Oil ..	192	197	85‡	81
Jute Raw ..	134	147	77	80
Jute Manufactures ..	193	195	137	102
Cotton Raw ..	199	199	96	75
Other Textiles (Wool & Silk)	220	262	146	110
Hides & Skins ..	95	95	86	67
Metals ..	342	354	273	147
Other Raw and Manufactured Articles ..	199	183	147	95
All Commodities	319	325	185	108

‡ Average of 9 months.

BANGALORE *

(Base year 1914=100)

Particulars	April 1943	March 1943	April 1942
Foodgrains & pulses	247	239	142
Oils & Oilseeds ..	265	257	120
Other Food Articles	282	269	130
Textiles ..	341	313	133
Others ..	293	261	178
Gen. Index Numbers	282	264	144

* Compiled by the Department of Industries and Commerce, Mysore.

PRICES OF PRINCIPAL COMMODITIES

Commodities	Grade & Quality.	Market	Unit	This Week*	Last Week.	A Year ago.	Pre-war (1939)
				Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.
Rice (not in husk).§	Patna Boiled.	Calcutta.	per md..	34 0 0	33 0 0	8 12 0	4 14
Wheat.§	Average qlty.	Karachi.	„	7 12 5	7 14 5	..	..
		Hapur.	„	14 1 0	14 1 0	..	..
		Lyallpur.	„	10 4 0	10 2 0	5 1 0	2 5
Sugar.‡	Marhowrah Crystal No. 1.	Cawnpore.	„	14 8 6	14 8 6	12 3 6	9 15
Sugar raw (Gur).	Ahmadnagar.	„	„	14 3 0	..	9 8 0	7 0
Tea.	For export.	Calcutta.	per lb.	0 15 0	0 15 0	0 14 1	0 10
„	For consumption in India.	Calcutta.	„	0 10 4	0 10 4	0 11 4	0 4
Groundnuts.	Machine decorticated.	Madras.	per candy of 500 lbs.	78 3 0	78 7 0	49 0 0	29 0
Linseed.	Bold.	Bombay.	per cwt.	15 8 0	14 4 0	11 7 0	7 2 6
„	Small Grain.	Calcutta.	per Ind. md.	11 12 0	11 12 0	6 13 0	6 13 6
Rape and Mustard.	Toria 9% admixture.	Karachi.	per candy of 656 lbs.	91 0 0	89 8 0	65 4 0	36 12
Cotton (raw).	**Fine M.G. 4-F (Punjab) R.G.	Karachi.	per candy of 784 lbs.	495 8 0	495 8 0	..	..
Cotton Yarn.	No. 10½s.	Bombay.	per lb.	1 1 6	1 5 6	0 11 5	0 4
	No. 20s.	„	„	1 11 9	2 2 6	1 0 7	0 6
Cotton Piece-goods.	Grey domestics. 36"×40 yds. X12 lb.	„	„	1 15 3	1 15 3	1 6 3	0 7
Jute.	Raw Firsts.	Calcutta.	per bale of 400 lbs.	85 0 0	85 0 0	46 0 0	41 8
„ Bags	B. Twills 2¼ lbs. 44×20½, 6X8.	„	„	63 12 0	62 4 0	40 14 0†	28 13 0
Wool (raw)	Kandhar (cleaned) Indian qlty.	Karachi.	per md..	55 0 0	55 0 0	50 0 0	32 0 0
Hides and skin (raw).	Cow hides (Agras).	Calcutta.	per 20 lbs.	9 8 0 to 10 8 0	9 8 0 to 10 8 0	9 8 0 to 10 8 0	7 8 0 to 8 8 0
„	Goat skins (good quality).	„	per 100 pieces.	110 0 0 to 130 0 0	110 0 0 to 130 0 0	100 0 0 to 120 0 0	100 0 0 to 115 0 0
Hides and skin tanned.	Cow hides.	Madras.	per lb.	0 14 3 to 1 3 4	0 14 3 to 1 3 4	0 14 9 to 1 3 0	0 9 8 to 0 12 10
	Goat skin.	„	„	1 14 0 to 2 3 0	1 14 0 to 2 3 6	1 6 6 to 1 11 0	1 7 6 to 1 12 0
Shellac.	T.N.	Calcutta.	per B. md.	71 0 0	64 0 0	64 0 0	14 0 0
Kerosene Oil.	Superior.	„	per 4 gallons in in tin.	5 9 9	5 9 9	4 4 9	2 13 3
Coal.	Selected Jharia.	„	per ton into wagon.	9 12 0 to 10 8 0	9 12 0 to 10 8 0	4 12 0 to 6 8 0	4 0 0 to 4 12 0
		„					
Pig Iron.	Foundry No. 1.	„	per ton f.o.r.	94 0 0	94 0 0	94 0 0	89 0 0
Copra.	Fair average quality.	Cochin.	per candy of 500 lbs.	137 0 0	160 0 0	120 0 0	43 8 0
Cement.	Indian Swastika.	Calcutta.	per ton f.o.r.	62 0 0	62 0 0	44 0 0	..

* *Indian Trade Journal*, August 5 1943. † Ready.
‡ Factory delivery basis. ** Karachi Cotton Association, August 6, 1943.
§ The Central Agricultural Marketing Department, August 8, 1943.

INDEX NUMBERS OF GOVT. SECURITIES

(Base 1927-28=100)

Particulars	1939-40	1940-41	1941-42	1942-43
Fixed yield Govt. Securities—				
December ..	111.2	116.4	116.2	116.2
January ..	113.6	117.3	116.3	116.1
February ..	115.7	116.7	108.5	116.1
Fixed yield Industrials—				
December ..	135.1	154.6	155.8	153.5
January ..	136.1	155.7	157.2	152.0
February ..	139.1	157.6	142.8	..
Variable yield Industrials—				
December ..	130.7	119.3	132.1	143.7
January ..	120.9	121.2	128.5	152.7
February ..	121.6	122.9	121.7	..
Yield of 3½% Paper (Bombay) at per cent. per annum—				
December ..	3.99	3.72	3.68	3.73
January ..	3.87	3.66	3.67	3.72
February ..	3.77	3.70	4.02	..

STOCKS AND SHARES

	This week 11-8-1943	Previous week 4-8-1943
BOMBAY—		
Securities—		
2¾% Loan (1948-52) ..	99 0 0	*99 5 0
3% „ (1949-52) ..	100 12 0	*100 12 0
3% „ (1951-54) ..	100 1 0	99 15 0
3% „ (1963-65) ..	96 15 0	*96 8 0
3½% G. P. Notes ..	96 8 0	96 0 0
3½% Loan (1947-50) ..	103 13 0	*103 11 0
4% „ (1943) ..	100 2 0	*100 2 0
4% „ (1960-70) ..	111 4 0	*110 12 0
4½% „ (1955-60) ..	115 0 0	*114 10 0
3% „ (1945-55) ..	106 10 0	*107 0 0
3% „ (1946) Defence	102 14 0	*102 14 0
Textiles—		
Ahmedabad Advance ..	485 0 0	495 0 0
Bombay Dyeing ..	1,925 0 0	1,915 0 0
Central India ..	410 5 0	411 0 0
Century ..	757 0 0	757 0 0
Colaba Land ..	228 0 0	230 0 0
Indian Bleaching ..	199 0 0	198 0 0
Gokak ..	330 0 0	328 8 0
Kohinoor ..	577 0 0	572 0 0
Phoenix ..	625 0 0	*530 0 0
Sholapur ..	7,575 0 0	7,480 0 0
Simplex ..	268 8 0	271 0 0
Swadeshi ..	528 0 0	533 0 0
Vishnu ..	2,422 8 0	2,430 0 0
Finlay ..	310 0 0	..
Miscellaneous—		
Alcock ..	555 0 0	215 0 0
Bombay Burma ..	367 8 0	367 8 0
Belapur Sugar ..	222 8 0	223 0 0
Bombay Burma New ..	127 0 0	128 0 0
Bombay Steam ..	545 0 0	547 8 0
Bombay Tramways ..	155 0 0	154 8 0
Burma Petrol ..	2 10 0	2 8 9
Scindia Steam ..	22 14 0	33 0 0
Shivrajpur ..	63 0 0	63 8 0
Tata Power ..	1,805 0 0	1,802 8 8
Andhra Valley ..	1,882 8 0	1,880 0 0
Tata Hydros ..	198 0 0	197 0 0
Tata Steel Defd. ..	1,973 12 0	*1,948 12 0
Tata Steel Ordy. ..	397 0 0	397 0 0
Premier Construction ..	178 0 0	178 0 0
Indian Iron ..	34 2 0	34 2 0
Burma Corpn. ..	3 9 0	3 5 0
Indian Copper ..	2 9 0	2 9 0
Cement—		
Associated ..	209 8 0	210 0 0
Insurance—		
New India ..	74 4 0	71 4 0
Preference		
Tata Steel 1st Pref. ..	215 8 0	215 0 0
Tata Steel 2nd Pref. ..	161 0 0	161 0 0
Banks—		
Central ..	70 8 0	70 0 0
Imperial (F.P.) ..	1,805 0 0	1,807 8 0
Imperial (P.P.) ..	437 8 0	435 0 0
Reserve ..	117 8 0	117 8 0
CALCUTTA—		
Jutes—		
Belvedere ..	482 0 0	..
Barnagore ..	148 0 0	..
Champdang ..	202 0 0	..
Engineering—		
Bhartia Steel ..	14 2 0	..
Indian Iron ..	34 0 0	34 0 0
Kumardhubi ..	6 14 0	6 14 0
Steel Corpn. ..	26 10 0	26 9 0
Paper—		
Titagarh ..	25 3 0	*25 8 0
Orient ..	27 8 0	..
Teas—		
Ethelbari ..	20 2 0	..
Bishnauth ..	37 4 0	..
Chembara	13 6 0	13 4 0

*Quotations as on 28-7-1943.

WORKING CLASS COST OF LIVING INDICES

(Base: August 1939=100)

	*Bombay				†Ahmedabad				‡Sholapur				Cawnpore			
	1939-40	1940-41	1941-42	1942-43	1939-40	1940-41	1941-42	1942-43	1939-40	1940-41	1941-42	1942-43	1939-40	1940-41	1941-42	1942-43
August ..	100	109	125	160	100	107	126	168	100	104	118	158	100	112	130	203
September ..	101	107	123	162	104	108	126	160	100	103	119	162	105	113	133	202
October ..	103	108	119	164	103	108	126	166	103	103	123	177	105	112	134	206
November ..	104	108	120	170	111	111	129	188	108	105	130	196	105	112	143	224
December ..	108	110	123	179	115	108	136	204	114	104	136	201	112	111	151	224
January ..	109	111	130	193	111	108	130	237	110	105	132	201	114	110	145	225
February ..	107	113	129	195	108	108	129	226	108	105	127	207	112	108	144	234
March ..	105	113	130	198	107	108	132	237	103	108	132	219	109	106	150	246
April ..	105	115	131	214	107	111	136	..	101	107	136	..	110	107	149	268
May ..	106	116	135	227	105	112	141	..	103	107	142	..	109	108	155	299
June ..	106	116	145	232	110	114	152	..	104	111	149	..	108	114	175	336
July ..	108	120	160	..	108	121	160	..	104	115	153	..	109	126	190	..

*Base: Year ending June 1934. †Base: Year ending July 1927. ‡Base: Year ending January 1928.

Month	*Nagpur				*Jubbulpore				†Lahore				†Madras			
	1939-40	1940-41	1941-42	1942-43	1939-40	1940-41	1941-42	1942-43	1939-40	1940-41	1941-42	1942-43	1939-40	1940-41	1941-42	1942-43
August ..	100	111	125	183	100	117	131	202	100	102	120	177	100	110	117	140
September ..	100	111	125	183	107	124	138	202	103	108	125	183	105	110	117	149
October ..	98	117	125	184	105	124	138	202	104	111	133	186	106	111	117	155
November ..	105	114	131	190	107	124	141	214	123	115	143	191	107	112	120	159
December ..	§116	113	136	208	§119	119	153	231	123	115	143	252	110	112	123	161
January ..	111	111	138	212	112	119	148	228	109	113	143	264	109	110	119	164
February ..	105	109	134	234	107	117	147	292	108	111	147	255	106	110	117	167
March ..	105	108	133	262	109	121	155	278	110	109	145	254	107	110	117	173
April ..	106	113	138	291	110	124	155	279	110	120	148	..	108	111	121	176
May ..	111	113	145	..	112	122	158	..	101	113	155	..	109	110	123	..
June ..	109	116	160	..	116	126	178	..	100	109	162	..	109	111	131	..
July ..	108	120	181	..	119	134	199	..	102	114	166	..	109	115	136	182

*Base: Year ending January 1927. †Base 1931-35 †Base: Year ending June 1936 § Revised figure.

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THE EASTERN ECONOMIST

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Wanted a Near Peace Production Drive

IT is extremely unfortunate that India's economic and financial policies are shaped by day to day considerations and should be the plaything of every passing event or incident. How else to explain the extraordinary optimism and almost self-complacence of the Finance Member who in replying to the debate on the currency policy of the Government expressed himself in these terms? "Government had satisfied themselves that it was not necessary to submit to any automatic advance of prices because of increase in the volume of currency. He himself was not sure of it three months ago but he was sure today that the Government could stop that nonsense." He further went on to say that "in a vast country like India there was no need to be alarmed by the currency figures of Rs. 750 crores or even of a Rs. 1,000 crores. In relation to the population of the country and other factors it was not an intrinsically excessive figure but it was important to check the tendencies which that figure seemed to indicate." These words abound in ignorance, misunderstanding and wrong appreciation both of the actual economic and financial situation in the country during the last one year and more and of the criticism of the Government's financial policy. No one has ever suggested that in certain circumstances the country cannot absorb a volume of currency as large as Rs. 1,000 crores; nor has any one put forward the view that every increase in the volume of currency would automatically bring about an increase in prices and thus lead to inflation. Indeed Britain's shining example with her enormous note expansion to nearly £1000 millions is a strong reminder that such a result is not inevitable. We are glad that the Finance Member has understood the matter at least since three months past. But when he says that he is sure that "Government could stop that nonsense" he indulges in excessive and premature optimism based on the so-called successes of some schemes of control, *e.g.*, cloth and sugar. He forgets that the primary source of inflation in the country has no analogy to the expansion of currency in Britain or

the U.S.A. and that even were the Government of India 100 per cent. national and in a position to count upon the fullest co-operation of the people it would be difficult, if not impossible, to draw by taxation and loans all the surplus money issued by Government and thus ensure that it does not exert an inflationary pressure. That being so, the Finance Member cannot stop that "nonsense." By partial and piecemeal controls he can from time to time force down the price of this or that commodity. Indeed who has ever denied the ability of Government by hasty and ill-conceived action to bring about a little confusion, violent changes and price oscillations? But of the possibilities of an all-round success in the scheme of price control, there is so far at any rate no evidence. Take even the scheme of cloth control. The prices that are now fixed may seem to be reasonable, compared to those that prevailed a few months ago. But the ceiling prices represent nearly 400 per cent. of those that prevailed in September, 1939. Even on the assumption—surely a very optimistic one—that these prices would be the really ruling ones there is no warrant for the view that inflation has been controlled. Indeed if the currency is allowed to expand in the same manner as before—and the speech of the Finance Member definitely indicates that that will be the case—then the newly acquired money in the hands of the public would exert its inevitably inflationary pressure in this or other directions. It will always be a race between the expansion of currency and the ability of the Government to withdraw it, and we know from past experiences which will gain. If you take drastic action in one direction, the evil will present itself in a more intensified form in other directions and in a most unexpected form. Perhaps the most dangerous part of the Finance Member's speech is his assertion that there is nothing wrong in increasing currency to any levels, and with the zeal of a newly educated and converted reformer thinks that in piecemeal price control he has discovered the sovereign remedy for inflation. All this is to fly in the face of facts. The prices of goods in the country are so high that all this controversy about inflation is beside the point. How are the prices of every kind of consumers' goods? They range from 400 to 500 per cent. of those prevailing before the war. Government themselves are quite aware of the dangerous heights which they have reached and of the purely nominal nature of controlled prices. To cite an example: the control price of nuts and bolts is, say about Rs. 80 a cwt. but Government themselves pay to contractors and pass their bills on the basis of Rs. 600 a cwt. A regular organization has been set to scour the country for all such materials at whatever prices they may be available. Black markets in short are "approved" markets and far from their being checked and put down their existence is fully recognized and utilized by Government. In the face of all this the complacence of the Finance Member is regrettable and dangerous. His refusal to face facts squarely will land him and the country continuously on difficult and treacherous ground.

We have more than once pointed out that the solution to this currency tangle is to be found in three lines of action. A limit should be imposed on the amount of expenditure which India may incur on behalf of the United Nations—the limit being the capacity of the country to bear the real burden which currency expansion implies. Secondly, Government should, having set the limit, seek to equalize the burden by equitable taxation and by borrowing. To seek to raise larger and larger sums by taxation or and loans in the face of an unlimited currency expansion would be like trying to put up a little dam against the ever rising spate of the Jumna. Thirdly and this both as a remedy and as an end in itself the country should adopt a big production drive to speed up her output of consumers' goods of all kinds and of producers' goods without prejudice to the needs of the war.

The Finance Member admits that without public co-operation his policy cannot succeed. Here is an opportunity to win the co-operation of the public. Now that the war has reached a stage when certain bottlenecks which were supposed to have prevented India from taking full advantage of her opportunities and from undertaking even urgent production despite the necessities of the war have been removed, a thoroughly radical departure in economic policy is called for. The Mediterranean is now cleared of the enemy; the long sea route has given way to the shorter. Already there are indications that transport is easier. India is getting stores from Britain and some machine tools from America. London shipping circles point out that for the first time since the outbreak of the war the United Nations have a surplus of shipping capacity and the efficiency of the British merchant navy which had been reduced by thirty per cent. on account of the closure of the Mediterranean has now been restored. As a result of the favourable war developments, it is almost certain that the improvement in the shipping position will be fully maintained. Let us also remember that the building capacity of the United States and Great Britain has increased tremendously. We can, therefore reasonably expect not only earlier delivery of the materials and equipment required for our railways and war industries, but hope to get additional equipment and plant for the new factories which we should now erect.

The above consideration is reinforced by a number of equally weighty factors. It has been stated by the British Prime Minister that even after the war ends on the western front, the eastern campaign will continue. India will be the big base of operations and her industrial capacity should therefore be immediately strengthened. The distinction between war potential and peace time economic potential has been shown to be misleading during the war. War efforts instead of being hampered by the development of key industries are furthered by every strengthening of a country's economic organization and industrial structure.

The Government have stated that they would not withhold permission to new industrial companies if they are intended to further the production of even essential consumers' goods. But this kind of negative attitude at this critical juncture is not helpful. We want a more positive and constructive plan of action. There is still in the country a lot of capital and resources waiting to be employed. But owing to the lack of some plant and other necessary equipment, no forward step could be taken. What the country expects of Government is to remove these bottle-necks. The Industrial Research Department has put forward quite a considerable number of new schemes. But they are all in the stage of hibernation for want of a plan of effective utilization.

Finally we have to think even now of what would happen when the war ends and that too quite suddenly and unexpectedly, as many fear and hope. A lot of constructional activity which has been going on will suddenly stop. The purely war industries will cease to hum. Labour employed in hundreds of ways now will be thrown out. Is it not time that Government should even from now start planning for the near peace economy which lies ahead of us? This Government is one of the least enterprising and imaginative of all Governments ever called upon to administer a war economy. But even with the knowledge that it is difficult to move the Government of India to activity in the right direction, the duty of the public is clear. It is to press upon them to embark upon a plan of pushing up production of not merely essential consumers' goods but of producers' goods, machine tools, motor engines, etc.

We therefore want the blueprint of a plan for the next three or four years which will provide for all essential war purposes and also the production of goods and tools which will serve the needs of war and peace. That blueprint should be prepared in close co-operation with Indian business men. The first step is in our view the creation of a special Production Department in the Government of India with one member exclusively concerned with it. It will be his duty to prepare plans and provide all facilities for putting the plans into effect. Such facilities should include shipping and other transport, foreign exchange, guarantee of purchase or of minimum profit etc. The member in charge should be clothed with ample powers and should not be handicapped by too much of red tape and lack of freedom. Industrialists should be asked to form public companies in co-operation with one another and ample facilities to business men to go to America and England should be provided to enable them to arrange for the import of the necessary equipment and exports. The report that the Government of India have arranged for a delegation of textile business men to proceed to Egypt to arrange for the supply of Egyptian cotton is most gratifying. Would the Government adopt this as a permanent feature of their policy of assisting industry?

That there are several industries ready to be developed and indeed requiring urgent expansion cannot be denied. Even the Government of India, it is reported, are impressed by the necessity to develop a fertilizer industry in the country with the help of imported plant. The Food Grains Policy Committee has apparently urged the putting up of a fertilizer plant equipped to produce about 350,000 tons of ammonium sulphate. Let us hope that the recommendation will be implemented at once by the Government.

Then again there is the need to increase our textile production. With the aid of some more machinery, much can be done. Again we have enormous capacity to increase the production of machine tools, the foundation of which is being laid in an extremely modest way just now. New engineering factories should be set up with large capital and Government should arrange for equipment and experts in co-operation with Indian business men.

All these are not only possible but essential. The tragedy of the Indian situation is that most of our suffering and handicaps are avoidable and man-made. That India has made some industrial progress during the war is undoubted; but it is equally true that owing to a singularly unimaginative and unhelpful Government her progress not only compares very unfavourably with other belligerent countries like Australia and Canada but in itself is poor and incommensurate with the exigencies of the war and the needs of peace. But it is still not too late. Will the Government now at least wake up and plan a big production drive? Will they set up a Production Department designed to accelerate the pace of industrialization so as to subserve the ends of war and peace? On the answers to these questions the country will judge them. No amount of playing with economic controls in a piecemeal and sporadic manner can ever be a substitute for a medium-range plan of rapid economic development which alone can constitute at least a partial solution in our present menacing situation.

Indian States and Fiscal Policy

FOLLOWING the lead of British India in recent months, a number of Indian States have taken important fiscal measures with the object of countering inflation and rising prices. Baroda, for instance, has imposed an E.P.T. from August 1 at the rate of 66-2/3% on all profits above the standard level of Rs. 36,000, and the whole of the proceeds of the levy is proposed to be returned within one year after the war or twenty-four months, whichever is later. In Hyderabad, an E.P.T. has been imposed on all trades and businesses with profits exceeding Rs. 24,000 at the rate of 60%, of which 40% will be taken away as taxation and 20% will be held as deposit repayable at any time within three years of the cessation of war at 2% simple interest. Travancore has avoided the necessity of embarking upon a complicated system of E.P.T., but instead has imposed an agricultural income-tax intended to mop up the abnormal earnings in the tea, rubber, cardamom and other estates due to soaring prices. Above a minimum exemption limit of Rs. 5,000, all higher incomes are to be taxed at 75% per cent. of the income-tax rates, not taking into account super-tax and surcharge. The proceeds which are estimated at Rs. 80 lakhs this year and Rs. 58 lakhs next year will go into a post-war reconstruction fund to be devoted to the promotion of agriculture. Cochin has imposed the E.P.T. in addition to the income-tax. The money from the E.P.T. is to go into a post-war reconstruction fund to be used for benefit purposes after the war. In Mysore, the recent budget announced that the super-tax act on the income of companies would be amended so as to provide exemption from supertax only of incomes less than Rs. 2,400 and the levy of the tax at the rate of one anna in the rupee on incomes ranging from Rs. 2,400 to Rs. 4,800 and one anna six pies in the rupee on incomes of Rs. 4,800 and upwards. Mysore has also levied excise duties on tobacco and vegetable products following British India and will derive its share in the proceeds pooled. It has been reported that besides these States, others like Jaipur and the Kathiawar group are contemplating similar measures.

While apparently these fiscal devices on the part of the States are intended to keep step with British India and to achieve as nearly as possible a desirable degree of uniformity of fiscal standards in the country as a whole, there are obviously differences in purpose and scales of taxation. The States suffer as much from rising prices and currency inflation as the British Indian provinces for the simple reason that India is one currency area and the notes of the Reserve Bank circulate in all the States also. The right of certain States like Hyderabad to issue their own money is no infraction of this principle, as their money supplements and not supplants British Indian currency. The object of the States, therefore, is primarily to check inflation. But unlike British India or the Government of India, none of the States is in a condition of deficit to stand in need of additional revenues. The importance of the E.P.T. in the tax system of the Government of India, and the necessity of drawing to the exchequer large sums of money to finance their and the Allied Governments' war expenditures hardly need any emphasis quite apart from their place in the fight against inflation. But the States, not standing in such dire need of more revenue, have in most cases not only imposed lower scales of taxation, but have promised the return to industry of the funds either directly or indirectly as aids to economic development. Hyderabad perhaps departs

slightly from this principle, in so far as two-thirds of the proceeds of the E.P.T. are to be used to ameliorate the conditions of the poorer sections of the community and low paid Government servants in regard to food and other necessaries. But to this extent this is not anti-inflationary.

The above kind of co-operation has extended also to almost all larger aspects of economic policy whose essentially all-India character has demanded co-ordinated action on the part of the States and provinces. Thus from the very beginning, the States have participated in the price control and food policies of the Government of India; the cloth control scheme comprehends the States too and many of them have enacted the requisite legislation. So is the case with the control of new capital issues. Broadly speaking, it is true to say that except for retaining financial autonomy in the very restricted sense of being free to impose certain taxes at will and at rates chosen by them, the Indian States have fallen in line with British India in all the major economic policies initiated by them.

It is unnecessary to labour the advantages of a policy based on the sound assumption that India represents one economic unit. A large area rich in human and natural resources can by proper planning more easily provide its citizens increasing standards of material satisfaction than a small area which will have to depend on external sources for essential materials. Quite apart from this long-run point of view, even for the successful execution of war-time economic controls, such a policy is indispensable. The food debacle in the country has arisen directly from the non-observance of this principle. Similarly the exclusion of the States from the scope of the cloth control scheme would have ended in a fiasco and in the States being the happy hunting ground of profiteers. The prevalence of the futures market in produce in the States in face of their abolition in the adjoining provinces would have fostered speculation and diverted trade. All this is true.

Nevertheless, there are certain limits to the uniformity of procedure that should be enforced at the sacrifice of discretion in policy. If a particular State thinks it inexpedient to levy an E.P.T. in its territory, there should be no compulsion on it to impose the duty. If, again, a certain State is of opinion that conditions do not warrant the control of new capital issues, there should be no obligation upon the State in question to adopt that control for the sake of a dead and purposeless uniformity.

We make these two particular points, *viz.* (1) case for diversity in taxation rates and (2) freedom of the capital market for certain solid reasons, and in spite of certain theoretical objections. If under the stimulus of immunity from E.P.T. or of lower tax liability there should be the flow of capital to the States to be invested in new enterprises, or even a physical migration of industry, the States are bound to welcome both developments. In actual fact, at least three years of such immunity have passed, and we have no weighty evidence of a migration of industry or of an investment boom in the States. If however since the licensing of new capital issues in British India, the tendency of capital to move into the States should develop, it should be treated as a matter exclusively for the State to deal with. Not that the State authorities will not control. In reality Baroda and some other States have been quick to follow suit. In any case, they may be relied upon to curb an inflationary boom likely to envelop their economic life.

Already it is understood that the Standing Committee of the Princes Chamber will be considering the question of the control of capital issues at their meeting in Bombay next week. It is stated that since nine-tenths of the capital invested in the States is by British Indians, the control of capital transactions in British India is preventing a number of projects being undertaken in the States. We do not know what exactly are the projects held up for these reasons. But we have no doubt that there still exist possibilities of increased production. In the past the tariff and industrial policies of British India have been framed with scant reference to the needs and potentialities of the Indian States. There are a few States like Mysore and Travancore which have adopted a bold industrial policy. But by and large the economic development of the States has been utterly incommensurate with their area, population and natural resources. The share of the States in Indian investments is but an insignificant fraction, and if to rectify this lop-sided growth the States should seek to foster industries by the limited incentive of low taxation, and liberal permission of new issues, there should be no objection to this. If it is argued that in the absence of imports of machinery not much scope is left for new enterprises, the argument cuts both ways; there would then be no need to control and in any case the matter may be left to the States to decide. Physical migration of industry might be objected to by British India because of the loss of industry, and loss of E.P.T. proceeds due from the firms. But that can be prevented.

This should not in any sense be construed as opposition to a policy of progressive taxation of incomes and profits. The States have always been averse to direct taxation and high progression. But under present conditions this lack of progression might conveniently be used by the States as an instrument of industrialization: The plants in all industries are now worked at very high pressure. Double and triple shifts are being worked to maximize production. The rate of wear and tear is therefore enormously high. But the allowance for depreciation is not adequate. The Government of India have no doubt promised to refund the 13-1|3 per cent. compulsory E.P.T. deposit. But that obviously will not do, considering the rate of depreciation and the need for replacement after the war. Moreover, the rate of technological progress in modern times is so high that sufficient obsolescence charges are not allowed in industry, with the result that out of date machinery continues in operation long after more efficient substitutes have entered the field.

It is in recognition of these important facts that much importance has been attached in recent discussions in England to the desirability of using differential rates of taxation of profits as a limited weapon of industrial advance. In a recent debate in the House of Commons Mr Benson, for instance, stressed a lower rate for profits which would be reinvested in industry for improving its technical efficiency than for individual incomes, and argued that in giving higher depreciation charges, care should be taken to see that it leads to a more rapid replacement of obsolete plant and is not merely a gift to industry. Sir George Schuster, former Finance Member of the Government of India also emphasized the same aspect in a notable speech. If industry tends to keep its plant running until it has been written down to a negligible figure in its books, the obsolescence allowance will be small in relation to depreciation. If industry on the other hand adopts a bold policy of scrapping old machines and introducing the latest ones, obsolescence charges will be high relatively to depreciation. The rate of introduction of innovation and the rate of scrapping old machinery are important matters of social policy. Society must decide whether the benefit of the early introduction of better technique offsets the loss entailed in premature scrapping and whether a delay would not lead to loss of benefits of technique. Likewise the amount of reserves which an

industry can be permitted to build up and reinvest is a matter of social policy involving the right allocation of resources to different productive efforts. Despite all this it is both possible and expedient for the Government to use the tax instrument for fostering investment and improved technology within the ambit of larger policies.

We have dwelt at some length on this aspect, because the Indian States can wield this fiscal instrument to advantage within the limits of the competitive system. Baroda proposes to refund the entire amount of the E.P.T. after the war. The differential rates of E.P.T. in the States partially reflect this purpose. But the States can consciously and deliberately adopt this as policy. They have the financial autonomy to do this.

All this fiscal freedom does not involve the least violence to our basic assumption that India is and must be treated as one economic unit. It will do less violence to the basic principle than has been done by autonomous provinces in exercise of their constitutional rights. Where deaths from starvation have to be averted, the Central Government can only point to the autonomous rights of the provinces and not effectually enforce its decisions. Did not Major-General Wood declare that whatever the food policy of the Central Government might be, there was only one machinery to execute the policy and that was the machinery of the provinces and States; and that it was neither possible nor desirable for the Central Government to create its own machinery? A differential income-tax or E.P.T. has no such serious consequences but lends itself to use as an instrument of progress. If after the war a national economic plan is worked out and the States are brought within it, it will be time enough then to consider what plants and industries should be located in the States, having regard to all economic advantages. Uniformity may perhaps be desirable then. But unlike in the past two decades the States will then get their due share of industrial progress. Meanwhile, nothing should prevent them in using their limited fiscal powers to advantage. In reality an analogy to the case under consideration can easily be given. The mills in the city of Bombay have a handicap on account of high level of local taxation as compared with those in Ahmedabad, and this has helped the industry in Ahmedabad as against Bombay. Have the Bombay mills for that reason been able to press successfully on the Bombay Government to equalize the tax rates to eliminate their comparative disadvantage? Not at all.

In saying all this, considerations of constitutional status have weighed very little with us. It is purely on grounds of economics we commend the policy. But that is not to say that constitutional considerations should be ignored. The Government of India should not confuse their political with their economic functions. It is not open to them to impose by *force majeure* their ideas of tax policies on the States as the results of such divergencies in taxation are not such as can call for Government's intervention. On the contrary by seeking to secure so-called uniformity in tax system, they would only bring about great inequalities in tax administration. For few States are qualified and equipped with the necessary technical and administrative machinery to administer even ordinary income-tax laws. The highly complicated Excess Profits Duty which even in British India is inefficiently worked (as witness the large arrears in tax collection which the Finance Member estimated at Rs. 100 crores) is practically beyond the capacity of the fiscal machinery of the States. In the result it would only lead to unequal incidence and discontent. In the sphere of taxation in particular the all important consideration is ability to administer the tax with reasonable efficiency. Where that is lacking, it is not only futile but harmful to impose new taxes which will lead to widespread evasion. Thus on the whole the balance of considerations seems to point to a policy of securing the co-operation of such States as have the requisite machinery and are themselves willing to fall in line with the British Indian tax system. But it seems to us wrong to impose without regard to the different circumstances of most of the States the same tax laws as prevail in British India.

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We would invite the attention of our readers to our article on another page entitled "The White Plan and Our Sterling Balances." In view of the widespread misconception and misunderstanding of the true nature of the proposals for dealing with the problem of abnormal war balances under the American plan, we have felt it necessary to explain this part of the scheme in as clear and simple language as possible. Our object has been elucidation, not criticism. Without proper understanding, criticism cannot be informed or fruitful.

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The Week's Notes

TAXATION AND INDUSTRIAL DEVELOPMENT

In our leading article on Indian States and Fiscal Policy, we have referred to the right of the Indian States which are still industrially backward to develop industry not merely by differential rates of taxation between themselves and British India but also by so using the instrument of taxation to stimulate industrial development. But there is no reason why British India should not reorganize its direct tax system and change its tax policy so as to see that as far as possible it stimulates and helps industry rather than hinders it, particularly as regards saving and investment. To this end the basis on which depreciation and obsolescence allowances are granted and the uniform rate of tax on company reserves and undistributed profits should be entirely revised. As long as rates of income and super taxes were low, the amount allowed for depreciation and obsolescence did not perhaps matter. But when the pitch of taxation has on account of the emergency of the war been raised to a high level and is likely to be maintained highly even after the war, the effect on savings and investment becomes serious. It is admitted that the present rate allowed by the income-tax authority against depreciation is very inadequate. Many units in several industries work double and treble shifts. The wear and tear is extraordinarily high, whereas the amount allowed for by the income-tax authorities is pitifully inadequate. Again Indian income-tax authorities, who blindly imitate British practice, are naturally unsympathetic to a liberal obsolescence allowance. In the United States the law treats obsolescence in a clear and well defined way and allows it as a deduction without proof of replacement. No wonder that America has always shown a greater readiness to scrap her old plants and buildings and design new factories and layouts at ever-increasing levels of efficiency. Our plants and machinery are in many cases old and antiquated, and we stick to old methods. If reform is to be secured one of the most potent instruments in the hands of the State should be utilized to bring it about.

REFORMING BRITISH TAX SYSTEM

In his interesting speech in the House of Commons at the time of the last budget in May, 1943, Sir George Schuster urged upon the British Chancellor of Exchequer the need to introduce some important changes in the British tax system. In the first place, he pleaded for the adoption of the U.S. practice of levying a certain rate on the incomes of industrial undertakings as such and then on the top of that to add a tax on personal incomes. Very similar was the suggestion of another member, Mr. Benson, who pleaded for a large differential rate, between profits accruing to persons and those which are ploughed back to industry. He recommended a standard tax of 7/6d. on individual incomes and only 2/6d. on the profits used up in the industry. There was, according to him, no use of conferring small benefits or of doing it in a half-hearted way. In the second place, Sir George Schuster complained that their methods of assessing income for tax purposes were not identical with the methods which ought to be followed by progressive business men and hence appealed to the Chancellor of Exchequer to liberalize the system of allowances for expenditure on research and experimental work so as to enable the manufacturer to spend large sums of money on research and development not only in existing products but even in new and allied products. He suggested also the adoption of the Swedish tax system which treats the extra cost of replacement of existing installation as a working cost.

All these considerations are of great relevance to the situation in India where the Government attempts a twentieth century tax system on a nineteenth century industrial structure and development and on a social scheme of public expenditure which is an anachronism and a disgrace. High taxation is not in itself an evil; but it should on the one hand not kill enterprise and investment and kill the goose that lays the golden eggs; nor on the other should the proceeds be wasted in merely primary functions of Government. A review of the tax system is necessary to be undertaken now so that we may be well prepared in the post-war period.

A RETROGRADE STEP

The re-employment of women in the coal mines underground, which has been recently permitted by the Government of India is in every way a retrograde step and cannot be approved. The employment of women in underground workings was prohibited in Great Britain over a hundred years ago, and it was after a great deal of discussion and pressure of public opinion that in India the Government undertook legislation to prohibit their employment. In 1934 an International labour conference unanimously adopted a convention intended to prohibit the employment of women from underground work. The Government of India ratified the convention and introduced legislation giving effect to that convention. The prohibition has been in operation for six years now and no case has been established for the re-employment of women. The plea put forward by the Government that it is only necessary to meet the exigencies of war cannot be accepted. The employment of women underground has been associated with such grave injury to their health and life that no amount of exceptional pleading can justify the re-introduction of a very serious evil. Moreover, the present coal problem is not the result of production shortage so much as that of inefficient and bad distribution. But even if production is to be speeded up, other ways could have been explored by the Government and labour should have been drawn from other fields of occupation to coal-mines. More mechanical methods should be employed by the mines, so that the output per worker might increase. We hope that sufficient pressure will be brought to bear upon Government to compel them to retrace their step which is a reversal of the progress in industrial legislation.

TESTS OF SUCCESSFUL CONTROL

Within the last few weeks the public have been invited by several authorities, the Government, the Control Boards, etc., to admire and sing praises of the success and efficacy of several schemes of control. The sugar control, the cloth control and the coffee control have all been held up to our approval and admiration. It is not our purpose here to examine how far the complacence and self-adulation of the controlling authorities are proper and justified. Our purpose is rather to indicate the tests which should be applied before we can endorse the opinions of the controllers, be they Government or other public bodies. Sugar control is said to have justified itself because after a period of initial difficulty and mistake the consumer all over India is said to be able to buy sugar at controlled prices. But even today on account of inefficient distributive organization many are able to buy only at high prices and in black markets.

But control has created discontent among the sugar-cane growers and sugar mills in so far as it has prevented them from earning the same amount of profits which other agriculturists and other industrialists have been able to obtain. How far is the contention of the producer valid that he should not only be guaranteed a minimum profit but that he should get equal profits with other classes of producers or that he should, on account of the rise in prices of other commodities, be permitted to increase his price in proportion? An affirmative answer will only lead to a vicious circle and the only way of breaking it is to have control over every kind of article produced or consumed in the country.

In the case of cloth control, it is too early to judge. But even if cloth is sold in all markets at no more than 20 per cent. over the ceiling prices fixed by the Control Board, the consumer cannot be expected to burn incense at the altar of control, for the controlled prices are fixed at such inflationary levels that the cloth is beyond the reach of the poor sections of the community. The distributive arrangements for standard cloth are a disgrace. No one yet knows how or where to get it from. Paper reports of the effectiveness of cloth control can deceive no one. The worst case of self-praise is that of coffee control. The control authority have missed no occasion to point out how well the scheme works and how the control has provided for orderly marketing and for good prices to the growers and dealers. It is not difficult to expose the hollowness of such misleading claims. Who has gained by the control? Not the Indian consumer who has had to pay 300 to 400 per cent. of the pre-war price. The classes that have benefited are the merchants and exporters who have combined to secure their own ends by grossly exploiting the consumer. The export prices are controlled at favourable prices; the dealers are assured of a liberal margin and on the amount which they can sell inside the country of an uncontrolled margin; the people who are running the control scheme are themselves its own judges. The poor consumer who is exploited is not vocal, partly because although the prices have soared to absurd heights, the amount spent by the consumer on coffee is still a small percentage of his total expenditure unlike, for example, on rice or wheat. "The importance of being unimportant" is well illustrated in the case of coffee which is thus able to extract a high price from the consumer.

INDIAN SHIPPING AT BAY

The unhelpful attitude which the Government of India adopted not only to the establishment of an Indian shipbiulding industry but also to Indian shipping, has been most contrary and self-frustrating even for that Government. On the one hand, import of even essential equipments and raw materials has been drastically cut down, and on the other, nothing was done for the development of a national shipbuilding industry. But when it comes to safeguarding, apart from furthering, the interests of Indian-controlled shipping, the failings of the Government become more inexcusable. At the outbreak of the war, Indian-controlled shipping amounted to less than 1½ lakh tons and carried less than 5 per cent. of India's coastal and overseas trade of nearly Rs. 500 crores. While practically the whole of the Indian-controlled shipping has been requisitioned for war purposes, British shipping on the Indian Register has been more softly treated. As the Government of India has no power over shipping registered in Great Britain or any Dominion, the British Ministry of War Transport has a free hand in the matter and actively helped British shipping interests to entrench themselves in India's trade. The Ministry made over a large number of ships to the British shippers and helped them to maintain their quota of trade. In contrast, the Government did nothing to help the Indian shipping to maintain their quota. Indeed, they made a Britisher with affiliations with British shipping trade as the Controller of Shipping in India and another as the Shipping Adviser. Through all these actions and inactions of the Government of India run only one consistent motto, *viz.*, utter subservience to British interests and apathy to the short-term as well as long-term interests of India. Today Indian shipping is at bay, fighting valiantly an unequal fight against both the powerful British interests backed by the British Ministry of War Transport, as well as the Government of India with its apathetic and stand-offish attitude towards Indian interests. The unequalness of this fight becomes the more pitiful when we remember that the British Government has given British shipping a definite guarantee about post-war position, while Indian shipping can look forward to no such assurances—at any rate, not until we have a Government more mindful of Indian interests.

WHEAT PRODUCTION IN 1943

The statistics available regarding the world production of wheat show a decline in estimated acreage under the crop, as well as total produce in all the major and more efficient producing countries like the U.S.A., Canada and Australia. The tendency during the previous year had been a decline in acreage in these countries, accompanied by a phenomenal increase in yields per acre, which almost doubled in the case of Canada and Australia, so that the total world production exceeded that in 1940-41. India and Argentina, on the other hand, have increased their production slightly, and in the case of our country a slight improvement in yield per acre is noticeable. The decline in the production of wheat in U.S.A., Canada and Australia, compared to 1941-42, is ominous when we consider the war-time need for cereals which is much greater than in peacetime.

The major cause for the decreasing acreage under wheat in Australia, Canada and the U.S.A. is the emergence of bottlenecks on account of the war. Canada and Australia have seized the opportunity offered by the war to emerge as great industrial powers. They have withdrawn the factors of production from agriculture to develop, for instance, the aircraft industry in Canada and the steel in Australia. From an insignificant position as producer of steel, Australia has soundly beaten us in an industry in which we had a lead of a quarter century, and is now ambitious to play the Britain of the Pacific in the post-war world.

Envisaging a warless world after this war when there would be no need for strategic industries and when every country would be producing the thing for which it is best suited, it appears that the stress on industrial expansion at the cost of agriculture in a country like Australia has been a misdirection of productive resources from the point of view of world economy. From the high yields that these countries are capable of reaping per acre from their lands it is obvious that they are the countries suited *par excellance* for world's agriculture.

At one time we were led to hope from the deliberations of the Eastern Group Conference that the

proper lines of development of imperial economy would be clearly marked. But unfortunately, the attempts at such planning as was made was in the direction of ensuring industrialization of Australia unhampered by any Indian competition developing on the same lines. Tools for industrial development which were not made available to us were secured by them. We witness the unfortunate paradox today of a country which needs quick industrialization being worked up only to grow more food by means of official as well as non-official propaganda while the countries most suited by nature for the purpose are withdrawing their factors of production from fields to factories. The fact that much of this shrinkage of acreage in the Dominions is possibly only temporary and suitable readjustments would be made as soon as the demand for war equipments ceases after war, makes our position none the better.

THE FUTURE OF FARMING

The speech which the Hon'ble Sir Jogendra Singh made in the Council of State on the Food debate deserves more than a passing reference. Although in the present context of the economic situation his words might not have carried much appeal, he raised a somewhat fundamental issue which the country must face in the future. How long can consumers of food go on exploiting the agriculturist producers? It was, we believe, the late Lord Stamp who once declared that the world as a whole had been fed below cost for the last one hundred years, if one took into account the proper elements of cost. That is true of nearly all countries. The incomes of the agriculturists are in every country lower than those of other classes of the population and the disparity does not show the least sign of being narrowed, much less closed. It is not a question of the efficiency or otherwise of the agriculturist. The highly efficient British and Danish farmer and the equally productive American and Canadian agriculturist enjoy lower incomes than the industrial classes in their own countries. The position of the Indian farmer is of course most unenviable. His produce is often sold at prices which do not leave him sufficient to make both ends meet. There is an old saying in Madras Presidency —and we believe its equivalent would also be current elsewhere—that cost accounting has no place in agriculture. The truth of this proverb is strikingly illustrated by the sale at much below cost of all dairy products and particularly of ghee. The price of ghee in most urban centres has been (previous to 1942) one half to two-thirds of the cost of production of ghee as estimated by students of agriculture. What then is the remedy? The remedy is not, as Sir Jogendra Singh would imply, the raising of the prices to their present heights and thus making the foodgrains beyond the reach of the consumer, but as he himself has stressed in another part of his speech to increase production and to raise productivity by reducing costs. While the disparity in incomes may persist, it should be possible for us to guarantee a reasonable margin to the cultivator, and the margin can be extended partly by giving him a higher price for his products and partly also by reducing his costs. Our future agricultural policy should be orientated towards this end. As for equalizing the incomes of the agriculturists and the industrial sections, the problem is a wider one. Its solution lies along the lines of supplementing the incomes of the less favoured economic sections by comprehensive social insurance. But all this will have to wait till our national income is at least doubled, if not trebled, within the next decade.

CEILING PRICES OF CLOTH

While we must congratulate the Textile Control Board on their anxiety to implement the control scheme and fix prices, we cannot refrain from giving expression to the disappointment of the consumers that the ceiling prices fixed by them for about a dozen varieties of the cloth err on the side of liberality to the producer and the merchant. We may at once concede that the dissatisfaction of the public was in any case inevitable, as they did not take into account the enormous rise in the prices of stores and materials that enter into the manufacture of cloth and the high cost of labour. Even so the ex-mill prices fixed seem to be unduly high and the possibility of reduction should have been still further explored. For one thing, Government are already controlling the supply of textile stores like reeds, healds, shuttles, bobbins, etc., and on top of their announcement of prices have declared that they would assure a regular supply of these materials at controlled prices, if need be, even by requisition. In the second place, the high prices of cloth are out of relation to the price of raw cotton which has been kept down by control. As our Bombay correspondent has pointed out, these high ceilings for cloth in face of controlled rate for raw cotton ensure the continuance of war profits. The price fixed for 20's yarn is Re. 1-12-0 per pound and even taking the best quality of cotton from which even the most inefficient mill can manufacture 24's, the cost would not work out to more than Re. 1-2-0 per pound, allowing a profit of 50 per cent. We write with some hesitation as we do not have detailed figures of cost, but believe that the general position as stated above is correct. This liberality to the manufacturer is only paralleled by the liberality to the cloth dealers. The retail prices, we are told, will be sold at prices not exceeding a margin of 15 per cent. over the ceiling prices excluding freight and other charges which will not be above 5 per cent. or a total gross margin of 20 per cent. We contend that this margin is excessive. In respect of standard cloth the retail price is arrived at by adding 6¼ per cent. to the ex-mill price. Every province and State will get this cloth at ex-mill price plus 1¾ per cent. To this the province or state will add 4½ per cent. of the ex-mill price to arrive at the retail price, the manner of absorption of this margin being a matter of their discretion. There is no reason whatever why a similar margin or a slightly larger one should not have been fixed in the case of other cloth too. The dealers are assured at least of a 10 per cent. profit in place of the 7 per cent. they were normally getting. Above all, the ground for the misgiving of the consumer arises from the fact that the prices announced are in most cases substantially higher than those prevailing in the market, with the effect that the prices stiffen when the consumer expects a fall and that the maximum prices become the effective minimum prices at once. For example the ruling price of Mettur Mull 61 was Rs. 14-6 per piece and the ceiling for it is Rs. 15; again in yarn the 20's were Rs. 18-4, the offical ceiling works out to Rs. 21. The result was a spurt in prices. We are aware that the prices fixed are for the highest quality goods in all cases. But where is the guarantee that slightly inferior grades will not be passed off as superior ones? We cannot help feeling that Government have taken a hasty step in an otherwise successful scheme of control.

NEWS PAGE

Sir Homi Mehta has donated a sum of seven lakhs of rupees to the University of Bombay to be utilized for the promotion of research in connection with the Technological Department of the University.

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Mr. Harold Ickes, the U.S. Secretary of the Interior and the Custodian of Mines, returned to private ownership 53 mines which had been in Government hands since May 1 without having had stoppage of work and it is also announced that five coal-mining companies have been restored to private ownership.

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A scheme for a comprehensive course of lectures and conferences on food control and rationing has been chalked out by Mr. W. H. Kirby, the Food Expert of the Government of India in consultation with the Government of Bombay. About 100 high officers of various Provinces and States will undergo training. The course began on August 23.

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Mr. Henry Morgenthau has issued a revised draft of the U.S. Treasury's tentative proposals for an international stabilization fund. The fund is expected to total 5,000 million dollars and will be subscribed by the United Nations and other nations associated with them on the basis of established quotas of gold and currency for each country. It is meant exclusively for the benefit of nations taking part in the scheme.

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The Government of Bengal have decided to control the prices of rice and paddy throughout Bengal with effect from August 28 and have fixed the maximum rates of prices. They have also decided to buy rice and paddy where a surplus is known to be available with the harvesting of the aus crop.

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The Chinese Government has announced that China's Central Political Council will establish a committee to study post-war reconstruction problems.

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Bombay eats 1,000 to 1,500 bags of potatoes daily. But at present the city is able to import only two to three hundred bags every day. The main cause of this is the restriction imposed by the Government of Madras on its export to Bombay. The city is threatened with a potato famine.

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The U.S. Foreign Association has suggested that Russia may modify some of her territorial ideas about he mapping of post-war Europe if granted one of her ldest demands—unhampered trade routes in oceans articularly in the Atlantic.

The Government of the United Provinces having withdrawn all restrictions on the purchase of standard cloth by the public, it is understood that all persons irrespective of their income can now purchase it.

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The Allied victories have brought a slump in gold prices throughout the Middle East over the past six weeks. The quotation for sovereign in Cairo has moved down from 570 to just over 400 piastres.

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It is understood that the British Government sold part of their gold stocks held in the Exchange Equalization Fund account, amounting to 20 to 30 thousand ounces, in India on the 16th, 17th and 18th August.

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President Roosevelt, in an executive order to enforce compliance with the War Labour Board's decisions by unions and employers, has authorized the withdrawal of Union's contract rights, including dues and collection by employees, and the withholding of priorities on war contracts from employers.

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Agreement has been reached, it is understood, between the Punjab and U.P. Governments over the proposals to construct two dams on the Tons and Giri, tributaries of the River Jumna, and the generation of hydro-electric power, considered at a conference of the Chief Engineers, Irrigation Department, of both Governments, which met in Naini Tal some time ago.

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Mr. Henry S. Villard, Assistant Chief of the State Department's near Eastern Affairs Division, disclosed that several plans have been proposed for international trusteeship over Axis colonies in Africa. These plans include suggestions for international supervision over the national administration of the colonies to be carried out by an International Colonial Commission and for regional councils consisting of representatives of Powers controlling neighbouring colonial territories.

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India will have a new Hydro-Electric installation on the border of Madras and Orissa serving both provinces. Preliminary surveys regarding the scheme show that it is likely to cost Rs. 2.25 crores, and will be remunerative.

The White Plan and Our Sterling Balances

IN recent months public attention has come to be focussed on the implications and significance of the sterling balances which have been accumulating to our credit at a fast rate. Economists and public men have discussed the question in great detail and gradually a consensus of thought has grown up. It is now generally understood that our sterling balances represent a part of the extreme privations and sufferings we are undergoing as part of our war-effort and represent a measure of the "forced saving" imposed on us by the financial policy of the Government. At the same time we are becoming conscious of the vital part these balances must play if we are to launch an ambitious economic plan for rapid industrialization after the war. Unless we are able to use these balances, either we shall have to substantially whittle down our ambition or to duplicate after the war the privations we are undergoing now.

Naturally there is a great deal of public concern over the fate of our sterling balances and the recent policy of the Government as well as the trend of opinion in Great Britain have done nothing to allay public misgivings in this behalf. It cannot be doubted that accumulation of such "abnormal war balances" by various countries greatly add to the complexity of the post-war international monetary problems and naturally enough the recent Currency Plans published by the American and the British Governments have reverted to the problem. The Keynes Plan itself does not adumbrate any concerted programme for the orderly transfer of these huge balances but merely expresses the hope that some transitional measures may be adopted which will not compromise the liquidity of the balances to the creditor countries and yet at the same time minimize the strain on the debtor country. On the contrary, the White Plan has a clear-cut scheme for the adjustment of these "abnormal war balances."

For us these "war balances" have become surrounded by a penumbra of emotion and we tend to judge the currency plans by their orientation to the question of these balances. The Keynes Plan has, on the whole, received a better reception in India and the very vague and non-committal attitude it adopts on this touchy question has got much to do for this better reception. It appears, however, that there has been some general misunderstanding in India about the nature of the scheme for tackling the war-balances which is contemplated in the White Plan. The misunderstanding is partly due to the highly compressed form in which the White Plan has been drawn up and the extremely technical and complex nature of the proposals suggested to liquidate the war balances. We ourselves in one of our earlier articles on the subject presented the American Plan in a somewhat worse light than is perhaps warranted. The closer scrutiny and examination of the plan which we have now made reveals that whatever other faults it may have, the plan does seek to provide some means by which the abnormal balances may be transferred with the least injury to the world's monetary system and without subjecting any country—debtor or creditor—to any undue strain.

The White Scheme has been generally interpreted to mean that in some way it is contemplated to freeze our balances and release them in dribblets over a period extending over 20 or 23 years. If this were really so, it would indeed be a most ridiculous and absurd position, for the White Plan specifically mentions that one of the purposes of the Stabilization Fund is "to facilitate the effective utilization of the abnormal foreign balances accumulated in some countries as a consequence of the war situation" (I-4). Nevertheless, a closer reading of the relevant parts (III-9) would show that what the scheme contemplates is merely a programme for multilateral transfer, which distributes the burden of adjustment among the several countries and that although there are obvious limits to the rates at which these balances can be utilized, the limits are not of the character of a general freezing order accompanied by thawing in regular instalments. It is, indeed, very different from that. We shall therefore seek in this article to explain clearly how under the scheme the problem of war balances is sought to be disposed of under the American Plan. Our task is not to approve or disapprove; that may be left over to a later occasion. But it is necessary if our criticism is to be fruitful and just that there should not be the slightest misconception or ignorance about the true nature of the proposals.

Thanks to our pitiful experience after the last war in connection with the war debt and reparation problems and the great controversy which this question aroused, our understanding of the international transfer problem is today much fuller than before. The "removal of the veil of money" has enabled us to see the transfer problem essentially as a problem in the relocalization of demand, and productive forces. The idea of a transfer of capital in the abstract, which has been one of the most tenacious of economic illusions, has absolutely no contact with economic reality. The international transfer of capital means the international transfer of purchasing power and although in the short period there may be equalizing and offsetting movements of funds, nevertheless in the final analysis and eventually all claims *must* be exercised and capital fund can only be transferred in the form of commodities and services. The relocalization of purchasing power will, in general, entail a re-adjustment of trade and production in both the creditor and the debtor countries. The international transfer of capital funds is certainly a foreign exchange problem, but it is also and mainly a problem of readjustment of trade and production.

Now, suppose India finds herself at the end of the war credited with a sterling balance of £750 mn. or Rs. 1,000 crores. This sum represents a certain quantum of goods and services which we parted with during the war and we can get back the sum only in the form of goods and services, although it may be a different quantum on account of the changed price relationships under the impact of the transfer process. Further, since Great Britain is the debtor, it is she who must send the required quantum of goods and services either directly to us or indirectly through a multilateral route. These considerations constitute the inescapable elements of economic reality.

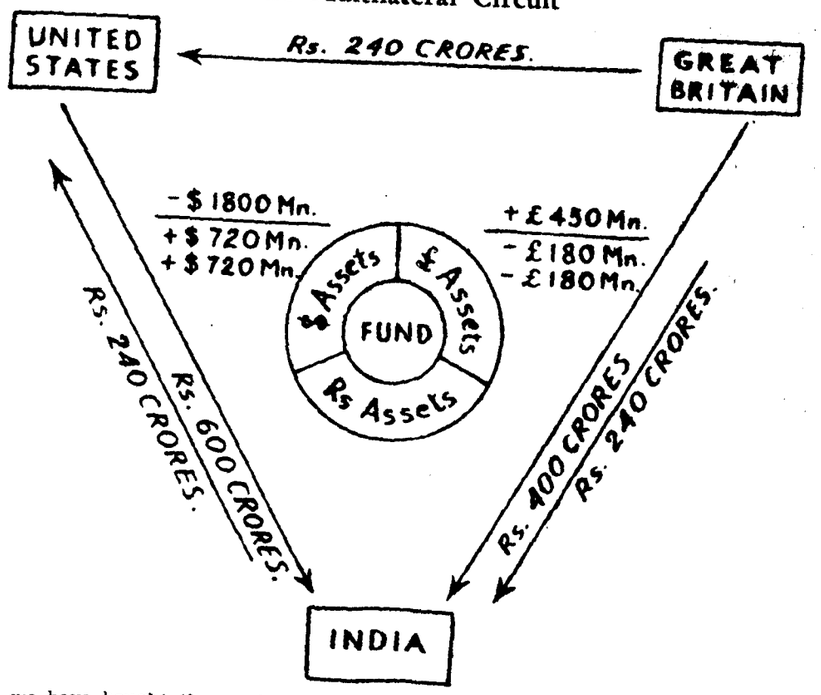
Obviously, if we agree to direct, bilateral transfer, *i.e.*, if we choose to spend the whole of the sum in Great Britain, then there is no transfer problem provided Great Britain can re-adjust her production and supply us all the goods and services we need. But if we desire to buy in other countries as well, it will involve an extensive and strenuous readjustment in the production and trade of a number of countries. The White Plan proposes that in such a case the burden of adjustment should be distributed among the various countries in accordance with a programme and the Stabilization Fund itself will partially finance the transfer so as to smoothen the process. Let us see how this is envisaged to work out.

Let us assume that total sterling balances standing at India's credit is Rs. 1,000 crores or £750 mn. For simplification of exposition, we shall assume that there are only three countries in the world, *viz.*, India, Great Britain and the "rest of the world" which we shall call the "United States". This is only for simplification of exposition. At a later stage, if we like, we may substitute for the "United States" the various countries of the world excluding India and Great Britain, in the form of an epicycle, and thus visualize the complete picture of the multilateral route of transfer. Again, at any moment, the Stabilization Fund has got certain financial resources consisting of the quotas contributed by the member countries, the deposits it may have received, funds that may have come in its possession in the course of international trade, its own obligations it may have issued and which it can discount in the member countries, and so on.

If India buys entirely from Great Britain, the problem is much reduced in proportion and the rate at which we can utilize our sterling balances, is determined entirely by the rate at which Great Britain can readjust her production and supply us the goods and services required. But suppose India decides to spend directly only Rs. 400 crores in Great Britain and for the rest to buy from the "United States". Now the problem emerges. For Great Britain must in any case part with goods worth Rs. 1,000 crores—Rs. 400 crores directly to us and Rs. 600 crores through a multilateral route. Meanwhile, we are procuring Rs. 600 crores worth of goods from the "United States". Evidently, this implies an adjustment of the trade and production of the whole world. How is this to be effected?

The White Plan proposes that India will have the option (provided she, along with Great Britain, is a member country) to sell £450 mn. (=Rs. 600 crores) of our sterling assets to the Fund and get the foreign exchanges ("dollars") to buy goods from the "United States." But there is a proviso. The Fund will give us foreign balances in exchange of the sterling assets, only if we genuinely want to buy goods and services from the "United States" and have consequently an adverse balance of payments to meet. But if we want to convert our sterling assets into "dollars" merely because we distrust the £ sterling and want to hoard in the form of either gold or "dollars", then the Fund will not pay us in "dollars," but only in rupees which the Fund possesses. [Section III-9 (*e*)]. The rupee assets of the Fund really represent, so much rupee purchasing power at the disposal of foreigners who have claims on us and so much liability for us to export. When, therefore, the Fund re-imburses us in rupees, we are absolved from the liability of exporting so much goods and services which are now available for our domestic use. We may call this "virtual import": it is as if we have imported so much goods and services in return for our sterling assets. In other words, we must either actually import or virtually import, but we cannot hoard in the form of gold or "dollar." This is understandable; for it is unreasonable to expect the Fund to help us to hoard and thereby exert a deflationary pressure on the world.

The Multilateral Circuit



Now suppose we have bought the goods and services worth Rs. 600 crores from the "United States". Then, we have already got goods and services worth Rs. 1,000 crores in return for our sterling assets. But the sterling assets of the Fund have increased by £450 mn. and "dollar" assets have fallen by $1,800 mn. and the structure of assets has been disturbed. Again, Great Britain has still to deliver Rs. 600 crores of goods and the "United States" is entitled to get bac this amount of goods which she has supplied to India o behalf of Great Britain. In other words, the transfer goods to India has been effected but the multilateri circuit has not yet been closed. Meanwhile, Ind has secured the advantage of a free choice of marke and Great Britain the advantage of deferring delive of Rs. 600 crores of goods.

In order to close the multilateral circuit, it is proposed that India and Great Britain will each repurchase 40 per cent. or £180 mn. (=Rs. 240 crores) from the Fund in exchange of gold or "dollars" in regular instalments over 20 years [III-9 (*b*) and (*c*)]. Thus India will have to (on top of her balancing international trade) supply extra goods worth Rs. 12 crores per year for 20 years to the "United States." The "dollars" thus received ($720 mn.=Rs. 240 crores) will be given to the Fund in exchange for equivalent sterling assets (=£180 mn.) with which India will purchase Rs. 240 crores worth of goods from Great Britain. Under section III-9 (*h*), Great Britain cannot either freeze or block this repurchased sterling assets, so that the sum would be free for purchases in Great Britain. There is no current burden on India because she will get from Great Britain what she delivers to the "United States." Similarly, Great Britain also will supply Rs. 240 crores (=£180 mn.=$720 mn.) worth of goods to the "United States" and with the "dollars" thus received repatriate £180 mn. of the sterling assets deposited with the Fund. Thus in all the "United States" will have got back Rs. 480 crores out of Rs. 600 crores of goods which she had supplied to India on behalf of Great Britain. Great Britain also has delivered Rs. 480 crores of goods out of Rs. 600 crores which was outstanding—of which Rs. 240 crores are by direct but deferred transfer to India, and another Rs. 240 crores by multilateral and deferred transfer. There is still a gap of Rs. 120 crores to close the multilateral circuit; in other words, Great Britain must deliver goods worth another Rs. 120 crores, and the "United States" must get back same value of goods, in order that everybody may be quits. Under section III-9 (*g*), the Fund has the privilege of disposing of any outstanding abnormal war balances as free funds after 23 years, or even sooner if the free funds of Great Britain fall below 15 per cent. of her quota or if Great Britain acquiesces in this. In this way the residual Rs. 120 crores will be transferred either through absorption in the general trading system or through alteration in the structure of assets of the Fund itself. This will completely close the multilateral circuit, although the actual transfer of the sterling balances *so far as India is concerned* was effected much earlier.

Both Great Britain and India will repurchase 40 per cent. (£180 mn.) of the sterling assets from the Fund at the rate of 2 per cent. per annum over 20 years, beginning not later than 3 years after the date of the original transfer of the assets to the Fund. But either country may, at its option, under section III-9 (*f*), increase the amount it repurchases annually and thus finish off the job sooner. But in order that Great Britain may not be put under too much strain by being called upon by India to deliver goods at a greater rate than 2 per cent. per annum, the same section says that although India may, if she chooses, repurchase the sterling assets at a greater rate per annum, not more than 2 per cent. per annum of the original sum taken over by the Fund shall become free and only after 3 years shall have elapsed since the sale of the balances to the Fund. For the same reason, under section III-9 (i), the Fund also is debarred from selling without acquiescence of or request by Great Britain the sterling assets it has acquired. Thus under these sections, Great Britain's liability to deliver the goods per annum to India, either bilaterally or multilaterally, is strictly limited and cannot be increased without her consent.

Now how has the transfer process been financed? The Fund will, of course, initially come by extra £450 mn. of sterling assets, but this will be in the nature of a special blocked deposit account and the Fund cannot take punitive measures against this under section III-3 (*c*) and (*e*). But its "dollar" assets will be lower by $1,800 mn. If the Fund acquiesces in this dimunition of assets, it is implicitly financing the transfer process. On the other hand, the Fund may strive to take corrective measures under section III-6 and pass on a part of the cost to the "United States." But both India and Great Britain have derived benefits—India by immediate delivery of goods and free choice of markets in which to buy; and Britain by deferment of delivery of goods. Therefore, section III-9 (*d*) contemplates that India and Great Britain should also pay part of the cost of financing the scheme, by a levy of 1 per cent. on the war balances *plus* another 1 per cent. on the unrepurchased amount of the balances. The levy on the unrepurchased amount of the balances will, of course, be an inducement to Great Britain and India to expedite the completion of the transfer process.

Thus we find that the White Plan does not contemplate any general freezing of the sterling balances; on the contrary, it attempts just what it professes, *viz.* "to facilitate the effective utilization of the foreign balances accumulated in some countries as a consequence of the war situation." It distributes the burden of adjustment of trade and production among the various countries and also distributes the cost of financing the scheme. The total transfer to India is completed much sooner, although the multilateral circuit itself is closed only in about 23 years. But there is one limit to the rate at which the transfer to India can be effected. We assumed that India can sell to the Fund Rs. 600 crores of sterling assets all at once. But there is a limit to the financial resources of the Fund, and, consistently with its other functions and duties, the Fund may be unable to buy the whole of Rs. 600 crores of sterling assets in one lump sum. In such a case, under section III-9 (*j*), the Fund will determine from time to time what shall be the maximum proportion of the war balances it will purchase. Thus contrary to general misapprehension, there is no general freezing of our sterling balances, although under section III-9 (*f*) the amount of India's repurchased balances in excess of 2 per cent. per annum will be frozen. To the extent we do not choose to buy from Great Britain directly, the limit to the rate at which the transfer of goods to India can be effected is set by the limit of the financial resources of the Fund. It will thus be seen that the provisions of the U.S. plan for the redemption and utilization of the abnormal balances are more precise. They fix responsibility both on the creditor and debtor countries to ensure that the liquidation of such debts is effected without unduly disturbing the monetary system of any country. A clear understanding of the part of the American scheme should enable us to decide what modifications, if any, India should press for, so as to make the scheme subserve our interests more fully.

Special Article

Food Production in Peace and War

By K.C.R.

SHOULD a country follow during war a different policy in food production than in times of peace?

Great Britain provides the greatest instance of the adoption of such a difference in policy. The rigorous *laissez faire* view to be followed in times of peace is best expressed in the minority report of Prof. Dennison of the Scott Committee on Land Utilization in rural areas: "More food can be obtained by employing labour and capital in manufacturing goods which are exported and by importing food in return than can be done by using so much labour and capital in agriculture to produce food directly." The *Economist* (London) commended this view and characterized the main report as a 'plea for the maintenance of a large, protected and subsidized agriculture for the preservation of sectional claims and privileges, 'ridiculed' the vague, romantic flapdub. regarding agriculture and concluded: "It is not possible to get better nutrition for people by means of this protected, traditional, balanced farming....Agriculture must be specialized, not balanced; efficient, not traditional. It must genuinely pay its way." Such arguments based on the theory of comparative costs of production were all right in the piping days of peace and when the markets of the world and the Empire were either ready, or obliged, to receive the manufactured goods of Britain in return for foodstuffs and raw materials. But the instinct for industrialization even in parts of the Empire and the competition of more enterprising countries outside should have brought home to the economists of Britain the imperative need for a balanced economy between agriculture and industry.

Even those who planned for a substantial and prosperous agriculture in that country alongside of industry found only limited scope for the production of staple foods such as wheat, meat, butter and bacon, which were produced more economically in countries with abundant land or cheap labour, neither of which Britain had, and transported cheaply over long distances. It was, of course, impossible to grow, and therefore necessary to import, tropical products like tea, coffee and oilseeds. But it was possible and profitable to produce in Britain 'the health-protective' foodstuffs—notably milk, potatoes, vegetables, fruits and eggs—which are bulky and perishable and are demanded, or preferred, in a fresh condition. The central feature of this constructive nutritional policy was the production and consumption of milk. It was in its production that British agriculture enjoyed a great degree of natural protection. The 'Drink More Milk' campaign resulted in the greater use of milk, which visibly improved the health of the population, especially of children and nursing mothers, who got milk freely or at nominal rates, thanks to State subsidy.

Before the outbreak of the war, Britain had been importing 65 per cent. of her foodstuffs from abroad and employing 20 million tons of shipping for the purpose. Even after the war broke out, the foodstuffs which are of high value but of small bulk continue to be imported, but mainly from Canada and the United States, as Denmark and Holland are occupied by Germany, and Australia and New Zealand are too far away. The perils of the sea from the very beginning of this war (instead of during the close as occurred in the last war) made it imperative that Britain should produce not only more milk, potatoes, vegetables and quick growing fruits but also more wheat, oats and beet-sugar and encourage the keeping of more poultry, rabbits, etc. Thanks to the encouragement on the one hand, and control on the other, by the State, Britain has brought under tillage 6 million acres of land formerly under grass in addition to her 13 million acres of arable land before the war. Liberal subsidies have been granted for the reclamation and drainage of lands, tractors and other machinery supplied and fertilizers distributed. Prices of crops have been fixed, allowing for a reasonable margin over cost of production. Agricultural labour has been conserved and farm wages raised so as to make it worthwhile for labour to stay on. Experts on diet have been extolling the virtues of fresh fruits and vegetables grown on the two million gardens and allotments and the Kitchen Front of the B.B.C. gives recipes for making palatable dishes out of them.

The emergency powers granted to the Ministry of Agriculture which are delegated to the War Agricultural Executive Committees in counties appear drastic in a country long wedded to *laissez faire*. The Minister could 'do anything on any land' for the maintenance of supplies of essentials. He could direct the breaking up, draining, and reclaiming of land at the cost of the State to be recovered from the owner later on. He could issue instructions on the cultivation of land, and its management and prevent damage to crops from vermin or pest. He could even terminate tenancies and make new contracts. No wonder that with such powers, the food supply of the country was raised from one-third to two-thirds of the nation's requirements in the course of three years.

Germany had been for long striving to attain self-sufficiency in respect of essential foods. In the course of half a century (1880-1930) she had increased her production of cereals by 44 per cent. and the number of livestock by 20 per cent. Though imports of food continued on account of her growing population, she had succeeded in raising home production to 87 per cent. of the requirements of the nation even before this war began. She had been importing for at least ten years before the war 2 million tons of soya beans every year from the Far East and converting it into a product less bulky, more digestable and easy to preserve for a long time. She had been encouraging the cultivation of this nutritious bean in Eastern European countries subject to her influence.

An elaborate programme had been drawn up by Herr Harre, the Reich Minister of Agriculture, in 1936 laying down the plan for increasing the production of essential foodstuffs on the one hand and injunctions as to what people should eat and what they should eschew, so as to face a regime of rationing in the war to come. The ban included the consumption of beef and mutton, which are too costly to produce in terms of land, while they were encouraged to consume more of cereals, vegetables, milk and milk products, eggs, fish and small game—which do not take up much land to produce, but require more labour. English economists like Growther criticized the waste of man-power involved, and others pointed out the inferiority of vegetable to animal protein. Still Germany having had an earlier start in accumulating and conserving food and occupying all but Russia and Sweden on the continent could carry on merrily for a few years. But the prolongation of the war is bound to tell on her food supplies. Stoppage of labour, sullen discontent in occupied countries, lack of fertilizers, (especially phosphates which used to go from North Africa) stoppage of imports of cattle-feed like maize and oil cakes—the cumulative effect of these

cannot be counteracted by all the efforts made by the German Government to survey all arable land, determine the crops to be grown, train farmers to grow them and displace incapable owners or farmers of land by efficient managers.

Japan has been so far the most fortunate not only in escaping the rigours of food control in war-time but in getting an over-abundant supply of all kinds of foodstuffs which she could have ever wished. Japan has an incredibly small cultivated area in her homeland for the teeming millions of her population, and food continued to be her dominant problem even after the conquest of Manchuria and the spectacular development of her manufactures, the export of which could get her ample supplies of food from abroad. The lightning conquests of Japan last year have, at least temporarily, relieved her of her worries not only as regards essential foodstuffs such as rice, tea and sugar, but of several raw materials of industry. She is said to be using the surplus rice for starch, beer and power alcohol, as it could not be exported to the world markets. The Phillipines grow cotton instead of sugarcane, as there is a plentiful supply of sugar from Java. There is no lack of petrol or rubber for running automobiles to carry produce on land.

The serious limitation of Japan is said to be her shipping shortage to carry goods from one island to another of the innumerable islands in the Pacific over which Japan has acquired sudden sway. She is said to have the third largest merchant marine (after Britain and U.S.A.) and is said to be constructing wooden junks or utility vessels for coastal shipping. But she is fast losing her ships. She would become very weak, it is stated, if she lost at the rate of one million tons of shipping a year, and would collapse if two million tons were destroyed by the Allies.

II.

Before the war, in fact before Japan overran Burma, the problem of food supply in India was not taken serious notice of except by acadamicians and dietetic experts. The former harped on the insufficiency of food for the masses from the point of view of even customary demand and stressed the need, on the one hand, for the expansion as well as intensification of cultivation and, on the other, for the diversion of the surplus labour that might still exist on land to industries so as to increase people's purchasing power, which might enable them to import food, if necessary. The dietetic experts analysed the foods actually consumed by the people in various parts of India and found most of them woefully lacking in assimilable proteins and fats, if not so much in carbo-hydrates. The diet of the working classes is, according to Dr Aykroyd, deficient in quantity as well as quality, definitely below the accepted standard of adequacy—2,500 calories per day. He has pointed out the need for a 30 per cent. increase in the consumption of cereals, 100 per cent. in pulses and vegetables and 300 per cent. in milk and milk products. Sir John Orr, an international authority on dietetics, is of the view that while a third of the people of even the United States and Britain were living on inadequate diet, in India and China permanent underfeeding and periodic starvation were the rule.

Whatever be the nutritional need or potential demand, in normal years, India was supposed to be self-sufficient in respect of almost all her foodstuffs except rice, of which she had to import only 6 percent, mostly from Burma. Of wheat, she produced enough to meet the internal demand. Contrast this with the need of Britain to import 60 per cent. of her food from abroad in pre-war years! Authorities in India could not naturally be worried over the food problem until the conquest of Burma by Japan shut off supplies of rice and the failure of rains in more than one province accentuated the scarcity, and this was taken advantage of later by the big producers, speculative merchants and frightened consumers who began to hoard produce.

We have no means of knowing precisely what the troops in India and the Middle East, Indian and foreign, consume. One estimate puts the supply of wheat to these troops (some of whom were already consumers in India) at 10 per cent. of Indian production. It is surmised that the people of the Middle East who do not have normally enough food to go round even at their low level of consumption have to be supplied with some food from India, if only to be kept contented in the face of the daily propaganda by Axis powers. The demand for troops, Indian and foreign, has a more acute effect on the supply of the more protective foods available to the civilian population, scanty as it was already. The military contractors scour the country for the supply of vegetables and fruits, of butter, ghee and eggs, cattle and sheep and purchase them at prices far beyound the reach of most citizens, but still leave a large margin for themselves. The inflation of currency by more than 300 per cent., though some of it is lying idle in banks, has led to the rocketing of prices and raised the cost of living for all, except a small fraction of the people who get correspondingly higher wages and incomes.

Even if we cannot afford in a poor country to level up the diet of the masses in war-time—which is being done in richer countries—is it really so difficult to raise the level of production of cereals—rice, wheat and millets—on which though scientific work has been done for four decades now, less than ten per cent. of the acreage has been brought under improved varieties? Is it not possible to bring under cultivation a tithe of the 150 million acres of the so-called 'cultivable wastes' in British India? Cannot the rules as regards irrigation charges be so relaxed as to make it worthwhile to convert some promising dry lands into wet? Now that export is difficult, cannot the indigenous concentrated manures—oil cakes, bone meal, fish manure, etc.—be utilized fully in the country and for staple foodcrops rather than on plantation crops? Is it not possible to import phosphates from Australia, even as wheat has been done, though at some risk on the sea?

Is it not necessary to educate the consumers to switch on to the more easily grown, but by no means less nutritious, millets at least for one meal in the day? Perhaps the malting of millets to render them palatable and easily digestible and vending them at a rate within the means of many are tasks that must be performed by the Government. The Agricultural Department of Madras has made a good beginning in the malting of cholam (jowar) at Coimbatore on a commercial scale, though the product is not yet available at a price within the means of the poor. The Government of Cochin seem to have gone a step further to popularise the use of millets by running State restaurants where palatable preparations made of millets are to be sold! Cannot the deficiency of South India in pulses, the main source of proteins in vegetarian diets, be made good by an expansion of the area under them instead of looking to the Central Provinces, involving long hauls over the railway? How far the groundnut, of which there is in abundance, is not a glut at present in Madras, may be used as a source of assimilable proteins and fats is a subject which deserves immediate attention at the hands of bio-chemists and other research workers. Perhaps it may be a near substitute for the soya bean.

Affirmative answers to the questions raised above may mean the solution of problems of not merely immediate urgency but of lang-range policy in the adequate and well-balanced food supply of the country.

The World Abroad

The New American Currency Plan

(From Our Washington Correspondent)

WASHINGTON, Aug. 23. (By Cable).

The historic issue of gold as monetary standard again assumed controversial importance last week when the Treasury published the drastically revised plan for International Post-war Stabilization Fund which may total eight milliard dollars when fully operating. The new proposal sponsored by the Secretary of the Treasury, Morgenthau and Harry White, Chief of the Monetary Research Division, specified the unit value for keeping international bank accounts known as "unitas," consisting of 137-1/7 grains of fine gold equivalent to ten United States dollars.

The Morgenthau-White Plan, which followed the exploratory conferences by monetary experts of nearly thirty nations including members of the British Empire will be further discussed this week when officers of several Federal Reserve Banks, meeting at Chicago, will analyse various proposals for post-war currency stabilization. Undoubtedly the new American suggestions will be greatly favoured over the original proposal of John Maynard Keynes since the Treasury puts greater insistence on gold backing and distributes voting power largely in proportion to the nation's contribution of gold to the Bank's capital rather than the relation to total foreign trade as Keynes advocated.

An interesting sidelight was the reaction of stock markets to the Treasury's plan as published on Thursday. The New York Stock Exchange showed general declines on Friday except gold shares which showed a strong contrary trend. The New York *Herald Tribune* commented: "Ever since the outbreak of war gold bars and coins have been commanding a premium price. By virtue of its wider value and its scarcity, the plain fact is that every frock coated banker and tatooed hottentot wants it; it remains our greatest measure of value. Silver failed miserably to offer competition; its committed sin being that it is too plentiful and it is not as pretty."

Although Morgenthau remarked last week that differences between the United States and Britain over the basis for international monetary co-operation have been reduced to "one or two," as a result of the recent discussions, Mr. White said: "British formula, as far as we are concerned, is out." Morgenthau-White plans are likely to win Congressional approval primarily due to its insistence on fifty per cent. gold contributions to the International Fund since huge United States gold stocks make this nation determined to adhere to gold as a primary measure of values. But although political approval appears probable, the more conservative business and financial opinion was generally critical.

Thus the *Wall Street Journal* wrote in an editorial: "Lord Keynes has created an Agency to promote worldwide inflation by enabling nations to spend money which they have not got. Mr. White has sponsored something which if it makes sense at all seems designed to become the king of the top holding companies for a series of international cartels." The *New York Sun* also assailed both the plans, and added: "Stabilized dollars and pounds, balanced budgets, plus hard work will provide the only practical and sound way to put the world on financial and commercial feet in the post-war." The *New York World Telegram* tentatively approved the Morgenthau-White Plan, but warned: "Our one hope is that the Treasury Department will enlist the aid of some of our practical bankers in working out the final details of any plan the Government decides to sponsor officially."

The Wall Street's objections to Morgenthau-White proposals fall into three main categories *firstly*, United States, possessing most of the world's gold would necessarily contribute bulk of the metal to the International Bank either directly or indirectly through "loans" or sales to other countries. *Secondly*, no rigid controls are provided over internal finances of the new Bank's members. It is proposed that values of most currencies in terms of 'Unitas' shall be established on the basis of rates prevailing on July 1, 1943, which is largely fictitious due to war-time dislocations. The pound sterling, for example, has been pegged approximately at four dollars to a pound where as in black markets the pound shows a sharp depreciation. *Thirdly*, although the United States would furnish most of the gold it would not have the veto power over changes in exchange rates or borrowing from the Fund by other nations. Currencies could be depreciated as much as 10 per cent. without effective Bank opposition. The *New York Sun* summed up the criticism "That is the essence and weakness of this stablilization idea, namely, that gold-backed currency would be used to support falling paper currencies."

Morgenthau has promised to consult the appropriate House and Senate Committees when Congress re-assembles next month. While it is generally believed Congress will endorse the main features of the Morgenthau-White plan some Senators are preparing to offer their own post-war international stabilization programmes. Several Senators are pushing legislation for establishing the new International Bank as advocated by Oklahomas' Senator, Elmer Thomas. It is important to recall that Mr. Thomas was one of the leading U.S. pre-war enthusiasts for controlled inflation and there is more than the possibility that he may be joined in the new schemes by the Senatorial silver bloc who have been strangely silent ever since Pearl Harbour. For the moment Gold occupies the centre in the International monetary stage but silver may make the entrance from the wings before the curtain rises on another Act.

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Corporation Earnings

WASHINGTON, June 22 (By Mail).

Corporation earnings may reach their wartime peak this year. That is the current expectation. It is based on the tremendous volume of business, the bulk of it war business now, being handled; the assurance of Congressional and Administration tax spokesmen that taxes will not be increased on 1943 profits; and, the prospect that the corporate tax bill will be boosted next year, probably enough to depress not below present levels.

Official estimates prepared by the Treasury Department indicate profits will rise sufficiently this year to more than offset the income and excess profits tax increases which were enacted by Congress in 1942. The figures present this picture:

Aggregate corporation net income subject to federal income and excess profits taxes (income after deduction of business expenses and state and local taxes) will be $25 billion this year. This compares with $19.5 billion last year, $15.5 billion in 1941, $9.4 billion in 1940 and $6.9 billion in 1939. Net income after federal taxes—the profits available for payment of dividends and debt and for general operations—will be $9.1 billion. This compares with $7.8 billion last year, $8.3 billion in 1941, $7.3 billion in 1940 and $6 billion in 1939.

On the basis of the earnings after taxes, the Treasury's experts predict that dividend distributions out of 1943 profits will amount to $4.9 billion. This figure compares with $4.1 billion last year, $4.4 billion in 1941, $4.3 billion in 1940 and $3.9 billion in 1939.

The figures for 1943 and for 1942 to a lesser degree are estimates. As such, they are subject to a margin of error of as much as 10 per cent on the basis of similar statistics prepared in the past. They can be taken, however, as an indication of the trend and, when considered in this way, shed interesting light on what has been happening in the field of corporate earnings.

They demonstrate the terrific impact of wartime tax rates. In 1939, the year the war commenced, aggregate profits amounted to $6.9 billion. After federal taxes were paid, the companies had some $6 billion left over for payment of dividends and general business use. Dividends paid to shareholders in that year amounted to $3.9 billion. This year, earnings estimated at $25 billion would be between three and four times as great as in 1939. The earnings left after taxes this year, however, would be only 50 per cent. above the $6 billion realized in 1939. The increase to shareholders would be about 10 per cent.

The statistics show that under the present combined normal and surtax of 40 per cent. and excess profits tax of 90 per cent., corporations as a group will pay into the Federal Treasury three out of every five dollars they earn. They also indicate that the bulk of the $5.5 billion earnings are expected to rise above the 1942 level fall in the excess profits tax class where the 90 per cent. rate applies. The Treasury estimates that corporations will have only $1.5 billion left after taxes from the $5.5 billion increase in profits before taxes. From these figures, it is apparent that taxes are taking about four out of every five dollars of earnings increases above last year.

To the Treasury, the statistics on probable profits this year meant that tax rates applicable to 1943 earnings should be increased so as to reduce net after taxes by around $1.3 billion. The Department, however, was unable to convince the tax leaders in Congress that such an increase should be made. The Congressional spokesmen took the position it would be impossible to enact general revenue legislation until late in the year, which means that any increases on 1943 profits would have to apply retro-actively. It was then agreed that the tax increases which will be considered by Congress before the end of the year will not become effective before 1944.

Food Prospects

The outlook for food production this year is somewhat disappointing. Unfavourable weather conditions, coupled with manpower and farm machinery shortages, now make it certain that the food goals established early in the year will not be reached. The big question is: How far below the goals will actual production fall. Its answer depends on weather conditions between now and harvest time.

On the basis of crop conditions in early June, the crop reporting Board of the Department of Agriculture made these comments: "Crop prospects in the U.S. are lower than they were a month ago and a little less promising than at this season in any of the last three years. By June 1, planting had been seriously delayed by wet weather in important central and north-eastern states. At the same time, lack of moisture was causing increasing concern in portions of the Great Plains.....If weather is reasonably good from now until harvest, the acreage of crops grown should be nearly as large as was harvested last season and crop yields should approach those of the 1937-41 or post-drought period; but either further delays in planting or an early frost would be costly. Some crops may yield well, but aggregate yields averaging as high as those secured last year are no longer within reach."

Coming at a time when lend-lease and U.S. military requirements for food are increasing, the rather unfavourable crop outlook indicates further belt-tightening on the home front. As a matter of fact, the War Food Administration already has revised its figures on the civilian share of total food supplies now in prospect. Consumption of most foods will have to be reduced by 5 per cent. to 40 per cent. as compared with last year. On an over-all basis, the supply of food which will be available to the civilian population compares favourably with the amounts consumed in the pre-war years.

Short supplies appear even shorter because of the adjustments required in individual diets. Persons accustomed to eating beef as their primary dinner meat must turn to pork, lamb and mutton. The still rising income of consumers also force adjustments. Those with a lot of new money in their pockets want and are getting a better diet than they had in pre-war years. The result is that the segment of the population which had what might be termed a "luxury" diet under normal times are not faring so well. The scarcities combined with price control and rationing result in a levelling-down process.

FROM THE PROVINCIAL ANGLE

Madras Letter

RICE RATIONING IN THE CITY—COFFEE AND TEA PROBLEMS—LARGE-SCALE FARMING ON JOINT STOCK BASIS

(From Our Correspondent)

MADRAS, Aug. 22.

RATIONING of rice in Madras City, it is understood, has been tentatively fixed to be introduced on the 29th instant. The Adviser in charge of the Department and the Commissioner for Civil Supplies held Press Conferences during the week-end and explained the rationing scheme and the supply and distribution position of the Presidency. For the purpose of rationing, the City has been divided into seven circles each with an officer and helped by a non-official committee. There is to be a committee for the entire city, to help the Chief Rationing Officer. The distribution of ration cards has begun today and will be completed by the 24th instant. According to the census taken by the A.-R.P. staff recently and checked by the Government officers, there are 1,86,000 families in the city to whom weekly or daily ration cards will be issued, according to the choice of the citizens. A ration unit has been fixed at 1¼ ollocks of rice and every adult is to get two units and children between the ages of 2 and 12 are to get one unit each. Hard manual labourers will get an extra unit but this will be given after the rationing has been in progress for sometime. Restaurants, hospitals and other such institutions will get seperate permits according to their previous requirements. 500 dealers have been authorized by the Government to sell rice. The T.U.C.S. and its branches and the fair price shops started by the authorities will be merged in this scheme. Each dealer will supply to 500 families at the maximum. Three weeks' requirements have been built up for the introduction of rationing and transport difficulties are not expected to affect the rationing to any serious extent. Even if transport is seriously dislocated owing to causes beyond control e.g., floods and rain, the authorities expect to get over the situation within three weeks. Guests who come to the city for less than a week will have to shift for themselves in hotels but those who stay for longer periods can obtain temporary ration cards. No special concessions are to be given for entertainments and religious ceremonies and there is bound to be discontent and protest against the latter, even though it may be said that there is acute shortage and that we are facing a national emergency. As regards the homeless people, they are to be rounded up in one night in the next few days and provided with ration cards then and there. The scheme closely follows the Bombay scheme with minor changes here and there so as to suit conditions in Madras.

Supply Position of Rice

So far as the supply position is concerned, Madras will get 2,000 tons from the Central Provinces and 3,000 tons from the Eastern States under the basic plan. Orissa and Punjab have also promised a lump supply of 2,000 tons and 1,250 tons respectively. As against this, Madras Presidency is committed to supply to the Madras States viz., Pudukottah, Sandur and Banganapalle. The Planters of Cochin and Travancore will surely find great relief in the news that they are to get 1,000 tons per month for their labourers. The Army will also indent on the Government for 3,500 tons per month. The Presidency is not committed to supply anything to the States of Travancore and Cochin and Ceylon.

Sugarcane and Gingelly Crops

The first forecast of sugarcane and gingelly crops statistics of the Presidency for the period ending 25th July, 1943, have been issued by the Revenue Board. The total area under sugarcane is estimated at 1,18,020 acres and compared with the area of 97,860 acres estimated for the corresponding period of last year, it reveals an increase of 20.6 per cent. The increase in the area has been mainly due to the favourable price of jaggery. The wholesale price of jaggery now prevailing in the Presidency as compared with the past year shows an increase carying from 6 to 79 per cent. in various centres. The area under gingelly is estimated at 3,15,900 acres as compared with 2,99,600 acres for the corresponding period of last year, representing an increase of 5.4 per cent. The increase is attributed partly to timely rains for sowing and partly to the high prices ruling for the seed. The wholesale price of the gingelly seed now prevailing as compared with that of the corresponding period of the past year reveals a variation from 50 to 87 per cent. higher in various centres of the Presidency.

Coffee and Tea Problems

Coffee and tea problems were discussed at the annual meeting of the respective sections of the United Planters' Association held last week-end. With regard to coffee, the main feature of interest last year was the successful working of the Control Scheme and a very high price for the product. Mr. E. N. House, the Chairman of the Coffee section, in his annual address urged his co-planters not to look upon the Coffee Board with suspicion and fear but as their own co-operative selling society and their greatest friend. As long as they used their position effectively, the position of the Government will be that of a helpful guardian rather than a coercive dictator. It was grand news that the Board was to have complete control of the industry and that there would not be that ten per cent. stocks of the smaller estates floating around. In a discussion regarding the high prices of coffee, it was revealed that there were four causes: firstly, too extensive forward sale by the Coffee Board in the early part of the season, secondly, the fact of 10 per cent. internal sale quota on which the board had no control, thirdly the extensive leakages from estates under control to those not under control and fourthly the short crop and a large increase in the internal demand. As the entire industry will be under control this year, the speculator will be completely eliminated and coffee will be sold at a fixed price which, while ensuring an admirable return to the grower, would bring back the middle class consumer. Mr. J. E. Sampson of the Tea section pointed to the delay on the part of the Central Government in declaring the Indian Export allotment for the current control year. Such delays were stated to be primarily due to the fact that Government had requested the Tea Licensing Committee to review the degrees of release of quota to be promulgated. There was unwholesome speculation in quota which was detrimental to the industry and strict control over the transfer of quotas was, therefore, urged.

A New Venture

Probably for the first time in India, efforts are being made in South India to grow foodgrains on a

joint stock company basis to which end fair progress has been made. It is a well known fact that individual agricultural holdings in India are mostly small and uneconomic. In view of the aversion of the agriculturists to change over to modern scientific methods of agricultural operations and generally of their costly nature, there has been little progress in improving production and its value. Under the present system, the producer is not enabled to get a fair share of his production and his standard of living is certainly far below that of his colleagues in the industrial field. The pressing and crying need of the hour is no doubt "Gorw More Food." A joint stock enterprise can certainly utilize this to the fullest advantage. It can also afford great scope for large-scale and economic cultivation and planned development on a scientific basis resulting in increased production and consequently of increased wealth . The new enterprise is reported to be having an ambitious programme of not only growing foodgrains but also commercial crops such as gingelly, groundnut, sugar cane, cashewnut, coconut and casuarina.

Manufacture of Plastics in Mysore

Mysore State which has pursued a policy of active industrialization is now reported to be considering a scheme for the manufacture of plastics and its products. The scheme was recently considered by the Board of Industries and Commerce and was referred to the Director of the Indian Institute of Science. Travancore State is also following an active industrial policy. A company for the manufacture of chemicals and manures and another for the promotion of coastal shipping are to be started shortly. The State Government, according to the Dewan, are negotiating with one of the biggest shipping concerns in India who would start a company on the basis of large capital, including in its scope coastal traffic, back water traffic and other forms of transport. The chemical company is expected to come into existence in the course of a month and here, too, the active co-operation of a big Indian concern would be availed by the State.

Bombay Letter

CEILING PRICES FOR CLOTH AND YARN—CONSUMERS' REACTION—DECLINE IN BULLION PRICES—POTATO FAMINE IN THE CITY

(From Our Correspondent)

BOMBAY, Aug. 21.

THE outstanding event of the week is the announcement regarding the fixation of "ceiling" prices for "civil" cloth and yarn. Sixty per cent. of mills' productive capacity is devoted to the production of "standard cloth" and war orders and the balance of 40 per cent. is what is left over to the mills to provide for "civil" cloth, the prices of which are not regulated. The announcement of "ceiling" prices for these latter has caused bewilderment and indignation amongst consumers. The levels fixed are a complete victory of the textile interests. In view of the controlled rates of cotton, the rates fixed are as a sort of guarantee that the war profits will continue. To illustrate, one may take the "ceiling" price fixed for 20s yarn which is Re. 1-12 per pound. Even taking the best quality of cotton from which even the most inefficient mill in India can manufacture 24s, the cost would not work out to more than Rs. 1-2 per pound. This means a profit of more than 50 per cent. If this profit is reduced to per candy of 784 lbs. for comparison with cotton, it would come to Rs. 500. Thus the profits allowed are a mockery of anti-inflation drive and controlled regime. The reaction of the Stock Exchange and the firming up of the yarn and the cloth markets confirm this. The question may be raised that the "ceiling" prices are merely the maximums. The point is that with the present statistical position, when the supply is smaller than the demand, these "ceiling" prices become the effective prices. Further, the "standard cloth" scheme is not likely to be much of a success on account of the cloth being poor and unattractive so that the demand for "civil" cloth will continue.

Cotton Prices

The high "ceilings" that have been fixed for cloth and yarn at once lead to the question: what of cotton? Cotton prices are now very much below the maxima recommended by the Government of India to the mills some time ago. No "ceilings" have been fixed for cotton, but the Government have threatened that should the prices of cotton go above the levels recommended by them, they would take measures to requisition cotton. This, coupled with the lack of hedge facilities, has brought about a crash in the cotton market. Growers all over India have expressed their anxiety at the last meeting of the Indian Central Cotton Committee about the fate of their crop. It is hardly right that when the Government guarantee such high profits to the industry they should not give any thought to the millions of producers. The indignant question uppermost in the mind of the grower is, why should the price of his produce be kept low by Ordinances in order that the vested interests may continue to reap profits on a war scale? If the prices of cotton were correlated to the "ceiling" prices of cloth and yarn, there would be no objection.

The Textile Board and Consumers

Millowners have not forgotten the cloth merchants. These latter hardly made 8|10 per cent profit normally, but they are now guaranteed a profit of 15 per cent. The whole point is that the other interests represented on the Cotton Textile Board have been completely circumvented by the mechanism of special committees and one would be interested to know who were the representatives of the consuming interests and growers on the committees which recommended these "ceilings" for cloth and yarn. The Millowners have outwitted and outgeneralled the new Department of Industries and Supplies in the matter of cloth control. All "civil" cloth has to be disposed of in wholesale within 3 months, but in the event of mills being unable to do so after making a genuine effort at it, Government have undertaken to buy up the unsold stocks at a very small discount under the "ceilings." Mills' profits in any emergency are thus secured. But it is strange that the Textile Board have not thought of giving any assurance to growers.

Bullion Prices

In the bullion market, gold was sold by a house having good connection with banks in Bombay to the extent of 50,000 bales. This led to a steep decline in the prices and at one time gold went down to Rs. 68-2. The market at first thought that the Reserve Bank was selling gold and some thought gold was sold on behalf of a certain big State. What seems possible is that gold may have been sold on behalf of the British Exchange Equalization Fund as hinted in the news letter dated July 3. The authorities of the British Exchange Equalization Fund are reported to have bought gold at varying rates between Rs. 30|40 and it is possible that gold may have been sold on behalf of this Fund. In a protest against the reduction in the maximum period for performance of ready delivery contracts in gold and silver from 12 days to 4 days, it is pointed out by the Bombay Bullion Exchange that gold and silver come to Bombay for sale from upcountry. Such gold and silver are assayed at H.M. Mint in Bombay and it normally takes not less than 10 days to get the assaying results from the Mint and the 12 days period was believed by the bullion merchants to be the bare minimum. The shortening of this period to 4 days has made the position worse. Floating stocks of gold are believed to be about 50,000 tolas. Silver also shared the decline in conjunction with gold. The following are the latest rates: Ready gold Rs. 72-8; Ready silver Rs. 110. There are reports of substantial silver flowing from Kathiawar to Bombay, to which place silver had migrated during the crisis in March|April, 1942.

Potato Famine

The restriction imposed by the Government of Madras on its export of potatoes to Bombay has brought to the forefront the question of potato famine in Bombay. At present the City is able to import only less than 1|3rd of its daily consumption of potatoes. This has led to a steep rise in the price of potato. The present source of supply is Disa and Ahmedabad and as the season is at its fag end, even this source is likely to dry up very shortly. Madras could easily afford to permit exports of potatoes to Bombay and even to other parts of the country and therefore, no ostensible reason can be discerned in the action of the Madras Government in imposing a ban on the export of this perishable commodity.

Famine in Bijapur

Already in the throes of a severe famine, Bijapur is facing the prospect of another famine if the rains do not come within the next few days, states a report from Poona. Rain is urgently needed not only to save the *kharif* crop but also to enable sowings of *rabi* crop to commence, as the ground for some is already prepared. It is very gratifying to note that Mr. A. V. Thakkar, Chairman of the Bijapur Famine Relief Committee, has expressed his satisfaction at the Government Relief works in Bijapur. There are now 100,000 men employed in works started by the P.W.D. and that of bunding launched by the Agricultural Dept. In addition, another 70,000 were receiving free dole from the Government and 17,000 were being fed from free kitchens started by the Relief Committee.

Bengal Letter

BACK TO PRICE CONTROL—GRAIN SITUATION STILL SERIOUS—TRANSPORT DIFFICULTIES.

(From Our Correspondent)

CALCUTTA, August 22.

BENGAL is back to price control as the price of paddy and rice in the Province cannot go above a certain level and will fall gradually. The Ministry's decision is related to plans to encourage growers to sell the aus crop immediately after harvest. All exports from Bengal are prohibited and the maxima laid down for paddy and rice give the middlemen a very substantial profit to cover all costs. From August 28 the plan to pull prices down will go into operation. A grower can sell paddy at Rs. 15 per maund. From September 10 the price will be Rs. 12-8 and from September 25 it will be Rs. 10 per maund. The wholesale price of rice is fixed at Rs. 30 per maund and the retail price at Rs. 2 higher per maund except in areas where Government may order a lower price. The general belief is that the Control Order is meant to bring hoards out by offering prices far higher than those fixed last year but certainly lower than prices ruling at present. It has been stated that the Government is determined to control prices in the war period and for as long thereafter as may be necesary. Penalties against hoarding and dealing in the black markets are: requisitioning at price below the maximum fixed and permanent cancellation of traders' licenses. The Government has promised to buy in selected areas the *aus* crop on a new basis, perhaps by financing traders and offering a commission. The old distinction between surplus and deficit areas will be imposed and exports within the Province will be regulated by permits. When an agriculturist tenders paddy or rice direct to the Government agent or the S.D.C. the control rates of Rs. 15 for paddy and Rs. 30 for rice from August 28 and the lower rates prescribed after a fortnight will be paid.

The Grain Situation

The grain situation in Bengal is becoming serious with the passing of the time because new sources of supply have not been found and whatever small imports are received from outside the province are not enough to meet the local requirements. The death rate in the city of Calcutta was at an average of sixty per day during the last week due to starvation. The Bengal Relief Committee with the help of other institutions are trying their utmost but even their efforts are handicapped for want of finance and full supply of grains. Only last week the Marwari Relief Society had to close down two or three of their free canteens because they could not get sufficient *atta* from the Government to continue them. The local Stock Exchange and the Gunny Trade Association both have collected large sums from their members and have started relief work under the guidance of the Bengal Relief Committee. The Marwari Relief Society and some of the Indian firms have started free kitchens and cheap grain shops on their own initiative. The Ahmedabad Cotton Mill Association has also been requested to contribute and it is expected that quite a handsome amount will be received from them also. The house of Tatas has already contributed one and a quarter lakh and Scindia Steamship have given a donation of thirty thousands. But the Jute Mills Association, however, which have a predominantly European voice have refused to help.

Transport Difficulties

The War Transport Member's visit to Calcutta has made industrialists aware of the damage done by the Damodar floods and the delays and diversions arising therefrom. The adoption of the system of priorites makes it difficult to forecast early improvement. Food, of course, will take precedence over coal but a large number of coal wagons are to be

detailed for Calcutta and the distribution of wagons is to be enlarged owing to the abolition of many passenger trains recently. A threat to smaller collieries is seen in the report that allocations of wagons to big mining companies alone will take place and producers of soft coke will be left in the cold. The problem is not one of keeping the small collieries (mostly Indian-owned) going. Coal prices have risen and stocks are comfortable but a redistribution of wagons is not likely to help Indian collieries which have been asked to make representations. Local industries may however derive some benefit but for the present it is clear that shortage of production affects all industries.

The Problems of Jute Mills

The jute mills find short-time working inescapable. Some have the advantage of electric power but the Jute Mills Association must see that sacrifices are equal and a meeting to consider the situation took place on Friday; its decision is not known. The labour difficulty is but one of many. The mills must ensure food supply and also pay out usual wages to retain their workers. To stop certain mills and allow others to work double shifts or to get part of the war orders cancelled are temporary plans; why the mills did not build up coal reserves for the period before the U.S. order came through is not known. The air raids must have complicated the wagon situation. A reduction in working hours is more than likely. Jute shares are, therefore, dropping on the Stock Exchange owing to the fear that profits will fall and even if tax liability is lower, the mills will not be able to maintain dividends. Since mills are disinclined to buy raw jute—their own stocks in 1943 show an increase—the jute market is falling. Hessian is rising for the same reason and the mills have to prevent a rise. There is no longer any question of keeping hessian prices in strict proportion to jute prices and the final forecast may have a distinctly bearish effect. If mills have no coal, the volume of manufactures should be lower. The U.S.A. has adequate supplies of jute manufactures and can put up with postponement of delivery. There is no discussion of control or rationalization because production is made difficult for months by shortage of coal.

Punjab Letter

PLANS FOR RATIONING UNDER WAY—DISTRIBUTION OF SUGAR—DEFECTIVE ARRANGEMENTS.

(From Our Correspondent)

LAHORE, Aug. 20.

PREPARATIONS are afoot to introduce rationing system in the Punjab. Officers are being sent to Bombay for training. Meanwhile the task of ascertaining the demand of different families has fallen on the shoulders of the A.R.P. personnel. A beginning in this direction is being made at Amritsar, Lahore and Rawalpindi. The N.-W.R. is already carrying on the rationing scheme with success and in some factories the employees are taking advantage of it. Many big firms and Government offices have already provided their employees with wheat sufficient for a year or so. The other concerns are also making arrangements in this direction. Before the new system is introduced, every middle class Punjabi family will have enough wheat against the rainy day. The rich have their godowns full. It is only the poor for whom the rationing scheme in fact, will work.

Distribution of Sugar

The distribution of sugar is very defective in the big cities in the Punjab. In Lahore, for example, it has been entrusted to the City Magistrate and the A.R.P. The former, in order to keep patronage, has appointed 60 shopkeepers who had never been in the line before. They are allowed to sell a few bags daily but only on the permits issued by the City Magistrate. This system of issuing permits is being much misused and it is an open secret that the permits are issued on communal basis—most of them always going to one community. In fact, trading has begun in permits. It is significant to note that in some parts of the city, one can have as many sugar bags as one likes provided one is prepared to pay at least 30 rupees per bag more than the fixed rate. The big Hindu dealers in sugar have apparently arranged with the underground owners of permits and run their trade thus. The general consumers are at the mercy of the A.R.P. personnel who are responsible for the distribution of sugar through Government depots in the city; but most of the sugar goes underground.

Surplus Wheat

There are many other causes than that of the supposed exhortation of the Punjab Minister to the zamindars to hoard wheat till the prices rise sufficiently high. The zamindars, enriched by the windfalls of the war, do not worry if their wheat sells or not. It is a fact that much wheat is being stored by them. Partly because they do not need any money for their immediate expenses, and partly because the transportation system is very defective, wheat is not pouring into the markets. Besides the price of the land of the zamindars has risen by leaps and bounds and whenever they have needed more money within the last two years or so they have disposed of only a part of their land to fulfil their requirements. In these circumstances to expect much wheat from them voluntarily, is to hope against hope. Unless they are forced to part with some portion of their hoarded stock at a certain fixed price, say, between Rs. 6 and Rs. 8, there will be little improvement in the situation.

Bullion Prices

The gold and silver market in the province is working under strange conditions these days. Underground market sales continue unabated. The market report gives the price of gold at Rs. 80 but actually it is selling at Rs. 100 or so. The demand for gold for use at marriages, though diminished is still very high. Gold is purchased in the underground market at whatsell the *aus* crop immediately after harvest. All ever price it is available. And the Bombay supply (the main source) is very scanty and intermittent.

Bihar Letter

BACK TO INTER-PROVINCIAL BANS—NO ALL-INDIA PLAN OR POLICY—TENDENCY OF PRICES.

(From Our Correspondent)

PATNA, Aug. 22.

THE earth is round and our Government's policy gyratory—so it is no wonder we are back again to the point from where we had gone over to free trade. The powers that had been taken away from the Provincial Government have been restored to it and the embargo on the export of foodgrains re-imposed. There is general satisfaction that the inter-provincial barriers that were demolished by the Government of India one fine morning have been set up again and for trading purposes the Eastern Zone is no longer the territorial unit it had been proclaimed to be. Some are disposed to feel jubilant over what they regard as the triumph of provincialism, but somehow I am unable to share that feeling, and it is, in my opinion, regrettable, to say the least, that in a crisis of this kind we should all have shown a tendency, not to be helpful to one another, but to act in the spirit of 'each one for himself and the Devil take the hindmost.'

Admittedly the situation is a most difficult one and I do not for a moment suggest that it was enough to institute free trade of the kind we recently had, trusting to *laissez faire* to do the rest. But the kind of co-ordination that is wanted has not so far been attempted, and in the absence of an all-India leadership, the centrifugal forces have been having free play—which is the worst part of the whole story. The Centre has proved itself incapable of giving the correct lead. Those who can do so and restore to us what for the time being we seem to have lost—the national outlook—are not at all in a position to make their contribution to an improvement of the situation. The result is over-emphasis on the part of the best amongst us on the provincial aspect of the matter, with an almost complete disregard of the extra-provincial aspects it has. Provincialism has never been dead, but it is being given an opportunity today to raise its voice and make itself heard as it has never been before. And yet it may do us good to remember that as we cannot do without one another, wisdom lies in subordinating provincial to national considerations, pooling our resources and making the best use we can of them, not as men of different provinces but as citizens of one country.

The institution of free trade was a step in the right direction, but unfortunateiy it formed no part of a well thought-out comprehensive plan to secure and distribute the available supplies. It degenerated into a scramble, and the worst of it was that it provided absolutely no check against profiteering. But that regime has proved a nine days' wonder, and it is no more. The inter-provincial restrictions are in full force once again, and public opinion approves of the short shrift given to free trade. Let critics or sceptics make what they can of the fact that those who favour these restrictions are not quite consistent or logical in their attitude. For, having rice mills in Bihar, they want Nepal to allow its paddy to come over without let or hindrance, while in the same breath they demand that no rice from Bihar will be allowed to go to Bengal. They evidently want to have it both ways and in the prevailing atmosphere few here can see anything wrong about this attitude.

Adviser's Advice

At a meeting of the Provincial Advisory Committee held to consider prices and supplies, we had a speech which was rather uncommon in relation to its environment. The Secretariat is so narrow and rigid in its views that it must have been an agreeable surprise to many to find Mr. E. C. Ansorge—one of the Advisers to the Governor—make the speech he did at the meeting inviting suggestions, criticisms, "even abuse" that were likely to prove constructive. It would appear that Mr. Ansorge at least is able to view things in the right perspective and to give advice which is mostly sound. He was right in saying that but for the constant chopping and changing on the Government's part, the situation would not have been as bad as it has come to be. "It might have been better to have adopted a long-term policy which was not perfect and stuck to it; because the frequent changes in policy that have occurred have undoubtedly given a feeling of insecurity and uncertainty among the producers which has to my mind done more to lock up the stocks of foodgrains essential to the life of the communities in India as a whole than anything else." As for the solution, he was right again in stressing that the problem is an all-India one—"a fact which, I am afraid, does not always receive the attention it deserves"—and in suggesting that inter-provincial give and take, rather than inter-provincial ban or embargo, should prove the ideal way of dealing with it. "For India as a whole there has got to be an equality of sacrifice, and for India as a whole it is essential that there should be absolutely no waste of resources. That is the problem as it appears to the Government of India and we must remember that in dealing with this problem it is our duty not merely to ascertain what is best for Bihar but also to consider what is best for India as a whole."—Having said this Mr. Ansorge went on to say something in defence of the inter-district embargo on the movement of foodgrains which we had here for some time. There Mr. Ansorge did something almost amounting to bathos, but he had no doubt his official reasons for the word he put in. From the practical point of view, what was of greater interest was the inkling he gave of what the Provincial Government proposes to do pending the formulation of an all-India plan at the Centre. "It is clear that we must do something to control prices and we are in negotiation with the Regional Food Commissioner on the subject of coming to an arrangement with the other provinces of the Eastern Region for an agreed policy of price control. Even if this does not materialize we shall certainly do our best to see that prices in Bihar are not allowed to shoot up again, and I have reasonable hope myself that between now and the harvest prices will tend downwards rather than the other way."

Altogether, Mr. Ansorge's speech was of a kind seldom heard in the Secretariat where the average administrator cannot look beyond his nose, is impervious to all new ideas and resents being considered anything less than omniscient, especially where economic questions with all their inter-relations and wide implications are concerned.

Causerie

Economic Facts

By G. L. M.

FACTS, I gather, are the foundation on which the edifice of economics is constructed. My friend Prof. Lionel Robbins (immortalized by Sir James Grigg in the Central Legislative Assembly as an advocate of *laissez-faire*) used to say that theories and programmes not firmly grounded on *economic facts* are so much thin vapour. And now comes Mrs. Margaret Cole arguing that "if you can persuade them to stick to *facts*, ninety per cent. of economists will, I believe, agree upon ninety per cent. of the basic facts; and could upon that basis, build a scientific factual structure which could be universally agreed and therefore as universally teachable, as the basic structure of engineering and medicine."* It is heartening to find an agreement at least on one point between an advocate of planless planning and a supporter of planned planning. We, laymen, whose births and livelihoods and marital (not martial) relations and deaths go to constitute mere percentages in statistical tables and graphs would heave a sigh of relief, could we be sure that a panacea for our social ills has at length been discovered through the formulation of economic laws. The basis of such laws, we are told, is not *symbols* or words but *things*: not price levels, interest rates, amortisation, velocity of circulation and so forth but the actual, physical facts for which these and other words stand. The name is not the thing.

Indeed, in a controversy the one solid rock on which a public man stands is to ask others to "face facts," without, of course, necessarily facing them himself. In a committee, when some inconvenient question is to be shelved or difference of opinion or interests bridged, a wise man suggests the collection of more "facts" and (alas!) figures, fuller data to enable the members to comprehend the whole position thoroughly. By the time these rather dubious "facts" are collected (if at all), the whole matter is forgotten and the primary object of gathering "facts" achieved. When controversialists and experts ask one another to "face facts," they intuitively decide beforehand what are the facts to be faced and then they resolutely and unflinchingly face them; as regards unnecessary and inconvenient facts, they simply unface them. Before you quote a precedent, you must know what precedent to quote to support the case you want to; before you face facts or (what is more frequent, easier and useful) ask others to do so, you must determine through your Freudian "unconscious" or your Marxian "bias," what facts you desire to face. For, it is not possible to face all facts. All facts, despite Mass Observation and Statistical Fanatics, are not born free and equal. We have to pick and choose among facts and how and what we choose depends (unhappily for an objective attitude) on ourselves and not on facts. There is "an inarticulate major premise" on the basis of which we tend to collect and sift and present facts—in other words, to face them. This "premise", unfortunately for a factual analysis, is not necessarily nor always determined by rational factors: bias, prejudice, personal element and equation and, above all, self-interest play their part and influence and vitiate our views and judgment. For as Professor Harold Laski is always fond of stressing, men who live differently think differently. Poverty to those who mention it in their perorations is not exactly the same as the poverty experienced today in the streets of Calcutta and the villages of Midnapur where famished parents are unable to provide a morsel of food to their children crying with hunger.

For, facts are stranger than fiction. Scientists say that the human eye sees only about one-twelve-thousandth of what is to be seen and, I suppose, our ears are not delicate enough to listen to the heart-to-heart talk of ants when they speak to one another while crossing nor strong enough to hear the loudest explosion of the heavy bombs which would be invented for the next war. Our senses miss a greater part of what is going on all around us all the time. Our apprehension of facts is not accurate, our *comprehension is vitiated*. Cotton is a *thing*, yet it *means* something different to a cultivator, *ginner, spinner*, weaver, textile millowner, speculator not to mention the Controller whose main acquaintance of it is through and on papers and files. Iron *means* different things to a blacksmith and a physicist, steel connotes different concepts to a labourer of steel works and to its shareholder. The *fact* of a factory to the owner is not the same as this fact to the worker. What a commodity does in text-books is one thing: what it does in actual experience is often quite another. "Practical" men speak of "business in general" which is itself an abstraction. In ideological battles, again, *the* term "class-war" is bandied about although as every "realist" knows, economic conflict and friction exist not only between two rigid and water-tight section of "capital" and "labour" but also *between* industry and industry (leaving aside industrialists within the same industry!), between *cottage and large-scale* industries, financiers and farmers, wholesalers and retailers, shopkeepers and consumers, skilled and *unskilled* labour, banks and manufacturers, between the city and the country. To *pretend* that the struggle between the owners and workers is the only warfare on the economic front is hardly "realistic." Yet those who ask us to face one set of facts will have none other than the ones which suit their thesis while contending that all other individuals are moved by "class-bias." The graphs of supply and demand *which* classical and scientific economists draw and cite relate also to an abstract and non-*existent economy*. As has been remarked, omnibus index numbers are "hermaphrodite *arithmetic devoid of all sense!*" The manner in which statistics and figures are cited in *controversies* is patent. When one Indian was appointed every year out of three in the Indian Navy, the percentage was officially stated to be 33-1/3 per cent. If two Indians are appointed in any Department where one was previously taken, the process of Indianization is said to increase hundredfold. The circulation of a paper in Calcutta was reported to have doubled when 100 copies of it were sold instead of 50. And the *food* supply chaos is, I suppose, due in no small measure to some brainy statistician who had worked out that there is *no net* shortage of food and that the statistical position was very satisfactory (to the compiler, not the consumer). No wonder, therefore, that economists dispute over facts and even as to what constitute facts. It is time, indeed, that some one wrote (if he has not already done so) an erudite tome on the factual basis of facts and called it "The Fact About Facts."

But the fact remains that the most baffling problems in sociology and administration are not quantitative but qualitative: not matters of fact but questions of value. A classical economist and a Marxist may not differ about circulation of blood or the stresses in a bridge; but they differ on economic questions because the issues involve human nature and social values. And these, I am afraid, *cannot* be measured by a yard-stick or weighed in a balance. Because facts, in *the ultimate* analysis, are faith. And it all depends on what faith we have (or lack) as to what facts we shall face and collect for facing. We should at least face that fact.

* Plea to Economists by Margaret Cole ("Fabian Quarterly," April, 1943).

A DELHI DIARY

NEW DELHI, August 26.

MILITARY questions have monopolised public attention this week in New Delhi—partly because of the reports connected with the Quebec Conference and even more because of the arrival in New Delhi of General Stratemeyer and othed American experts. Immediately after his arrival, the General met Indian journalists on Sunday last and made a significant statement. "The President has stated," said the General, "that great emphasis is to be placed on this part of the world. In so doing, I happen to be one of the people that the War Department and General Arnold have seen fit to send out to make the necessary plans to reinforce this theatre with American forces and equipment. There will be others that follow me." Almost simultaneously with the arrival of General Stratemeyer has come the announcement that Lord Mountbatten has been appointed Supreme Commander in South-East Asia. These large-scale arrangements following the decisions of the Quebec Conference have been the subject of keen speculation in New Delhi. That the next few months will see the arrival of large American reinforcements —probably even naval and land forces—goes without saying. The general expectation is that as soon as the monsoon is over, a big Allied offensive—both by land and sea—will be launched against the whole of the Japanese occupied territories to the east of India. As this country will necessarily be one of the important bases, if not the most important of them, for launching the offensive, these coming military operations are bound to have a far-reaching effect on Indian conditions. Even political policies in India cannot escape being affected by imperial war strategy.

The close of the Assembly session has, among other questions, helped to give prominence to the political issue. With India developing as a big base for an Allied offensive to help China and strike the final blow against Japan, the internal situation in this country assumes also a certain measure of importance. No one expects that anything will be done, or even attempted, during the few remaining weeks of Lord Linlithgow's term. It is evident that the initiative has been left to the new Viceroy—Lord Wavell. Though London reports credited Sir Ramaswami Mudaliar with having a scheme for solving the *Indian* deadlock, little has been heard of his activities in this direction. Evidently he is also awaiting the arrival of Lord Wavell, before starting any political overtures with parties or individuals, as he promised to do in the course of a London interview prior to his departure for India. But if there is to be any initiative, what will be its nature? What exactly is the Wavell plan about which mysterious whispers are heard in New Delhi? The only indications available are to be found in the statements of Lord Hailey, who led the British Delegation to the Pacific Relations Conference, and the reports, though meagre, available of the Pacific Conference discussions. It is significant that Lord Hailey winds up his latest article on India with the statement: "India, no less than China, has proved to be capable of rapid change, and the adjustment of the communal differences which now stand in the way of her attainment of political independence may be nearer than many are inclined to believe." Coming as it does from Lord Hailey, this admission is certainly significant. What is called the Pacific Conference Scheme, which may well prove to be the basis of the Wavell scheme, suggests, it is stated, four steps. There is firstly the complete Indianization of the Viceroy's Council—by the transfer of the three key portfolios, Finance, Home Affairs and War Transport, to Indians. Next is the proposal for appointing an Exploratory Commission for working out the details of the post-war constitution—a Commission which will include Indian leaders representing the points of view of the various political parties. The third step will be that this Exploratory Commission will proceed to study all the questions requiring consideration in framing a *new constitution* and that in that task foreign experts will also give valuable advice and assistance. The fourth step will be to work out the nature of an Indian constituent assembly which would be responsible for actually drafting a new constitution. Among the other suggestions made are the urgent need for a new British Government statement, preferably by Mr. Churchill, clarifying the application of the Atlantic Charter and the release of and the removal of restraints on Congress leaders. This scheme has been the subject of a good deal of discussion in Assembly circles, but it must be said, however, that in New Delhi talks there is little sign of optimism. Even the worsening economic conditions in the country, for which the only effective remedy is the establishment of popular Governments, do not appear to have had any effect on the Government's political policy. The main difficulty is that the Viceroy's Council is divided in itself and is not able to bring unified pressure for the formulation of new political policies.

In Assembly circles there is a deep feeling of disappointment that the session has closed without any appreciable change in the Government's food policy. The new Food Member has proceeded on tour to study the actual conditions in Bengal and other affected provinces, but there is no sign yet that the Government of India, beyond agreeing to stop all exports of foodgrains and advising the introduction of rationing in all big urban centres, has any new policy. There is an open clash between the Central authorities and certain Provincial Governments as the recent statement of Sir Chhottu Ram showed. They have not even been able to prevent the trading in foodgrains for profit which certain Provincial Governments have been continuing. In a Press Note issued today, the Government of India merely say: "The Government of India are aware that some administrations have not in the past always adhered to the above principles. The question as to what measures are necessary to stabilize prices of foodgrains in the country at a reasonable level is now under consideration and the Government of India will announce their decision in this matter shortly."

Details are now available of the interim report of the Railway Convention Committee which was set up during the last budget session and has since then been examining the question. The procedure favoured is reported to be that for the present until a new convention is adopted the allocation of surplus between railway reserve and general revenues should be decided each year on consideration of the needs of railways and general revenues. The Committee however feels that appropriation to railway reserve should be the maximum consistent with a fair allocation to general revenues "as determined from year to year by the general budgetary situation arising out of the present emergency." It is proposed that as soon as conditions permit a separate Committee should be appointed to examine the whole question. There is also to be an immediate inquiry as to what additional appropriation if any should be made to the depreciation fund during the war—also a comprehensive inquiry into the lives of assets including obsolescence and consequent normal rate of contribution.

ARGUS

Gleanings

BEATRICE WEBB

Beatrice Webb has passed away at the age of 85. We owe a tribute to this "super-extraordinary" woman, as Shaw once put it, whose life-long and selfless devotion to public work and whose achievements in intellectual and political spheres, in themselves revolutionary but hardly discernible as such, will not only survive her mortal remains but will also play a very important part in the new social order.

Disappointed with the social life of the London season, its round of parties, dinners and dances, and consequential insomnia, indigestion and ill-health, she decided to take the plunge as a social investigator in 1883 when she went as "Miss Jones" to Bacup in East Lancashire to study the conditions of work among the Lancashire mill-hands. And she came back with the profound conviction that the only safeguard against *laissez faire* in industry will be in a strong local government with considerable power to check individual action and power to the workers to participate in the regulation of their own affairs. In 1887 she went to London to help her cousin Charles Booth in his great inquiry into conditions in London which was to act as a most potent impetus towards socialist thinking. In 1889 she offered to undertake the investigation into the sweating system and in order to make the results actual and convincing she determined to live for a space among the workers as one of them. And it was her report in this connection which brought her into the ken of her future husband and collaborator, Sidney Webb. Much against the disapproval of friends and relations, but after her father's death, they married in 1892 and one of the greatest literary partnerships known to history began, and continued till her death in June. Economics, public administration, cooperative movement, trade unionism, education, in fact all social and political problems became subjects of their inquiry and study. Visitors were questioned, admissions exacted in a manner unimaginably persuasive. They never argued. Arguments were replaced by facts. They only wished to persuade and the innocent who came for an argument invariably went away feeling the unavoidable effects and ineffable charm of "Webbism".

The student of economics, the social worker and the political theorist owe a debt, much too great to be defined in a brief article, to the Webbs, and not less to Beatrice than to Sidney Webb. One associates them with authoritative works, monographs and pamphlets on various subjects from Poor Law to public administration; one recalls also the "Fabian Essays," the Poor Law Commission's Minority Report agitation in the early years of this century, the foundation of the London School of Economics and of the *New Statesman* and also their characteristic theory of "the inevitability of gradualness". But let us also remember that at the age of 72 these eternal youths were touring extensively in Russia to collect data for their work *Soviet Communism—A new civilization?*, a monumental work of over a thousand pages, published when they were 80. In the death of Beatrice Webb England and the world have lost one of the most outstanding and indefatigable social investigators of the last half a century and more.—Mrs. Lakshmi N. Menon in *The Indian Review*, July, 1943.

THE U.S. MAN-POWER SYSTEM

There have been certain obstacles to absolute maximum use of the potential production capacity of the United States, writes Leo Cherne, Executive Secretary of the Research Institute of America. First, the problem of feeding enormous quantities of scarce raw materials to millions of machines had to be solved. The priorities system was modified many times, until maximum use was being made of all available materials for war production purposes. But the fact remained that machines and materials themselves were insufficient; it was in the need for labour that the United States faced one of its severest problems. By the end of this year, conscription in the United States will have drawn away from the home front between eight and ten million men. Of necessity, many of these men have come from mines, factories and railroads, leaving important places to be filled. A strong programme for mobilizing—on a voluntary basis—women, old men, handicapped people and other types of workers has proved helpful in replacing men who have gone into uniform. A large programme of Government-sponsored training courses has helped to provide the supply of skilled workers for necessary war jobs. But the demands of both war industries and war agriculture in the United States continue to outrun the available labour supply. The War Manpower Commission established and supervises a National Programme for Labour Distribution. Under its leadership war industries were put on a 48-hour week and introduced many measures on a voluntary basis. These were, indeed, reflections of the Government's desire to avoid compulsory labour mobilization. They worked—but not well enough for the tremendous job that was necessary.

So this week in the United States a new programme of manpower allocation is being applied—but still on a voluntary basis, the entire emphasis of which is, very simply, that every fit man, including fathers, must find war jobs or be drafted.

At the same time, both the War Manpower Commission and the Selective Service system—which regulates conscription—have designed new regulations to assure that critical workers remain on their jobs instead of being taken into the armed forces. Under the new regulations, also, two kinds of priority are set up, one for workers and one for industries. Workers are classified according to the relative necessity of their skills and according to whether their employment is in essential, non-essential or non-deferable industries. Essential industries will be put on a stricter priority list and workers will be allocated to those industries which have the most important war role and the biggest war needs. At the same time, in order to avoid wasteful labour turnover, general, nationwide job-stabilization has been established. The War Manpower Commission has integrated with this draft rule a system of controlled hiring which aims to keep labour where it is, if needed, or to channel it into shortage areas.—*USOWI.*

SWEET EVASION

It is now revealed that when the Central Government put a ban on the export of sugar outside India, enterprising merchants converted large stocks of sugar into peppermints, confectionery, etc. and exported them to the more profitable countries outside, where the price of sugar was anything up to ten times the Indian prices. Iraq, for instance, was able to get about 1,000 tons of sugar in this manner. But, these financial deals are matters of the past, for all sugar exports are now concentrated in the hands of the Sugar Controller and he alone can export sugar in any shape or form.

CANADA'S SHIPBUILDING EFFORT

In the year prior to the war Canada built only 1,200 tons of shipping. This calendar year she will build about 900,000 tons of merchant shipping, as well as a large number of naval vessels. Canada's 19 major shipyards and 58 smaller ones, together with 150 engineering shops and 350 industries of various kinds and sizes, are making a substantial contribution to the United Nations' war effort. This construction programme falls into three parts. The first two divisions involve steel and wooden fighting ships, and envisage the continuous expansion of Canada's Navy. The third division of Canada's ship construction programme, cargo vessel building, is the responsibility of Wartime Merchant Shipping Limited. An important ship repair programme is administered by a Controller of Ship Repairs.

The whole undertaking is ambitious, but the blueprints are materialising day by day and week by week into sturdy boats and speedy men-o'-war. The Dominion's shipbuilding programme is constantly being expanded. Orders placed for ships now exceed 550,000,000 dollars. All this tremendous activity in shipbuilding and repairing was not possible, of course, without a like expansion of employment; approximately 40,000 are now working in shipyards. In addition, the number of men employed in the manufacture of ship components is about equal to that employed in the yards themselves. Actually, more men are working in the Dominion's shipbuilding industry than ever before. They represent nearly fifty occupations, as listed in 1940 by Canada's National Registration Bureau.—*The Shipping World*, May 12, 1943.

U.S. TEXTILE SHORTAGE

The big new shortage facing the U.S. is of cotton goods. U.S. citizens might be excused for wondering whether there will be a shortage of air and water next. For years millions of Americans have been perennially sandbagged with "Buy Cotton" campaigns that have made it seem like the one inexhaustible fabric. But now, though the surplus of raw cotton is still a fact, the surplus of cotton in textile form is turning into a mirage. The components are the same as ever: lack of manpower, military demand, price ceilings at the wrong levels. Last year the U.S. produced 11.25 billion yds. of cotton fabrics—an alltime high that kept U.S. looms at practical capacity. But consumption was enormous too: the nation went into 1943 with retail stocks of fabricated cotton (2.96 billion yds.) barely equal to the year before. Government men still bravely insist that this year's production will be at least as high as 1942's, but the trade demurs; manpower is cruelly scarce, irreplaceable equipment is wearing out. Costs are up drastically and prices (except at the raw level) are fixed. None of this encourages producers to strain themselves. The trade also doubts soothing statements from the Army and Navy that their need for cotton textiles will be no greater than the 4.7 billion yds.—35 per cent. of production—that they and Lend-Lease took last year. Last week's headlines were black with news of new orders for soldiers and sailors (who wear out clothes even faster in foreign service), new Lend-Lease demands and new buying for Office of Foreign Relief and Rehabilitation.

The textile industry's estimates of 1943 needs for all these essentials run up to 9 billion yds. That would leave U.S. civilians only about 5 billion yds. (vs. a civilian 8.9 billion yds. last year). Even this estimate includes the entire carryover, assumes that production stays at peak besides. The last assumption is the one that raises eyebrows. Cotton-textile prduction is a case history in the pitfalls of price control. Cottons are a prime factor in the cost of living, so O.P.A. strove to hold prices down on finished goods. Meanwhile raw cotton, not under ceilings, was imperfectly controlled by the periodic dumping of Government holdings. At the same time labour costs rose 30 per cent. The higher wage levels didn't hold textile workers; they have gone into much better paid war jobs and have been drafted so fast that W.M.C. last month defined them as essential civilians, froze them to their looms. But by that time a good deal of the damage was done. The squeeze on spinners finally got so bad that Army and Navy orders went begging for bids. The O.P.A. knuckled under, let the Army pay 6 per cent. more for combed yarns. This had a reverse result: spinners then paid no attention to civilian orders, where there were no price concessions. There was only one way out—if Congress would stand for it: U.S. Government subsidies. Meanwhile lower civilian production will continue.—*Time.*

CEILING PRICES FOR COTTON TEXTILES

The fixation by the Government of India of ceiling prices for cotton textile cloth and yarn is announced in a communique issued by the Textile Commissioner. The following statement is issued by him in agreement with the Chairman of the Textile Control Board and after approval by the Government of India in the Department of Industries and Civil Supplies:

As a result of the recommendations made at the recent meetings of the appropriate committees of the Textile Control Board, ceiling prices have been fixed as in the list below for certain standard varieties of cloth and yarn. The Board will expand this list as much as practicable and as soon as possible to include the largest possible number of well-known varieties.

Description of Cloth.	Dimensions: (width in inches, length in yards, and weight in lbs.)	Ex-Mill Ceiling Prices Per Piece (or lb. where stated).
1. Bleached Mulmul	43 20 —	Rs. 12-7-0 per piece
2. Grey Longcloth	43 38 —	Rs. 27-4-9 „ „
3. Grey Leopad Cloth	43 38 11½	Rs. 25-5-6 „ „ (or Rs. 2-3-0 per lb.)
4. Grey Dhotie	44 10 —	Rs. 7-12-9 per piece
5. Bld. Longcloth	33 40 —	Rs. 21-7-3 „ „
6. Coloured Poplin	29 20 —	Rs. 12-10-9 „ „
7. Bld. Nekshi Dhoti	46 8 —	Rs. 6-7-3 „ „
8. Coloured Saree	42 5 —	Rs. 3-2-9 „ „
9. Bld. Mulmul	48 20 —	Rs. 13-2-6 „ „
10. Grey Drill	27 40 14¾	Rs. 24-6-0 „ „ (or Re. 1-10-9 per lb.)
11. Grey Longcloth (markin) and other dimensions	43 38 11	Rs. 24-6-0 per piece (or Rs. 2-3-0 per lb.)
12. Sateen	44|45 22½ 8	Rs. 14-10-0 per piece

Description of Yarn.	Ex-Mill Ceiling Price Per bundle of 10 lbs.
1. 10 s Market	Rs. 13 10 6
2. 20 s „	Rs. 17 8 9
3. 30 s „	Rs. 21 7 3
4. 40 s „ (Indian) ..	Rs. 25 5 6

These prices are for the best selling quality of each type and are only applicable for goods sold in India for internal consumption. The above are the maximum ex-mill ceiling prices. It has been agreed that cloth and yarn will be sold at these prices, or at corresponding prices for other qualities, in retail, at a uniform maximum price all over India, which shall not exceed a margin of 15 per cent. over the ceiling prices excluding freight and other charges, which will not be above 5 per cent., or a total gross margin of 20 per cent. The public will, therefore, be enabled to buy their supplies at the above prices plus 20 per cent.

It has been further agreed that in respect of undelivered goods originally contracted for delivery in August, 1943, and onwards, prices for all deliveries subsequent to the date of this announcement will be reduced to the ceiling prices mentioned above. In the case of all unmarked goods in original mill bales remaining unsold after the 31st August, they will be taken over by Government acting through the Textile Control Board at a discount ranging from 5 to 7½ per cent., on the ex-mill prices quoted above and on corresponding prices for other qualities not included in the list. The exact prices which will be agreed upon in each case by the Textile Commissioner and the Chairman, will in no case exceed the actual cost to the dealer, plus reasonable carrying charges, but excluding interest.

CEILING PRICES FOR TEXTILE RAW MATERIALS

A Press Note issued by the Textile Commissioner says: As a further step in their policy to ensure supplies of cloth to the public at reasonable prices, the cost of all raw materials used in the cotton textile industry is being examined and on the advice of the Mill Stores and Priority Advisory Committee of the Textile Control Board, the Government of India have decided that new ceiling prices shall be fixed for bobbins and imported shuttles. The new ceiling prices for bobbins will come into force on August 28, while in the case of shuttles, they have come into force from August 20. They will apply to all deliveries made to consumers of these stores whether made against old contracts or not. The Government appreciate that this provision may lead to certain speculative holders of these goods making losses. Both the items are under statutory control, and in the event of any consumer running short of supplies due to a refusal of the stockists or manufacturers to supply at or below these rates, the Government will issue orders under the Defence of India Rule for supplies to be made at or below these rates. The Government hope that this will have a salutary effect in reducing the cost of these items.

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Cost of Living Index Numbers on All-India Basis

IT is gratifying to note that the Government of India has interested itself actively in a centrally controlled scheme for the preparation and maintenance of cost of living index numbers in selected centres all over India. So far working class cost of living index numbers have been collected and maintained at several centres in the different provinces without any co-ordination in their technique in preparing them or plan to cover the rural and urban areas all over the country in distributing the location of centres for such statistical investigation. This has resulted firstly in great differences in the technique employed in preparing them and in the standard of perfection aimed at or attained by them; and secondly, for over large areas no amount of information is at all available. So far there has been no uniformity in the method of collecting prices, or in base periods, or in the nature of family budget inquiry on which weights' had been obtained, or in the scope of the indices.

The prevailing diversity in the base periods appears from the following table:—

Centres		Base Period
Bihar Centres	..	Quinquennium ending 1914
Nagpur	..	January 1927
Ahmedabad	..	July 1927
Sholapur	..	January 1928
Bombay City	..	Year ending June 1934
Punjab Centres	..	Quinquennium ending 1935
Madras City	..	Year ending June 1936
Cawnpore	..	August 1939
Berhampore	..	1939-40

The centres differ not only in the year adopted for purposes of their base but also in respect of the choice of the period, a particular month, or an average over a year or a quinquennium for the purpose.

Prices are collected in some centres weekly, in others fortnightly while in the Punjab centres they are recorded only on the last day of each month.

Weights have been assigned in some centres after a collection of really satisfactory number of family budgets over a considerable period of time, while in others they are based on very limited enquiries. Often the income group has not been the identical in the different centres. Although so far as the food group is concerned most indices are fairly comprehensive, the different centres differ in their scope in the matter of the fuel and lighting group and clothing group.

The attention of the Government of India was drawn towards such deficiencies in our statistical data by the Rau Court of Enquiry which found its task of investigating into the dispute regarding dearness allowances on the G.I.P. Railway, greatly hampered owing to them. The Government of India discussed a scheme to remedy these shortcomings with the provinces and a plan for co-operation in the matter was accepted. A committee of experts of representatives from provinces and those selected by the Government of India is to settle the details of a uniform technique to be followed in centres all over India. But this proposed uniformity is qualified in case of Bombay and Madras where existing indices serve as a basis for settlement of trade disputes and a special procedure is to be adopted for them. We do not know yet the nature of the special procedure that is proposed for these two so very important provinces. But what is striking is the complete omission of Madras from the whole scheme. This is a grave omission which deserves to be immediately corrected if we are to have a comprehensive statistical data for the entire country. The argument for sticking to the existing methods of preparing index numbers because they have become a basis for settling trade disputes holds good only for limited centres and that also only for a short period in which the relation between old and new indices is commonly understood.

In consultation with the Provincial Governments it is proposed to compile cost of living index numbers for the following centres:

BOMBAY—Bombay, Ahmedabad, Sholapur, Surat, Jalgaon, Hubli, Poona, Dohad.

BENGAL—Kharagpur, Calcutta, Kanchrapara, Raniganj, Chittagong, Budge Budge, Serampore, Kankinara, and Narayanganj.

U.P.—Cawnpore, Lucknow, Meerut, Gorakhpur, Agra, Bareilly, Benares, Allahabad and Jhansi.

C.P. and BERAR—Nagpur, Jubbulpore, Akola.

ASSAM—Tinsukhia, Gauhati.

BIHAR—Patna, Jamshedpur, Jharia, Muzaffarnagar, Ranchi, Monghyr, Dehri-on-Sone.

ORISSA—Cuttack, Berhampore.

SIND—Karachi and Sukkur.

PUNJAB—Lahore, Lyallpur, Amritsar, Ludhiana, Sialkot, Rawalpindi.

AJMER—Ajmer.

DELHI—Delhi.

Subject to variations necessitated by local conditions, the schedule to be used for the inquiries in the different centres is to be uniform. Investigations are to be carried on concurrently in all provinces as far as possible. In order to allow for seasonal fluctuations, the enquiries, so far as is practicable, are to be spread over a period of one year. But no uniformity has been specified so far as a minimum or a maximum income limit in the family budget investigation is concerned. Further no principle has been laid down in selecting the families whose budgets will be collected. In a country like ours where caste plays an important part in determining the conventional standards of life and quality of living, random selection from pay rolls is not as good a method as a planned selection of samples on the proportionate strength of the communities. Further the decision to restrict inquiry to those in permanent employment and in receipt of regular incomes has the advantage of simplicity on its side, but large groups of workers in seasonal employment in such industries as sugar, for instance, would be thus left out of account. It is gratifying to find that weights for the proposed cost of living index numbers are to be based on possibly 20,000 family budgets in all provinces. The progress in the preparation of such indices has been delayed by the abnormal conditions that prevailed in the country. Several provinces have now started collecting family budgets. It is a pity that Bihar Government decided to put off the creation of a separate department for labour part of whose work would have been the collection of such statistical information.

There is going to be, even before the main Index number scheme materializes, a compilation of retail

price index numbers both for rural and urban areas on a uniform basis. It was felt that during war period occasions may arise when some reliable figures giving an indication of the changes in the retail price level would be urgently required. The same centres where the cost of living index numbers are to be ultimately compiled have been selected so far as the retail prices in urban areas are conceived. Reluctance on the part of Government, Central as well as Provincial, has prevented for the time being a really extensive organization for the collection of rural retail prices. Nevertheless, fifteen wayside railway stations all over the country have been selected and the railway staff in such places are expected to furnish the retail prices prevailing in the locality.

In collecting prices in urban centres certain difficulties are being experienced which are worth noting. Certain important articles are not available for weeks together. Certain grades and quality decided upon has to be modified after some time simply because they are no longer available. The disharmonious provincial policies, limitations of transports and the fluctuating effects of the nature of central control on certain most important commodities have resulted in such variations in prices from province to province and from time to time that, it is often difficult to secure really comparable price data.

The organization for the collection of rural retail prices which is the first of its kind though limited in scope will be of considerable value. The country has been divided into three zones for the purpose and each zone has a number of centres. The following is the list of centres selected for rural prices.

NORTHERN ZONE

Guzar Khan—Punjab (Rawalpindi); Shujabad—Punjab (Multan); Salamatpur—Bhopal State; Multapi—C.P.; Nana—Jodhpur.

EASTERN ZONE

Maibang—Assam (Cachar Districa); Sonaili—Bihar (Purnea District); Rajapur—Bengal (Tippera); Shankargarh—U.P. (Allahabad); Bamra—Bamra State (Orissa).

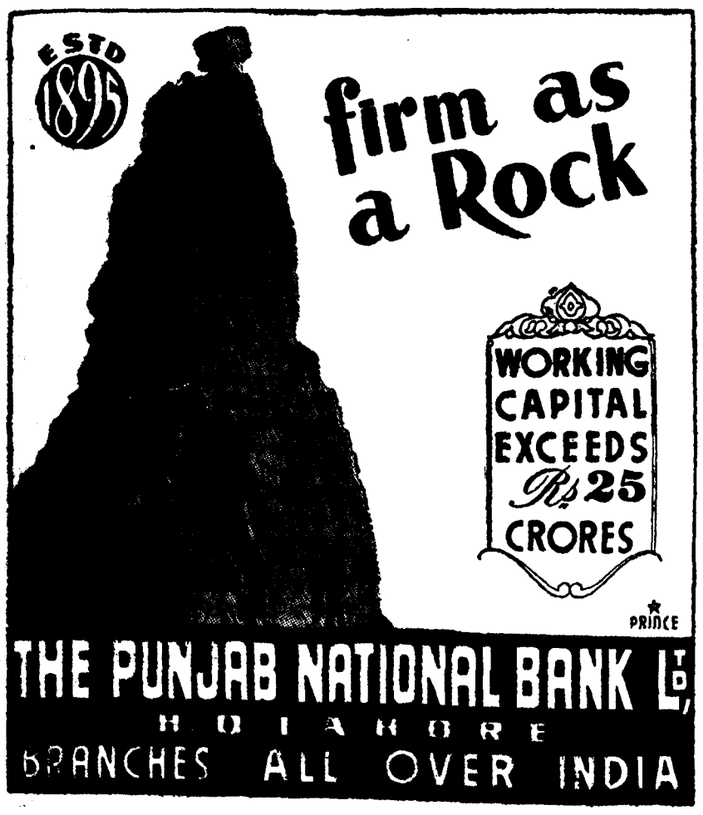
SOUTHERN ZONE

Lakh—Bombay; Krishna—Hyderabad State; Kudchi—Bombay (Belgaum District); Malur—Mysore State (Kolar District); Muniguda—Orissa.

But for the total omission of Madras, the centres are well distributed. A list of articles is being prepared after an investigation regarding the food and clothing habits of poorer section in these centres. It has been left to the railway staff to supply weekly prices of those articles to be scrutinized and tabulated in the office of the Director Cost of Living Index Scheme.

The work of such investigation is hampered by the suspicion and apathy prevailing in rural areas at present. The disappearance of shopkeepers and existence of black markets in rural as well as urban localities are other obstacles for the preparation of true retail price indices.

While it is gratifying to find that Government has undertaken such investigations to prepare retail price indices during the war period, there is a real need for maintaining such statistical information permanently. To abandon it after the war will be a retrograde step. We have so far only the wholesale price index numbers that are of considerable value no doubt. But they do not mean much to men in their ordinary business of life. It will be a great asset to Indian statistical knowledge if such retail price index numbers are maintained for a more extensive number of both rural and urban centres permanently.



Investments

(From Our Correspondents)

BOMBAY, Aug. 25.

Following the announcement fixing ceiling prices on textile goods better sentiment prevailed in the Stock market. Prices have moved sharply upward. Bombay Dyeings were dealt in up to Rs. 1,995, a rise of Rs. 50 over previous week's closing rate from Rs. 795. Century's rose to Rs. 850 today; Kohinoors moved from Rs. 582 to Rs. 618 after touching at one time Rs. 620. The week's upturn was fairly widespread and not confined to the leading counters. Among the Sassoon group for example, E.D. Ordinaries have gone up from Rs. 19 to Rs. 20-4; Deferreds from Rs. 3-11 to Rs. 3-15; Meyer Sassoon from Rs. 195 to Rs. 205. Shree Nivas which a fortnight ago were quoting Rs. 377-8 have shot up to Rs. 415 and Nagpurs have shot up from Rs. 410 to Rs. 433. There are many in the industry and trade who are most confident that cotton mills will be able to maintain, 1942, profits. The ceiling prices both wholesale and retail were somewhat higher than the ruling prices. Moreover prices of only a few varieties are fixed. This will give unscrupulous traders a handle. Already one hears of complaints from consumers. Price control, if it is to be successful, must be comprehensive and thorough and it must also be rigorously enforced. It still remains to be seen whether the textile Commissioners and the Textile Board display the necessary vigour in enforcing measures now framed. The fact that Government will take over unsold bales at 5 to 7-1|2 per cent. discount has had an encouraging effect on the trade because it sets a limit to the maximum loss trade can make. Curiously the maximum prices are also tending to become the minimum prices. In short the textile industry and trade are approaching a point of stable equilibrium. With prices high and profits plentiful what could be more desirable than this new gained balance? It is a fresh charter for continuance of prosperity. Will consumers benefit? The answer is not reassuring. One can hope both industry and trade will treat the consumers more fairly than they did in the recent past. The responsibility for achieving this object now rests on the Government acting through the Textile Commissioners. The only sure way to permanent prosperity is for the industry and trade to regain the confidence of the consumers which they have so badly lost. The right to reasonable profits is legitimate. The desire for profiteering at the cost of the Indian consumer must be systematically curbed however disagreeable the task may be. It should be the personal responsibility of every industrialist and business man to guard the interests of the consumer from exploitation whether Government takes any action or not.

MADRAS, Aug. 22.

The money market continued to be easy and there was a small volume of business in the call market at ½ per cent. In sterling exchange, very steady conditions were seen. Bombay and Calcutta were good buyers in the inter-bank market and business was done at rates 16d. and 1|5-31|32d. The market was firmer at the close. There was some business in merchant T.T. for one month. Rates were unchanged.

Government Securities

Very firm conditions prevailed in the Government Securities market. The Reserve Bank's selling rate of 3½ per cent paper has been put up again this week from Rs. 96-8 to Rs. 97. This has naturally kept the rest of the Security market very strong and 3 per cent loans 1963-65 have improved to Rs. 97-1-6. Substantial rises were seen in State loans and Madras Loans but the market was again bare of scrip. A steady volume of investment business has been done during the week and a very large volume of idle funds has been attracted.

Textile Shares

The optimistic feeling in the piecegoods and yarn market after the announcement of the ceiling prices was reflected in textile shares and quotations showed a definite recovery. The volume of business also expanded considerably and the market was flooded with buyers. Mettur Industries rose from Rs. 287-8 to Rs. 292-8, Saradas from Rs. 235 to Rs. 250 and Rajalakshmi from Rs. 255 to Rs. 266-8. The report of the Buckingham Carnatics for the last half-year, published now, reflects extremely prosperous conditions and the shares were scarce at the present price of Rs. 305 X. D.

Miscellaneous

Recovery in the Rubber section was not very substantial. Ragiris have improved to Rs. 17-12 and Tropical Plantations to Rs. 49-8. There was better interest in tea and coffee shares. Ouchterlony Valleys had a steady volume of business at Rs. 15-6 and Periakaramalais improved by a point to Rs. 31-8. Chembra Peaks and Peermades were firm on good inquiries. Mysore Plantations were taken up to Rs. 3-4-6. There has been increasing demand for good class shares in the Fixed Interest Securities section. Debentures were scarce but preferences were available and were readily taken. Bank shares were firm but business was limited due to lack of stock. There was more business in local electric company shares. Chemical shares continued to attract attention. There were good inquiries for Spencers and the quotation was marked up to Rs. 10. Sugar shares were dull. In the Mysore industrial group of shares, Mysore Papers were taken up at Rs. 23-6. In the Engineering group, Bruntons had buyers at Rs. 13 and Indian Steel Rollings at Rs. 7-7.

Commodity Markets

BOMBAY, Aug. 21.

The cotton market has been steady and values are firming up. There has been a rise of Rs. 40 in the quotation for new crop Sind N.T. The statistical position in Bombay is not unhealthy, but the anxiety of the holders to liquidate their stocks, coupled with the absence of mill demand during the time of the uncertainties of cloth control, led to a precipitate fall. Pressing returns up to August 7 are less than 42 lakhs of bales of cotton as against 59 lakhs of bales pressed up to this time last year. This shows that the crop is smaller by about 17 lakhs of bales. Compared with this is the consumption of Indian cotton by mills which is expected to be around 42 lakhs of bales plus exports to U.K. of around 2 lakhs of bales. Thus the Indian cotton statistical position is well balanced, but the problem is that there has been a surplus that has been carried from year to year during the last two years of the war, which represents mostly short staple cotton.

Seed

A substantial decline in the prices of groundnuts has been an important development in the local seeds market. The fall in the prices of groundnuts which is as much as Rs. 12 has been caused by the lifting of ban on the export of groundnut from the Hyderabad State. Demand from crushers was slack in the local market as they can avail themselves of the facility of wagon supply for getting groundnut direct from Hyderabad. The Ministry of Food is reported to have purchased about 12,000 tons of groundnut at £36 per ton. It has also bought about 1,400 tons of castorseed at £36-5 per ton. Except for this purchase, there has not been any appreciable business. Madras castorseed was sold at Rs. 18-10. An important development with regard to the castorseed section is that the traders have decided to reopen forward trading from the 2oth instant. It must be remembered that forward trading was not banned by the Government when it prohibited forward trading in groundnut, linseed, rapeseed etc. Some business in bold linseed was done at Rs. 14-11.

Oil Market

The oil market has also been easy: Groundnut oil Rs. 9-12 per qr., Linseed oil Rs. 10-10 per qr. and Castorseed oil Rs. 11-2 per qr.

Wheat

Turkey is harvesting an exceptionally heavy wheat crop so that it will not have to import Australian wheat as in last season. The crop is estimated around 4.5 million tons as compared with the normal of 3 million tons.

Canadian Bureau of Statistics estimates end-July stocks of wheat at 601.5 million bushels as against 432.8 million bushels a year ago and linseed at 3.7 million bushels as against 1.03 million a year ago. Argentine estimates of exportable surpluses are: wheat 3.8 million tons and linseed 752,000 bushels.

MADRAS, Aug. 22.

The chief feature in the piecegoods and yarn markets was the announcement of the ceiling prices by the Government of India. The prices fixed for piecegoods are about the ruling prices except in grey goods which are slightly higher and these goods have risen by about Rs. 2 per piece. It is stated in the *communiqué* issued by the Textile Commissioner that in respect of undelivered goods, originally contracted for delivery in August, 1943 and onwards, prices for all deliveries subsequent to the date of the announcement will be reduced to the ceiling prices. This has been welcomed by the merchants as it would save them from ruin. So far as the disposal of unsold stocks is concerned, the Government are to take over such stocks at a discount ranging from 5 to 7½ per cent. It is therefore still profitable to sell to the public and already wholesale dealers are arranging to open up the bales after this month and sell in retail by opening up new depots. During the week, there has only been a small turnover but as the uncertainties of the trade have been removed, a cheerful tone with expanding business is expected in the immediate future. Retail dealers have been greatly encouraged by the ceiling prices and already sign boards announcing reduction sales have disappeared over-night in many shops. On the whole a certain amount of optimism prevails. In the yarn market, the ceiling prices were lower in 20's and higher in 30's and 40's than the ruling prices. The prices for the former were unchanged as 20 per cent. has been allowed over the prices fixed. The prices for the latter improved by a rupee per bundle of 10 lbs. but were still under Rs. 2 of the ceiling prices. As in the case of piecegoods, merchants are sure to be benefited as contracts for delivery in August and the next few months had been made at very high prices. The *communiqué* does not mention 60's yarn, extensively used for warp in the handlooms and trade interests are making representations to the proper authorities to fix the prices of 60's also. During the week, there was good demand from weavers and a fairly large volume of business was done.

Groundnuts

Prices in the groundnuts market ruled steady between Rs. 82 and Rs. 83-12. Exporters were buying in limited quantities. The British Ministry of Food is reported to have done a large volume of business at rates varying from £35-15-0 to £36-2-6. The oil market was stagnant and the quotation was easy at Rs. 160. With rains in the districts, there was a revival of demand for cake from agriculturists for agricultural operations.

HAPUR, Aug. 23.

Juwar

The prices in the local market for juwar manifested an advancing tendency during the major part of the week surmounting all the previous highest levels in this commodity. The highest rate touched at Rs. 7-2-10½ for Poos delivery. However, when the prices had once touched the highest rate, the staunch bull jobbers became nervous and endeavoured liquidations of their outstanding transactions with a view to avoiding any scuttling in the continuously surging flow of the prices. This brought about reaction in the market and the prices slightly declined. The chief factor that accounted for this unprecedented rise in the juwar pries is apparently not economic or commercial but the speculators' and jobbers' optimistic ideas.

Bardana

The Bardana prices at Hapur in the initial stages ruled strong following steady spot demand and speculative buyings but thereafter with the subsidence of the demand the prices reacted fluctuating within an orbit of Re. 1-8 per lot. Speculative activity since then has lessened. The Mangsir delivery opened at Rs. 58-8 and closed at Rs. 58 with their highest and Rs. 60 and Rs. 57-8 respectively.

URAD

Urad Magh delivery opened at Rs. 14-8, touched the lowest at Rs. 14-4 but again rose to Rs. 15-8 (the highest) and closed at Rs. 14-6. The local Chamber of Commerce have granted permission for forward dealings in Methi (Fenugreek). The unit has been taken as 125 maunds and the delivery month will be Jeth in the first instance.

WHEAT

The prices recorded no significant movements. The average of the daily arrivals has been 350 Mds. The stock is put at 214 Khattis.

Today's latest quotations are:

Wheat: Rs. 13-14-6; Gram: Ready Rs. 11-4-0; Barley: Rs. 10-5-0; Arhar: Ready Rs. 10-5-0; Juwar: Mangsir Rs. 7-0-10" 1|2; Bardana Poos Rs. 58.

CURRENT STATISTICS

BANK OF ENGLAND

(000's omitted)

	Aug. 18, 1943	Aug. 11, 1943	Aug. 19, 1942	Aug. 30, 1939
	£	£	£	£..
Total Bullion	1,648	1,603	1,468	263,700
Public Deposits	6,800	4,500	8,200	31,100
Other Deposits	204,700	196,000	192,400	129,100
Of which Banker's Deposits	149,500	140,300	145,000	90,100
Govt. Securities	187,100	180,000	140,100	113,100
Other Securities	15,900	15,700	20,600	31,000
Of which Discounts and Advances	1,800	700	6,900	6,400
Notes and coins	24,700	21,900	51,100	34,200
Notes in Circulation	977,000	979,700	830,300	529,500
Ratio of Reserve to Liabilities	11.66%	10.92%	25.48%	21.38%

U.S. FEDERAL RESERVE BOARD

(000's omitted)

	Aug. 12, 1943	Aug. 5, 1943	Aug. 13, 1942	Aug. 31, 1939
	$	$	$	$
Resources—				
Total Reserves	20,475,000	20,503,000	20,811,000	14,660,610
Total Bills Discounted	24,000	18,000	5,000	6,190
Bills bought in open market	..	..	..	550
Total U.S. Govt. Securities	8,317,000	8,165,000	3,387,000	2,426,190
Liabilities—				
Federal Reserve Notes in actual Circulation	14,522,000	14,433,000	9,841,000	4,609,280
Deposits—				
Member Bank Reserve Acct.	12,458,000	12,336,000	12,709,000	10,951,000
Ratio of total Reserve to Deposit and Federal Reserve Note-liabilities combined	70.8%	71.2%	86.5%	86.9%

RESERVE BANK OF INDIA

Weekly statement of account as on August 13, 1943

ISSUE DEPARTMENT

	Rs.	Rs.
Liabilities—		
Notes held in the Banking Department ..	10,78,00,000	
Notes in circulation	754,61,16,000	
Total Notes issued		765,39,16,000
Total Liabilities ..		765,39,16,000
Assets—		
A. Gold Coin and Bullion:—		
(a) Held in India	41,41,43,000	
(b) Held outside India	..	
Sterling Securities	613,83,48,000	
Total of A.		658,24,91,000
B. Rupee Coin ..		13,76,82,000
Government of India Rupee Securities ..		93,37,43,000
Internal Bills of Exchange and other commercial Paper ..		..
Total Assets .. .		765,39,16,000

Ratio of Total of A to Liabilities: 86.002 per cent.

BANKING DEPARTMENT

Liabilities—		
Capital paid up ..		5,00,00,000
Reserve Fund ..		5,00,00,000
Deposits:—		
(a) Government		
(1) Central Government of India ..		25,09,23,000
(2) Govt. of Burma ..		69,89,000
(3) Other Govt. Accts. ..		6,64,03,000
(b) Banks		55,95,21,000
(c) Others		3,84,66,000
Bills Payable		2,24,78,000
Other Liabilities ..		4,00,82,000
Total		108,48,62,000
Assets—		
Notes		10,78,00,000
Rupee Coin ..		13,45,000
Subsidiary Coin ..		1,98,000
Bills Purchased and Discounted:—		
(a) Internal ..		..
(b) External ..		..
(c) Govt. Treasury Bills		94,65,000
Balances held abroad* ..		85,41,33,000
Loans and Advances to Governments ..		83,00,000
Other Loans and Advances		..
Investments ..		7,67,42,000
Other Assets ..		2,68,79,000
Total		108,48,62,000

*Includes Cash and Short term Securities

ISSUE DEPARTMENT COMPARATIVE STATEMENT

(000's omitted)

	Aug. 13, 1943	Aug. 6, 1943	Aug. 14, 1942	Sept. 1, 1939
Held in the Banking Department ..	10,78,00	10,06,09	11,28,49	35,04,49
In Circulation	7,54,61,16	7,49,76,07	4,66,40,65	1,82,13.17
Total Notes	7,65,39,16	7,59,82,16	4,77,69,14	2,17,17,66
A. Gold Coin and bullion	44,41,43	44,41,43	44,41,43	44,41,43
Sterling securities ..	6,13,83,48	5,97,86,13	3,01,79,17	59,50,11
Total of A. ..	6,58,24,91	6,42,27,56	3,46,20,60	1,03,91,57
B. Silver Coin	13,76,82	14,19,87	29,10,16	75,87,11
Rupee securities	93,37,43	1,03,34,73	1,02,38,38	37,38,98
Silver bullion under coinage	..	..	..	..
Percentage of Reserve to Liabilities	86.002	84.53	72.475	63.149

BANKING DEPARTMENT COMPARATIVE STATEMENT

(000's omitted)

	Aug. 13, 1943	Aug. 6, 1943	Aug. 14 1942	Sept. 1, 1939
Cash ..	10,93,43	10,17,94	11,41,23	35,15,27
Balances held abroad ..	85,41,33	87,01,41	77,64,45	6,81,34
Investments ..	7,67,42	7,54,09	6,61,74	6,81,34
Bills discounted—				
(a) Internal ..	..	..	..	..
(b) External ..	..	..	..	..
(c) Govt. of India Treasury Bills	94,65	69,91	21,23	1,15,67
Loans and Advances to the Govt.	83,00	38,00	98,00	31,00
Deposits:				
(a) Government	32,43,15	31,14,49	14,74,75	14,89,43
(b) Banks ..	55,95,21	55,71,73	66,29,52	26,91,43
(c) Others ..	3,84,66	2,37,77	2,66,96	1,24,37

STERLING PURCHASES

(000's of £)

	Total Amount Purchased.	Average rate.
1943:—		
January	8,132	1sh. 6d.
February	11,070	1sh. 6d.
March	17,779	1sh. 6d.
April	9,219	1sh. 6d.
May	8,721	1sh. 6d.
June	6,338	1sh. 6d.
July	7,006	1sh. 6d.

SCHEDULED BANKS

(In thousand rupees)

	13-8-1943	6-8-1943	14-8-1942	1-9.1939
1. Demand Liabilities in India	433,79,87	434,61,15	293,19,35	134,36,49
2. Time Liabilities in India ..	136,36,64	136,54,57	97,57,07	102,24,34
3. Cash in India	18,65,42	18,44,42	11,22,42	6,69,92
4. Balances with Reserve Bank	54,36,01	54,77,06	62,91,26	25,17,19
5 Advances in India	143,12,49	144,30,00	84,25,20	101,52,16
6. Bills Discounted in India ..	3,65,80	3,89,19	1,64,86	3,57,29

IMPERIAL BANK OF INDIA

Week ended August 13, 1943

	Rs.	Rs.
LIABILITIES—		
Capital—		
Authorized— 2,25,000 shares of Rs. 500 each	11,25,00,000	
Issued and Subscribed 2,25,000 shares of Rs. 500 each	11,25,00,000	
Called up — 75,000 shares of Rs. 500 each, fully paid ..	3,75,00,000	
1,50,000 shares of Rs. 500 each, Rs. 125 paid	1,87,50,000	
		5,62,50,000
Reserve Liability of Shareholders — Rs. 375 per share on 1,50,000 shares ..	5,62,50,000	
Reserve Fund		5,75,00,000
Fixed Deposit, Savings bank, current and other Accounts		194,52,03,000
Loans against Securities per contra		..
Acceptances for Constituents		..
Sundries		82,46,000
Total		206,71,99,000
ASSETS—		
Investments—		
Govt. Securities ..	138,00,53,000	
Other Authorized Investments ..	2,09,55,000	
		140,10,08,000
Advances—		
Loans ..	11,50,83,000	
Cash Credits and Overdrafts ..	21,36,93,000	
Bills Discounted and Purchased ..	2,27,73,000	
		35,15,49,000
Liability of Constituents for Acceptances per contra		..
Dead Stock		1,71,85,000
Sundries		61,46,000
Bullion		..
Cash—		
In hand and with the Reserve Bank of India ..	27,01,67,000	
Balances with other Banks ..	2,11,44,000	
		29,13,11,000
Total assets		206,71,99,000

TENDERS FOR TREASURY BILLS

(In thousands of rupees)

Week Ending	Amount Tendered	Amount Accepted	Average Rate	Inter-mediates	Sold in favour of Issue Dept.
1943	Rs.	Rs.	Rs. a. p.	Rs.	Rs.
May 4	15,12,00	8,00,00	1-1-9	4,44,00	2,35,50
„ 11	15,07,00	8,00,00	1-1-7	2,90,75	1,57,00
„ 18	12,79,75	8,00,00	1-1-0	2,75,50	10,64,00
„ 25	11,92,50	8,00,00	1-1-0	1,40,00	7,91,00
June 1	11,88,00	8,00,00	1-1-0	3,90,25	6,57,75
„ 8	12,31,50	8,00,00	1-1-0	5,70,50	6,66,75
„ 15	12,80,25	8,00,00	1-1-0	3,74,25	3,57,00
„ 22	11,11,00	8,00,00	1-1-0	4,11,50	6,83,50
„ 29	9,07,00	8,00,00	1-1-0	1,20,75	7,82,00
July 6	4,81,25	3,12,25	1-0-0	40,50,00	3,15,50
„ 13	13,22,25	8,00,00	0-15-11	..	35,59,00
„ 20	15,93,76	8,00,00	0-15-9	..	10,64,25
„ 27	19,76,50	8,00,00	0-15-7	..	3,59,00
Aug. 3	13,83,00	8,00,00	0-15-0	..	3,47,00
„ 10	14,73,25	8,00,00	0-14-11	..	3,16,25
„ 17	12,36,75	8,00,00	0-14-10	..	9,50,00

DATES OF MATURITY OF OUTSTANDING TREASURY BILLS

Date of Maturity.	Amount (000's of Rs.)	Date of Maturity	Amount (000's of Rs.)
Aug. 1943—		Sept. 1943—	
1st ..	62,00	2nd ..	2,57,25
3rd ..	16,00	3rd ..	16,25
5th ..	1,33,50	4th ..	8,42,00
6th ..	1,04,50	5th ..	2,47,00
7th ..	8,19,75	7th ..	8,00
8th ..	28,00	9th ..	22,00
10th ..	5,00	10th ..	9,50
12th ..	2,16,50	11th ..	7,95,25
13th ..	90,25	12th ..	3,17,50
14th ..	7,28,25	14th ..	30,00
17th ..	40,50	16th ..	62,50
19th ..	1,14,25	17th ..	2,34,25
20th ..	7,89,25	18th ..	8,90,50
24th ..	36,50	19th ..	3,00
26th ..	2,69,25	21st ..	21,25
27th ..	1,15,00	23rd ..	15,75
28th ..	7,51,00	24th ..	39,50
29th ..	50,00	25th ..	7,89,50
31st ..	5,00	26th ..	35,50
		28th ..	40,50
		30th ..	33,50
		Total	90,85,00

SUGAR POSITION

1942-43

(FIGURES IN TONS)

Producing area.	Production up to 7-8-43.	Despatches during the period 1-8-43 to 7-8-43.	Progressive total of despatches from 1-10-42 to 7-8-43.	Percentage of progressive despatches to production.	Physical stock as on 1-8-43
United Provinces	6,13,248	13,241	3,98,203	64.9	2,15,045
Bihar ..	2,37,671	3,564	1,43,421	60.3	94,250
Bombay ..	77,221	3,034	57,845	74.9	19,376
Madras ..	32,346	607	21,819	67.5	10,527
Punjab ..	6,579	84	5,713	86.8	866
Bengal ..	16,537	917	7,818	47.3	8,719
N.W.F.P. ..	3,167	2	2,449	77.3	718
Orissa ..	2,092	1	1,664	79.5	428
Sind ..	2,008	20	1,050	52.3	958
Indian States	81,604	2,843	60,184	73.3	21,420
Total	10,72,473	24.313	7,00,166	65.3	3,72,307

(1) Balance physical stock of 1941-42 season sugar as on 7-8-43 was 650 tons.

(2) Information received from Indian States is not complete.

(3) Only one factory was still crushing on 7-8-43.

INDEX NUMBERS OF WHOLESALE PRICES BY GROUPS OF ARTICLES

ALL-INDIA

(Prices for week ending 19th August 1939=100)

	Feb. 1943	Jan. 1943	Feb. 1942
Food and Tobacco ..	207.0	190.8	132.3
Other Agr. Com. ..	193.8	183.3	125.3
Raw Materials ..	172.0	171.5	158.0
Manufactured Articles	225.5	224.1	162.3
Primary Commodities	190.5	182.0	140.6
All Commodities ..	197.6	190.4	145.0
Chief Articles of Export	187.6	177.2	142.4

*Issued by the Economic Adviser, Govt. of India.

BOMBAY

(July 1914=100)

Commodities	No. of Items	April, 1943	March, 1943	April, 1942
Foodgrains		215	211	133
Cereals ..	7	198	202	138
Pulses ..	2	273	244	117
Sugar ..	3	238	222	157
Other Food ..	3	259	253	141
All Food		228	222	138
Oilseeds ..	5	185	156	102
Textiles (Cotton)		176	174	103
Cotton, Raw ..	5	94	94	71
Cotton, Manufactures	6	313	307	156
Other Textiles ..	2	83	83	83
Hides and Skins ..	3	99	99	99
Metals ..	5	770	746	665
Other Raw Manufactured Articles ..	4	232	232	225
Non-food		284	274	228
General Index		264	256	196

CALCUTTA

(Prices in July 1914=100)

Commodities	July 1943	June 1943	July 1942	Sept. 1939
Cereals ..	498	447	153	86
Pulses ..	393	365	151	99
Tea ..	130	130	197	142
Other Food Articles	580	565	289	125
Oilseeds ..	284	272	162	106
Mustard Oil ..	207	192	95*	81
Jute, Raw ..	129	134	69	80
Cotton Raw ..	183	199	103	75
Jute Manufactures	190	193	126	102
Other Textiles (Wool and Silk) ..	194	220	170	110
Hides and Skins ..	95	95	85	67
Metals ..	332	342	275	147
Other Raw and Manufactured Articles	207	199	148	95
All Commodities ..	332	319	198	108

*Average of 9 months.

BANGALORE *

(Base year 1914=100)

Particulars	April 1943	March 1943	April 1942
Foodgrains & pulses	247	239	142
Oils & Oilseeds ..	265	257	120
Other Food Articles	282	269	130
Textiles ..	341	313	133
Others ..	293	261	178
Gen. Index Numbers	282	264	144

*Compiled by the Department of Industries and Commerce, Mysore.

WHOLESALE PRICES OF PRINCIPAL COMMODITIES

Commodities	Grade & Quality.	Market	Unit	This Week* Rs. a. p.	Last Week. Rs. a. p.	A Year ago. Rs. a. p.	Pre-war (1939) Rs. a. p.
Rice (not in husk)	Kalma	Calcutta.	per md.	33 8 0	33 8 0	8 12 0	3 14 0
	Basmati Sela	Amritsar	"	22 0 0	20 0 0	..	..
Wheat.	Average qlty.	Karachi.	"	7 13 0	7 10 5	..	..
		Hapur.	"	13 14 6	13 12 3	..	..
		Lyallpur.	"	..	11 0 0	5 1 0	2 5 9
Sugar.‡	Marhowrah Crystal No. 1.	Cawnpore.	"	14 8 6	14 8 6	12 3 6	9 15 0
Sugar raw (Gur).	Chikna best qlty.	"	"	8 0 0	..	..	..
Tea.	For export.	Calcutta.	per lb.	0 15 0	0 15 0	0 14 1	0 10 5
"	For consumption in India.	Calcutta.	"	..	0 9 9	0 11 4	0 4 4
Groundnut oil	Average	Madras.	per candy of 500 lbs.	162 0 0	..	..	..
Castor oil	"	"	"	185 0 0 to 190 0 0	..	..	..
			38 lbs.	15 14 9	..	..	..
Groundnuts.							
Linseed.	Bold.	Bombay.	per cwt.	..	15 8 0	11 7 0	7 2 6
"	Small Grain.	Calcutta.	per Ind. md.	13 0 0	11 12 0	6 13 0	6 13 6
Rape and Mustard.	Toria 9% admixture.	Karachi.	per candy of 656 lbs.	99 0 0	93 0 0	65 4 0	36 12 0
Cotton (raw).	Fine M.G. 4-F (Punjab) R.G.	Karachi.	per candy of 784 lbs.	476 8 0	457 4 0	..	..
Cotton Piece-goods.	Grey Dhoti 44"×10 yds.	Bombay	"	7 12 9	..	..	..
	Markin 43"×36 yds.×31 lbs.			24 6 0	..	..	..
Cotton Yarn.	No. 10½s.	Bombay.	per 10 lb.	13 10 6	..	7 2 2	2 12 2
	No. 20s.	"	"	17 8 9	..	10 5 10	3 12 10
Jute.	Raw Firsts.	Calcutta.	per bale of 400 lbs.	81 0 0	85 0 0	46 0 0	41 8 0
" Bags	B. Twills 2¼ lbs. 44×20½, 6X6,	"	"	65 12 0	64 0 0	40 14 0	28 13 0
Wool (raw)	Kandhar (cleaned) Indian qlty.	Karachi.	per md.	55 0 0	55 0 0	50 0 0	32 0 0
Hides and skin (raw).	Cow hides (Agras).	Calcutta.	per 20 lbs.	9 8 0 to 10 8 0	9 8 0 to 10 8 0	9 8 0 to 10 8 0	7 8 to 8 8
"	Goat skins (good quality).	"	per 100 pieces.	110 0 0 to 130 0 0	110 0 0 to 130 0 0	100 0 0 to 120 0 0	100 0 to 115 0
Hides and skin tanned.	Cow hides.	Madras.	per lb.	.. to ..	0 14 3 to 1 3 5	0 14 9 to 1 3 0	0 9 8 to 0 12 10
		"		.. to ..	1 14 0 to 2 2 6	1 6 6 to 1 11 0	1 7 0 to 1 12 0
	Goat skin.		"	..			
Shellac.	T.N.	Calcutta.	per B. md.	71 0 0	71 0 0	64 0 0	14 0
Kerosene Oil.	Superior.	"	per 4 gallons in tin.	5 9 9	5 9 9	4 4 9	2 13
Coal.	Selected Jharia.	"	per ton into wagon.	9 12 0 to 10 8 0	9 12 0 to 10 8 0	4 12 0 to 6 8 0	4 0 to 4 12
Pig Iron.	Foundry No. 1.	"	per ton f.o.r.	94 0 0	94 0 0	94 0 0	89 0
Copra.	Fair average quality.	Cochin.	per candy of 500 lbs.	..	142 0 0	120 0 0	43 8 0
Cement.	Indian Swastika.	Calcutta.	per ton f.o.r.	62 0 0	62 0 0	44 0 0	..

STOCKS AND SHARES

	This week 26-8-1943 Rs. a. p.	Previous week 19-8-1943 Rs. a. p.
BOMBAY—		
Textiles—		
Ahmedabad ..	490 0 0	486 0 0
Bombay Dyeing ..	1,995 0 0	1,947 8 0
Central India ..	446 0 0	413 0 0
Century ..	850 0 0	795 0 0
Colaba Land ..	245 0 0	233 0 0
Indian Bleaching ..	206 0 0	200 0 0
Gokak ..	351 0 0	334 8 0
Kohinoor ..	618 0 0	582 0 0
Phoenix ..	651 4 0	630 0 0
Sholapur ..	7,575 0 0	7,575 0 0
Simplex ..	295 8 0	270 0 0
Swadeshi ..	560 0 0	532 0 0
Finlay ..	352 0 0	314 0 0
Vishnu ..	2,457 8 0	2,457 8 0
Miscellaneous—		
Alcock ..	530 0 0	532 8 0
Bombay Burma ..	377 8 0	378 12 0
Belapur Sugar ..	232 8 0	228 0 0
Bombay Burma New	131 14 0	131 4 0
Bombay Steam ..	560 0 0	550 0 0
Bombay Tramways	155 8 0	155 4 0
Burma Petrol ..	2 14 6	2 14 0
Scindia Steam ..	34 8 0	32 14 0
Shivrajpur ..	66 8 0	65 0 0
Tata Power ..	1,797 0 0	1,782 8 0
Andhra Valley ..	1,870 0 0	1,867 8 0
Tata Hydro ..	196 0 0	195 0 0
Tata Steel Ordy. ..	385 0 0	373 0 0
Tata Steel Defd. ..	1,910 0 0	1,852 8 0
Premier Construction	182 0 0	180 0 0
Indian Iron ..	34 5 0	34 4 0
Burma Corporation	3 10 0	3 9 0
Cement—		
Associated ..	216 8 0	211 0 0
Preference—		
Tata Steel 1st Pref.	208 0 0	206 0 0
Indian Copper ..	2 8 0	2 9 0
Insurance—		
Tata Steel 2nd Pref.	154 0 0	152 0 0
New India ..	71 4 0	71 4 0
Banks—		
Central ..	73 0 0	72 8 0
Imperial (F.P.) ..	1,820 0 0	1,810 0 0
Imperial (P.P.) ..	443 12 0	435 0 0
Reserve ..	121 0 0	118 4 0
Champdany ..	204 0 0	204 8 0
Barnagore ..	147 0 0	148 0 0
Bhartia Elec. ..	14 0 0	14 0 0
Indian Iron ..	34 4 0	34 4 0
Kumardhubi ..	6 15 0	6 14 0
Steel Corporation	26 14 0	27 0 0
Titagarh ..	24 14 0	24 14 0
Orient ..	..	27 14 0
Elgin ..	74 12 0	73 12 0
Cawnpore Textiles	12 8 0	11 13 0
Dunbar ..	271 0 0	262 0 0
Kesoram ..	15 7 0	14 11 0
CALCUTTA—		
Jutes—		
New Victoria ..	8 8 0	8 1 0
New Victoria (Pref.)	..	9 14 0
Burma Corporation	3 10 0	3 10 0
Consolidated Tin ..	1 15 0	1 14 0
Indian Copper ..	2 8 0	2 9 0
Rhodesia Copper ..	..	2 1 0
Dalmia ..	..	16 14 0
Belsund ..	11 2 0	11 8 0
Darbhanga ..	..	24 6 0
Ramnagar Cane and Sugar	10 4 0	10 8 0
Samastipur ..	..	19 0 0
Carew ..	21 12 0	21 5 0
Dhemo Main ..	14 14 0	15 0 0
Burra Dhemo ..	6 14 0	6 15 0
Equitable ..	39 8 0	29 12 0
West Jamuria ..	35 8 0	35 7 0
Miscellaneous—		
Indian National Airways	17 2 0	..
Aluminium Corporation	17 14 0	..
MADRAS		
Sugar—		
Deccan Big ..	31 0 0	..
" Small ..	69 8 0	..
India ..	17 0 0	..
Mysore ..	59 0 0	..
Plantings—		
Cochin-Malabar ..	19 0 0	..
Chembra Peaks ..	13 12 0	..
Cochin ..	21 12 0	..
High Produce ..	41 8 0	..
Kalpetta ..	41 8 0	..
Vellamalai ..	27 12 0	..
Textiles—		
Bangalore Wool ..	400 0 0	..
Buckingham and Carnatic	310 0 0	..
Cambodia ..	39 0 0	..
Coimbatore Pioneer	410 0 0	..
Dhanalakshmi ..	475 0 0	..
Lakshmi ..	220 0 0	..
Mettur ..	307 0 0	..
Madura ..	61 12 0	..
Miscellaneous—		
Cements ..	76 0 0	..
Mysore Chemicals and Fertilizers ..	30 0 0	..
Mettur Chemicals ..	24 10 0	..
Indian Steel Roll ..	7 10 0	..
Singareni ..	11 4 0	..
Spencer ..	10 2 0	..

CLEARING HOUSE RETURNS

(In lakhs of rupees)

Period	Bombay	Calcutta	Cawnpore	Delhi	Karachi	Lahore	Madras	Total	Progressive Total
Total 1940-41	796,66	1,005,65	18,95	28,26	46,62	15,71	106,69	2,018,54	2,018,54
„ 1941-42	1,046,77	1,230,09	30,33	41,06	58,50	26,61	135,30	2,568,66	2,568,66
„ 1942-43	1,321,06	1,061,88	55,14	80,53	76,62	47,96	129,84	2,773,03	2,773,03
1942-43									
April ..	96,70	75,35	3,19	5,02	4,82	2,75	8,61	196,44	196,44
May ..	97,79	76,68	3,95	6,24	6,94	3,74	8,49	203,83	400,27
June ..	82,06	66,40	2,86	4,92	5,48	2,96	7,44	172,12	572,39
July ..	105,05	85,62	3,42	6,53	6,61	4,89	10,49	222,61	795,00
August ..	81,80	66,62	2,65	4,32	4,83	3,61	8,19	172,02	967,02
September	79,63	75,87	3,19	4,67	4,66	3,51	9,90	181,43	1,148,45
October ..	124,29	95,16	5,39	6,16	6,96	4,24	12,26	254,46	1,402,91
November	101,80	97,13	4,49	6,73 ..	6,14	4,18	11,20	231,67	1,634,58
December	111,59	104,41	5,56	7,13	5,74	3,91	12,06	250,40	1,884,98
January ..	152,27	113,35	6,67	10,36	8,96	4,84	13,36	309,81	2,194,79
February ..	130,41	92,20	6,81	9,03	7,69	4,54	13,27	263,95	2,458,74
March ..	157,67	113,09	6,96	9,42	7,79	4,79	14,57	314,29	2,773,03
1943-44									
April ..	195,60	144,50	8,94	10,56	9,31	6,62	17,67	393,20	393,20
May ..	154,55	121,09	7,63	8,35	7,52	5,07	14,35	318,56	711,76
June ..	130,96	120,90	6,48	7,74	8,25	4,51	13,95	292,79	1,004,55
July ..	170,79	153,77	7,11	9,58	8,96	8,25	17,25	375,71	1,380,26
Week ended—									
July 2 ..	31,91	37,52	1,24	1,82	1,66	1,33	3,41	78,89	1,083,44
„ 9 ..	37,84	35,01	1,34	2,01	2,07	1,45	3,48	83,20	1,166,64
„ 16 ..	32,72	26,20	1,36	1,63	1,88	1,67	3,80	69,26	1,235,90
„ 23 ..	30,74	27,21	1,74	2,05	1,84	1,90	3,16	68,64	1,304,54
„ 30 ..	37,58	27,83	1,43	2,07	1,51	1,90	3,40	75,72	1,380,26

CURRENCY CIRCULATION AND WHOLESALE PRICES

(In lakhs of rupees)

Month	Increase or decrease In Note Circulation as on last Friday of the month: During Month	Increase or decrease In Note Circulation as on last Friday of the month: Progressive	Increase or decrease of Rupee Coin* in Circulation as on last Friday of the month: During Month	Increase or decrease of Rupee Coin* in Circulation as on last Friday of the month: Progressive	Combined progressive increase or decrease of Notes and Coin in Circulation	Calcutta Index No. of Wholesale Prices (July 1914=100)
1940-41	..	+19,11	..	+33,23	+52,34	119
1941-42	..	+152,40	..	+7,18	+159,58	144
1942-43	..	+262,33	..	+46,13	+308,46	211
1942-43						
April ..	+32,55	+32,55	+3,05	+3,05	+35,60	157
May ..	+18,04	+50,59	+1,69	+4,74	+55,33	169
June! ..	+11,35	+61,94	−1,61	+3,13	+65,07	182
July ..	+7,81	+69,75	−2,16	+97	+70,72	182
August ..	+23,26	+93,01	+98	+1,95	+94,96	192
September	+18,33	+111,34	+2,03	+3,98	+115,32	198
October ..	+22,11	+133,45	+4,87	+8,85	+142,30	209
November	+25,66	+159,11	+6,53	+15,38	+174,49	227
December ..	+30,00	+189,11	+11,12	+26,50	+215,61	238
January ..	+22,89	+212,00	+9,57	+36,07	+248,07	250
February ..	+21,11	+233,11	+5,95	+42,02	+275,13	253
March ..	+29,22	+262,33	+4,11	+46,13	+308,46	272
1943-44						
April ..	+34,03	+34,03	+3,31	+3,31	+37,34	293
May ..	+26,50	+60,53	+3,56	+6,87	+67,40	325
June ..	+19,24	+79,77	+2,49	+9,36	+89,13	319
July ..	+17,03	+96,80	+98	+10,34	+107,14	332

*Including Government of India one-rupee notes from July 1940. !Figures for India only from June, 1942.

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Commodity Controls in India

With this number begins our series giving a general survey of the operation of the war-time control—or efforts at control—over price and distribution of various commodities in India. The war is not yet over, but the war enters the fifth year on the day the current number of the *Eastern Economist* goes out. It is, therefore, not too soon to look back over our shoulders and attempt a retrospect of the various control measures which the Government have taken since the outbreak of the war. Every country at war is obliged to take a number of control measures, firstly, in order to make the maximum of resources available for war effort, and, secondly, to distribute the burden of sacrifice in a socially equitable way. It is a legitimate question to inquire how far the Government of India's war-time control measures have succeeded, or been animated by a desire to put the maximum of resources at the disposal of war-effort and to maximize, by all available means, our agricultural and industrial production. The second criterion is the extent to which the Government has attempted to distribute equitably the burden of sacrifice and the measure of success which has attended the effort. It is a well known fact that the Government of India, unfortunately unlike some of the western countries, had no well-knit and comprehensive plan for economic controls at the outbreak of the war, but has proceeded by improvising measures from stage to stage and somewhat disjointly as particular problems have arisen from day to day. The result has not been happy judged either by the maximization of war effort or by any acceptable social standard.

The first article in the series is a retrospect of wheat control in India. This would be followed by articles surveying the control of rice, textiles including jute, sugar and *gur*, iron and steel and also the control of other miscellaneous commodities. Besides the study of the control of the main commodities, it is also proposed to undertake a study of the more general economic controls like the control of foreign trade, of exchanges and price and of capital issues which the Government of India have adopted. The study of all these controls would give us an appreciation of the effectiveness and cohesion with which the Government has played its directive role in the war-time economy of India.

The Railway Convention

THE Railway Convention Committee appointed in March last by the Assembly to consider the terms of the settlement between the railway reserve and the general revenues has now made its recommendations. Judging from the summary published in the papers, it would seem that its labours have been in vain and that the Committee need not have been constituted at all. One does not need four to five months to realize that it is impossible to foresee the conditions which may prevail after the war and that the present is not the suitable time for undertaking a comprehensive inquiry into or a permanent revision of the Railway Separation Convention. The Committee apparently confined itself to the devising of an interim arrangement for the division of the railway surplus between railways and general revenues till a new convention is adopted. We do not regret this self-imposed limitation. Indeed, it would be a tragedy if the present irresponsible Government and the thoroughly unrepresentative legislature should seek to replace the old convention and commit the country to fresh arrangements which may not be in its best interests. Further the revision of the convention in the future is closely linked with the relation between the future Government and the railway administration. It will be remembered that the Constitution Act of 1935 provides for the setting up of a Statutory Railway Authority to administer the railways and the sort of financial arrangements between Government and railways would necessarily depend upon the mode of composition of the Federal Railway authority, its powers and limitation and the extent, scope and degree of control which the Legislature may exercise over the Authority. This is a matter of fundamental importance, and nothing should be done now which will queer the pitch for the responsible Government which (let us hope) will be established soon after the war. Again the questions which are bound up with the revision of the convention are highly complex, requiring wide experience and deep knowledge of railway affairs on the part of those called upon to decide, and it may be desirable to have as chairman for the necessary enquiry a person of the eminence and authority of Sir William Acworth whose epoch-making report became the basis of the present convention. For these reasons no one will cavil at the Committee for postponing consideration of the more far-reaching issues till after the end of the war. But the Committee has failed to give any lead even on the limited issue which it was asked to decide. That issue is what should be the proportion of the share going to general revenues each year of the annual surplus accruing to the railways. As is well known the convention of 1925 has been suspended, and in its place a purely provisional settlement has been substituted in 1942 providing for an allocation by which 75 per cent. of the surplus revenues had to go to the general funds and 25 per cent. to the railways. Is this settlement fair to the railways? Is not too much taken away from them and is there not the danger that the bitter experience of the last war when railways found themselves without funds for replacements and renewals and extensions may be repeated now? That was the question for which a convincing answer was expected of the Committee.

The Committee was aware that the answer depended upon what constituted the true surplus, that is, surplus after full provision was made for all costs including depreciation. It was the complete neglect of depreciation and provision for even maintenance that led to the enormous decline in the efficiency of railways after the last war. Fortunately, the lesson then learnt has not been forgotten and the Government are more alive to their responsibility to keep the railways in good repair at least after the war. But awareness should be not theoretical but practical. It is doubtful if the knocking away of 75 per cent. of the surplus profits of the railways is the right way of preventing serious deterioration in their condition in the post-war period, especially as the present rate of depreciation is admittedly inadequate in the face of a more rapid wear and tear of railway assets and the very high prices at which they can be replaced. The rate of depreciation is, therefore, a pivotal matter, but the Committee's recommendation is only to ask for another inquiry as to what additional appropriation should be made to the depreciation fund during the war before coming to a judgment. Surely the Railway Board should have been in a position to furnish the relevant information to the Committee; and if they are unable to do this, it reveals a degree of ignorance and lack of statistical data which is inconceivable. If on account of the uncertainty of the future such data cannot be prepared, how can the Committee hope to get this in the next few months? The Committee has also recommended the institution of another enquiry on more comprehensive lines as to the lives of assets, including obsolescence and the consequent normal rate of contribution to the depreciation fund. This recommendation falls between two stools. Either the enquiry should be immediate and rough and ready or it should be postponed and left over to the time when the permanent revision of the convention is contemplated. Further, this idea of a so-called scientific depreciation fund based on the life time of each asset is an illusion. It is not the less of an illusion because some experts by detailed calculation are able to give us a figure which the practical men may accept as reasonable. The fact is depreciation is now-a-days so much bound up with obsolescence that in many circumstances it will be dangerous to continue to keep a plant without scrapping it long before its normal time of replacement falls due. In the case of railways this is particularly important on account of the increasing competition which they will have to face in the future from motor and air transport.

Hence depreciation and obsolescence allowances are matters of social policy. Are we going to allow railways to continue in an inefficient condition and be a drag on transport development, because in their anxiety to earn a dividend on the capital invested they will always invoke the aid of Government to check the so-called unfair competition from other transport agencies? National interests require that railways should not only be modernized but be asked to write off their assets as quickly as possible so that under all conditions they may be able to pay their own way. The railways do not, of course, belong to the category of declining, much less languishing industries. They will always have a definite role to play in the transport system of the country and within their own sphere marked by certain economic and technical conditions their sway will continue to be dominant. But equally is there no doubt that they will cease to be the monopolist carriers of goods and passengers inland. Their adjustment to changing economic conditions requires a liberal writing down their assets as quickly as possible.

The Convention Committee has apparently no appreciation of these larger aspects which have an intimate bearing upon the rate of depreciation and obsolescence. It is something that the need for higher depreciation has been recognized by the Committee.

A vast undertaking like our railways with capital equipment of nearly 800 crores of rupees has today a general reserve of only Rs. 9 crores. No other industrial concern will regard itself as in a satisfactory condition if its reserve is so poor. This reserve is required for several purposes. Every business concern is faced with alternation of good and bad years and a reserve serves as a cushion to temper the fluctuations in earnings which occasionally decline to very low levels. It is also the fund from which arrears of maintenance, betterment, and extensions and expansion, not of a financially remunerative nature, have to be drawn. Finally in India where there is so much of arrears to catch up in regard to amenities for third-class travel the fund should be freely drawn upon. On this point, therefore, one would have expected the Committee to throw valuable light and recommend some definite proposals. Instead all that has been stated is that the Committee does not consider that it is possible to prescribe any definite minimum irrespective of the surplus of the year. This is sheer refusal to face the issue. It would have been more appropriate if at least a low minimum had been prescribed, leaving a larger allocation to the exigencies of the moment. We feel that railways cannot feel safe nor guarantee that minimum of convenience and amenities expected by their users unless each year an appropriation of one-half to one per cent. on the capital at charge is made to their general reserve. If there be a separate fund for amortization, the lower figure will be appropriate; otherwise the higher figure.

That the Committee's report is far from fruitful will be clear from the inane and fatuous conclusion it has reached regarding the actual allocation which has been proposed. The Committee has recommended that "in allocating the surplus on commercial lines between the railway reserve and General Revenues, as provided in clause IV of the Resolution of March 2, 1943, until a new convention is adopted by the Assembly, the appropriation to the railway reserve should be the maximum consistent with a fair allocation to general revenues as determined from year to year by the general budgetary situation arising out of the present emergency." What is a "fair" allocation? What is the maximum consistent with this fair allocation? If this is not a case of burking the issue, we wonder what is.

Is A Production Drive Practicable?

SOME of our readers who read our article "Wanted A Near Peace Production Drive" have thrown in quite a few good posers and ask us to elucidate what to them are doubtful points. These questions fall mainly under two classes. In the first place, we are asked: Is increased production practicable? Are not all resources and factors of production fully employed? But even if there are still unemployed resources left, should they not all be directed to war purposes? Is not your solution of a production drive likely to be at the expense of war efforts. Further—and here is the second type of questions—how can you now think of planned production for the future when every ounce of energy is required for the immediate conduct of the war? Is not a so-called near peace objective likely to conflict with the inexorable needs of war production? These questions are undoubtedly important and deserve full and detailed examination.

In seeking an answer to them, we have to adopt alternative lines of enquiry. It is possible to consider the matter empirically in the light of such facts as are well known and draw conclusions. On the other hand, we can go by the experience based on intimate knowledge of practical affairs by those engaged in industry and commerce. In this case the use of both lines of argument is necessary, and each, in our view, reinforces the other. Let us take the case of the resources or factors of production. It is said that whatever might have been the state of affairs in the past, there can be no doubt now that all available labour is employed and "full employment" is more or less reached. While no one can deny that employment has increased very fast, it cannot be granted that the limits to employment have been reached. A considerable number of men amounting to about a million and a half have been recruited to the army, and many have also been newly employed in industries catering directly or indirectly for war. There is already complaint that in some places and industrial labour has become scarce. These are cited as evidence to prove the emergence of bottlenecks in labour. But surely that conclusion is not inevitable. In our country the number of unemployed people in pre-war reckoned on a most conservative estimate was put down at anything between 40 to 50 million persons. Not even a tenth of such unemployed workers have been recently absorbed. One has only to compare the amount of man-power released in Great Britain, U.S.A., Germany and other countries today for war purposes in relation to their own populations with that in India to realize what further possibilities exist in our country yet. The Government can, of course, congratulate themselves on having been able, in spite of the political situation of the country, to recruit on a purely voluntary basis as many as nearly 2 millions of people for their varied needs. But that is no measure of the limits to employability. Under different circumstances and better motivation millions more can be drawn to industry and this, not at the expense of war effort, but after providing for the full needs of the war. Labour is, of course, dear and can only be drawn upon at high wages. Having allowed high prices to prevail we have to face up to this situation, but even today efficiency money wage is about equal to the present level of cost of living and prices. If further inflation can be checked, there is no reason why production cannot be increased without increase in both money and real costs. Increased efficiency of labour cannot also be ignored. It is quite practicable.

Another argument that is advanced is that not all labour is employable. Much of it is too inefficient and

unskilled, and industry requires trained men who cannot be secured except after a considerable period of time. This is one of the illusions which still persist. Britain and America have proved that the training that is required for even the most difficult jobs can be given under less than two to three weeks. Indeed even the last war proved that. But this war has afforded the most unforgettable evidence of this phenomenon ,and already the trade unions of the old type have become painfully aware that their monopolistic position based on superiority of craft has been thoroughly undermined beyond any hope of repair. Modern industry largely requires a type of skill which is just intermediate between absolutely unskilled work and thoroughly trained work. It can be acquired by any average workers within an incredibly short time. This applies not only to machine skill work but also to handicrafts. In the latter, too, by proper division of labour the different processes can all be learnt in a short time. The principle is the same in both cases. Reduce every work to its simplest processes, so that each worker can specialize in and concentrate on one or two little motions of hand. In the face of an enormous revolution in the method of work of men, it is curious that there are still people who imagine that the training of labour can really constitute a "bottleneck." We, therefore, conclude that there exists available labour which can be employed for increasing production without in the least affecting adversely the supply of men required for war purposes.

The second point is with reference to savings and capital. Here it is no use blinking the fact that political and economic considerations are closely bound up. If we had our own government responsible to the people and motivated wholly by considerations of our own welfare, no one will deny that the entire savings of the community should be placed unreservedly with the Government during war and that Government alone should be the sole judge and final authority to decide all allocations of our capital resources and settle all claims of priority. What should be the amounts reserved for the production of consumers' goods, producers' goods, munitions of war, are all matters of Government policy. But in India every one knows, for reasons which are beyond the scope of this article to enquire, that the situation is different. The view is widely held that the Government do not care to utilize the industrial possibilities of the country for reasons best known to themselves and all their efforts are only confined to getting resources to maintain war production at a level which they consider to be necessary. On the other hand, public opinion holds that it is possible to ensure much greater resources for war production than this Government has been able to acquire and yet also provide for industialization of a kind which will serve both the needs of war and of peace. The rapid strides which Australia and Canada—countries which in resources, men and technical equipment cannot be said to have been very superior to India—have taken in industrialization within the last four years are a painful reminder to us of our having allowed our resources to run to waste. Even now it is not too late. There are savings in the country which may be drawn upon if Government will come forward to assist agriculturists and industrialists in expanding production. Some of these savings will never reach Government, despite all their anti-inflation drive and save and lend propaganda. Therefore, let there be no misunderstanding about it. Those savings and capital resources will only be wasted in financing high prices of consumers' goods and durable assets. If they can be drawn upon and utilized for a productive drive, they will *not* be at the expense of loans to Government. It will be an addition, a supplement to combating inflation, for by increasing production much of the surplus purchasing power can be absorbed.

Mere purchasing power and savings are useless unless they can be employed in production for which purpose a minimum of essential plant and equipment for each industry and some raw materials must be imported from abroad. This has been the cry of India since the war which has gone unheard. The parrot-like answer of lack of shipping has convinced no Indian yet. How can he be convinced in the face of the obvious truth that imports of machinery are in many cases the best way of saving shipping space even in the short run. Let Mr. Edward R. Stettnius, the American Lend-Lease Administrator, speak: "By sending raw materials we not only increase the power of our allies to produce arms, we also save on vital shipping." Again in another place in his report to 78th Congress on Lend-Lease operations, he says: "Every piece of farm machinery exported has saved valuable shipping space. One pound of machinery can produce eight times its weight in food in one year."

Failure to import into this country the necessary material and machinery for the production of aeroplanes, motor cars and a number of other goods will always be remembered against the Government of India. These considerations are not the result of mere *a priori* reasoning by an arm-chair economist but are grounded on the practical experience of those engaged in industry. The Grady Commission, whose report was so readily shelved by the Government, at all events considered increased production and modernization of industry to be both practicable and necessary; and no one can deny their great authority and intimate acquaintance with industry. We have also heard from several businessmen that increased production is definitely practicable, provided some facilities are granted. The methods of organization should be varied so as to get the maximum production in the shortest possible time. Not all production needs to be on big factory basis, which would take long to organize. In one of the articles contributed recently to the *Eastern Economist*, the possibilities of increasing production through industrial co-operatives on the lines of the Chinese Indusco were canvassed.

We now come to the second category of questions. It is not premature to think of near peace economy, because our object is to dovetail war production with peace-time needs. The planning for the period of disorganization and breakdown possible after the war if no step is taken in advance to avoid them is essential if the transition from war economy to peace economy is to be smooth. The careful reader of our article will not have failed to note that we had only reinforced the case for a rapid production drive for war purposes by considerations of the needs of the immediate post-war situation. We, therefore, conclude that a production drive is both practicable and urgent, that it is necessary from the point of view equally of war and peace and that in India the argument that what is available for private enterprise in production can only be had at the expense of war effort is not valid. We should once again lay stress on the need for a separate Production Department which should be in the charge of a member exclusively appointed for the purpose, who should immediately prepare the blue print of a plan for the next four or five years in which the needs of the war and the expansion of non-war industry will receive their due and proper attention.

The Week's Notes

SAVE AND LEND

No one will now charge the Government of India with incompetence or lack of cleverness in the art of propaganda for their new plan of a country-wide campaign of Save and Lend has been dished up in the most attractive and highly enticing display. The aim is to reach a target (all India is now familiar with targets, if not in their military sense, at least in their relation to foodgrain procurement and distribution) of Rs. 100 crores to be reached before the end of March next. The scheme is thorough going; each province knows precisely what is expected of it within the next six months and is assigned its quota of liability. For example, the Governor of C.P. has stated that the target fixed for his province is Rs. 2 crores. Provinces will receive advice from the National War Front as to the methods to be adopted to ensure success. Croup leaders will be appointed for various districts, official and non-official; and by persuasion and propaganda the goal is to be attained within the time set by the plan. The timing is perfect because the cultivator must be got at during the next few months when he will sell his fresh crop. In the methods of appealing to the rural masses to save as much as they can and to lend to Government, some exceedingly clever arguments are to be pressed into service. The cultivators who will come into the possession of about Rs. 200 crores more than in the pre-war days will, unless the Government come to their aid by putting them by for their later consumption, squander away their savings in purchasing lands at high prices or in agricultural implements or in other goods. Should we not therefore help the cultivator to have a "nest egg" which he can use to his own advantage after the war? All this is attractively put, and we wish success to the Government scheme, because whatever can be got from the cultivator and reserved for his own future benefit should be welcomed. It is twice blest; it benefits the ryot and benefits the country as well.

NEED FOR SPEEDY SAMPLE SURVEY

But there are two snags in the plan. In the first place all this talk of rural prosperity is a little overdone because the bulk of the cultivators are living a hand-to-mouth existence and have nothing to sell. They probably eat a little better than before and for the rest their sufferings on account of the high prices of all the goods they buy are to be reckoned on the other side of the balance-sheet. Then again the agricultural labourers in so far as they get money wages do not benefit. The prosperity is confined to the larger cultivators and to some provinces like the Punjab where the high prices have on the whole brought prosperity. To think that rural India is now prosperous when the prices of the essential needs of the cultivator have gone up even more than those of his grains is to be blind to the realities of the situation. Cattle prices have gone up; those of cloth, kerosene, sugar, gur and everything he must necessarily consume have gone up tremendously. The Government would have done well before launching this campaign to find out by a speedy sample investigation what is the true extent and measure of rural prosperity today. In the second place we know from our previous experience how the so-called persuasive methods soon degenerate into coercive methods. The war funds which have been organized in all provinces have sometimes produced anti-social results, as those who are liberal subscribers thereto have often been able to hoard stocks and exploit the consumers with impunity. Government have been tender to the many unsocial acts of such persons while officials are very hard upon those who do not subscribe liberally and to their expectation. We would therefore strongly urge upon the Government not to resort to methods which in the hands of less scrupulous officials and non-officials will be sure to be abused. The game will not be worth the candle.

POST-WAR HURDLES

Those who believe that the end of the war will witness international co-operation on an extensive scale in the sphere of currency, trade and migration do not appreciate the intensity of nationalism that still dominates all the leading countries. Each country is prone to look at its own economic interests first, and very unwilling to subordinate them to those of the interests of the world as a whole. Already the first flush of enthusiasm with which the proposals for an international currency system were greeted in Britain and America has cooled down; each day brings to light the increasing scepticism of the public of Britain and America as to the soundness and practicability of the other country's plans. Our Washington correspondent in his cabled letter last week after describing the new American plan quotes Mr. White as saying that "the British formula, as far as we are concerned, is out." The *Wall Street Journal* wrote in a recent editorial: "Lord Keynes has created an agency to promote world-wide inflation by enabling nations to spend money which they have not got." The New York Sun goes further and condemns even the first White plan that it goes too far. "That is the essence and weakness of this stabilization idea, namely, that gold-backed currency would be used to support falling paper currencies." These criticisms have led to a further tightening up of the provisions of the American plan by its greater insistence on gold backing and distributing voting power largely in proportion to the nation's contribution of gold to the Bank's capital.

The reaction of the British public to the modified American plan is naturally a little bitter but not surprising. For there is no doubt that Britain will be for some time after the war a deficit country on current trade account and to her the important question is "how can matters be so arranged that she can have no difficulty in making international payments." On the other hand the creditor America is anxious to ensure that international payments are regularly made and her plans are framed with that object. The effect of that will be in the words of the *Economist* (London) the setting up of the rigid system of pre-1931 period with its dangers and pitfalls. The original U.S. proposal of one-eighth quota in gold was difficult enough to swallow in Great Britain, but the revised proposal that one-half must be so subscribed is described by the *Economist* as purest fantasy. To quote its words: "Perhaps it is as well to say with all necessary clarity that there is not the slightest chance of securing for any such proposal the approval of British Parliament or the public." On the other hand, the American Government and the American public are equally strong and emphatic in adhering to their own revised plan and if anything further modification will be in a direction opposite to that desired by Britain. The gap is widening. The future for international co-operation in the monetary sphere is not as promising as we were once led to believe, but let us still hope that the hurdles which seem now to be impassable will be removed by discussion in a spirit of mutual give and take.

FOREIGNERS' SHARE IN INDIA'S MINERALS

Although India is richly endowed with the varied mineral resources essential for economic development, their scientific exploitation is imperfect and incommensurate with the growing demands of her rapidly developing domestic industries. Her vast treasures lie still embedded and hidden under the earth, awaiting survey and development. The Geological Survey of India insufficiently staffed and poorly endowed have not been able to survey the whole country, and entire areas in Eastern Ghats, the Eastern States Agency and Assam have never yet been visited by any geologist, while large tracts of Madras, Bihar, Orissa and Central India have had only a cursory examination some decades ago. As in other fields, so in geological survey the war found India unprepared with the result that scarcity of essential minerals (*e.g.* sulphur) has arrested progress. The Government's neglect of a thorough and comprehensive survey of mineral resources of the country is criminal and incomprehensible, but there was some compensation in the situation, as these resources can be developed by Indians under more favourable circumstances after the war when it is hoped there will be National Government in the country.

But the reports that have appeared in some newspapers of the appointment of some South African whites to carry on prospecting operations in mineral resources especially in Indian States with a view to their exploitation fill us with misgiving. In the first place the South African whites should be the last persons to be employed at the present juncture. We wonder what Dr. Khare has to say about it and whether this is the way in which he proposes to take retaliatory action against South Africans by employing these South African white refugees previously engaged in the Burma mineral industry. In the second place, is there any definite plan or programme of surveying and prospecting which urgently called for the employment of these so-called experts. Rather is it not a case of merely providing jobs for unemployed refugees? The zeal of the Government in setting these men on the nation's resources is difficult to understand in the face of their deliberate refusal to organize a production drive and secure the import of machinery for the establishment of basic industries. But the greatest danger lies in the possibility of some of these people and other foreign vested interests securing a right and hold on our vital resources. The Government owe the pubic an immediate explanation and statement of their mineral policy. Again what is the attitude of Indian States in this matter? Are they going to submit to external pressure and give away the rights of prospecting and utilizing the country's mineral resources to foreign vested interests? National interests require that the scarce and highly essential minerals should be entirely in the hands of Indians and that their scientific development should be carefully regulated and controlled by the Government of India and the Indian States. The matter is of such national importance that we hope that immediate attention will be given to it.

THE FOOD DEBACLE

The charges and counter-charges and mutual recriminations freely indulged in by the officials of the Government of India and the Ministers and officials of the provinces and especially of the Punjab would in more palmy and spacious days be highly entertaining; but in the present situation of the country is most tragic and depressing. The starving millions of the country are not interested in apportioning blame but cry for food. It is clear that there has been great bungling everywhere. The Government of India cannot adopt, to use Sir Chhotu Ram's words, the pose of injured innocence, as if they were hardly to blame and that all the fault lay with the provinces. The Punjab Food Minister, Sardar Baldev Singh, and Sir William Roberts have both categorically stated that the fault lay in inadequate transport. According to the latter, 150,000 tons of foodgrains were awaiting to be transported from the Punjab to the deficit provinces but very little actually moved out. The Transport Member, Mr. Benthall, could not refute the charges but pleaded in extenuation that sometimes the quantity of foodgrains offered for transport fell below the amount of transport actually available. But that sort of situation was bound to arise as long as transport was offered irregularly, unexpectedly and at extremely short notice. The truth is that until the country actually witnessed starvation in the faces of the people, there was no appreciation of the seriousness and magnitude of the problem. We hope now that public opinion has been deeply stirred, no obstacles will be placed in carrying out every urgent measure of remedy. The number of daily wagon loads despatched to Bengal is still pitifully inadequate and as against the promised 195 wagon loads a day, the actual despatches are only 60 to 90. Moreover, confusion and misconception still prevail in the surplus and deficit provinces as to the prices to be fixed, the purchase agencies to be adopted and the margins to be allowed. Whatever different methods may be adopted in regard to such matter, we cannot refrain from saying that the whole idea of Government's making a profit or seeking to have a post-war reserve fund is repugnant to the country. The worst part of it is that the Government of Bengal should resort to it and seek to make a profit and establish a stabilization fund. It is bad enough that the Sind Government has done it; but the action of the Bengal Government is the limit. Well might Sir Chhotu Ram of the Punjab cry: "A stabilization fund at the expense of the Punjab grower and of the poor Bengal consumer who is dying of starvation is an enormity which is hard to beat or match."

LABOUR CONDITIONS IN ASSAM

The report on labour conditions in Assam tea gardens which were investigated by the Government of India expert reveals some very disquieting features. In the first place the aggregate of children's earnings has been steadily increasing and to a lesser extent the same tendency was apparent in case of women's earnings. On the first place the aggregate of children's earnings has steadily declined. There is no doubt that the tea estates are seeking to employ the cheap woman and child labour at the expense of the male adult. Unless the men have other alternative occupations of a more lucrative kind the family earnings are bound to be comparatively low and a considerable decline in the standard of living has perhaps taken place. That the total decline of the family earnings has occurred in the Assam tea estates is further indicated by the very marked downward trend in the amount of remittances which the families have made to their home villages. The author of the report has himself suggested that "it might be worthwhile to investigate whether this decline in remittances is to be regarded as an indication that the ability to save on the part of the labourers has declined or whether it is capable of some other interpretation." It is possible no doubt that remittances may decline if the labour force has permanently settled down in the plantations but if it be so, there should be other evidences of their savings and their prosperity. In the absence of further data one is led to believe that this indicates a decline in their saving capacity. The most serious feature of all is that the death-rate on the tea gardens is higher than both the urban and rural death-rates in Assam. No amount of explanation can put a gloss upon this most disquieting symptom of the bad conditions of living of the workers. The planters have spared no resources in advertising their medical and other benefits. But no amount of propaganda can deceive the public as to the unsatisfactory conditions which the report of the expert has brought to light.

RATIONALIZATION OF COAL TRANSPORT

A scheme for the rationalization of coal transport, proposed by the Controller of Coal Distribution in Calcutta, has been considered by the Calcutta Coal Committee at the instance of the Government of India and has been referred to the coal trade organizations for their opinion now. The chief points in the scheme are: (1) Supply of wagons to collieries producing inferior classes of coal will be cancelled and transport allocated only to the producers of better qualities that are not uneconomical in burning. This if given effect to would affect about 165 collieries in Raniganj and Jharia. (2) Certain collieries that have sidings on both the B.N. and E.I. Railways would be allocated wagons on only one railway. This would reduce the work of allocation and shunting performed by each pilot, and reduce the task of shorting of wagons at depot stations. (3) Allocation of wagons to coal companies which have come into existence only as a result of splitting up of old properties would be cancelled; and smaller collieries would be amalgamated into bigger units in order to facilitate concentrated loading. (4) Allocation from collieries would be made in such a way that not only the maximum possible transport in bulk is available but also that railways and industries receive their supplies from the nearest source. (5) Certain grades of coal required for specialized industries would be reserved for them.

While a large part of the plan is on sound lines and may be expected to ease the coal shortage, the proposal to restrict production through withholding transport facilities from the inferior grade collieries cannot be approved. Apart from the great hardship to those employed on such inferior mines which it would impose, it is surprising to find that while, on the one hand, women are drafted back to mines in the C.P. and all the high moral and social considerations on which the prohibition of women labour was based are sacrified in order to meet our wartime needs of coal, a restriction of production in Bihar and Bengal should have been proposed.

There are said to be more wagons and large transport facilities in the C.P.; and this combined with scarcity of coal is given as the reason for working the inferior mines of C.P. with the help of women labour. But a better adjustment could have been made through making some of the B.N.R. wagons available for use over the E.I.R. This could have obviated the necessity of abrogating even for the time being, a measure of such social importance as the prohibition of underground work for women and prevented the hardships for those who would be unemployed in Bihar and Bengal mines. A suitable plan for utilizing our waterways may greatly help in the matter. In face of the high prices that consumers are paying for coal everywhere and the difficulties that our industries are experiencing for its want, the assumption that we are producing too much cannot be sound and the restriction of production of coal in wartime is surely a paradox.

A 15-YEAR PLAN FOR DYESTUFF INDUSTRY

The importance of the dyestuff industry as a factor in the rapid industrial development of the country has now come to be widely recognized. It is a key industry for on it depends the successful establishment and stability of a large number of other industries. The textile industry in particular has been twice hit within the last twenty-five years by the two great wars. How rapidly the British dyestuff industry came to be developed after the last war thanks to the active financial aid of the British Government is well known. Britain never is a slave to theories. As long as a theory suits her in her competitive position in the world, she will not only adhere to it but may enforce it upon other countries whether it is beneficial to them or not. But the moment her economic position requires the giving up of shibboleths, she does so without a moment's hesitation. Her shipping subsidies, aids to dyestuffs, beet sugar bounties, protection to the motor-car industry, steel and other industries are all sure evidences of her active economic policy. Here in India nothing tangible is done although we are supposed to be a protectionist country.

Thanks to the Board of Scientific and Industrial Research we have before us a very illuminating report drawn up by Mr. Pai and Dr. Venkataraman who have prepared a fifteen-year plan for the manufacture of about 51 dyes essential to the firm foundation of a dyestuff industry in India. The authors have definitely stated that (1) the establishment of the industry, providing for about 50 per cent. of the consumption of dyes in the country is *practicable*, (2) the coal tar raw materials are already available, and (3) a few heavy chemicals such as sulphuric, hydrochloric and nitric acids, caustic soda and soda ash constitute nearly 90 per cent. of the total in organic chemical requirements. The prices of these materials are rather high and efforts should be made to bring them on a par with European prices. But this can be done provided the heavy chemical industry is integrated with the dyestuff industry. The report also contains suggestions regarding the location of the industry.

But what does it all avail in a country where the Government are unwilling to arrange for the import of the necessary plant and equipment which will be required in the early stages? The country wants a big production drive and expects of Government to afford the necessary facilities of transport and equipment. But so far its expectations have proved to be futile.

FOREIGN TRADE IN MAY

The figures of foreign trade for the month of May reveal the persistence of the same tendencies as were in evidence in the last two years—*viz.*, decline in imports and rise in exports. Imports declined by Rs. 59.22 lakhs and exports rose by Rs. 321.69 lakhs, though for April and May put together imports show a small increase of Rs. 2 lakhs and exports of Rs. 106.5 lakhs as compared with the corresponding figures of the previous year. Among imports in May, manufactures show an all-round decline of Rs. 204 lakhs and food and drink an increase of Rs. 20 lakhs. Raw materials, and among them raw cotton and oils have increased. On the side of exports, material exports fell further by Rs. 71 lakhs, being accounted for by a decline in seeds of Rs. 82 lakhs and an increase in jute and cotton by Rs. 38 and Rs. 16 lakhs respectively. Exports of manufactures still continue to increase. The most important among them is jute to the tune of Rs. 333 lakhs. Cotton yarn and manufactures rose by Rs. 14 lakhs. As far as one can infer from these figures (from which are excluded transactions or Government account), no relief to internal distress is visible by way of an improved import of food materials or capital equipment.

VEGETABLE DYES

Researches at the Forest Research Institute at Dehra Dun, have revealed certain possibilities of employing vegetable dyes for colouring paper pulp. Such dyes having gone out of fashion, are not collected in commercial quantities, and investigations were consequently limited to sources that are available in sufficient quantities at present. One of the sources brought to light is the testa of tamarind seeds which is usually thrown away as of no value. Over three and a half million maunds of tamarind is marketed annually in our country and we can reasonably expect large supply of dyes when the seeds, now going to waste, are utilized in the light of these researches. The cost of extracting a lb. of dye from this source is calculated at Rs. 1-3-9. But when the kernel of these tamarind seeds is also utilized to produce pectin, the testa would be a byproduct and the cost per lb. of dye would possibly be as low as 13 annas. The second source suggested is 'Kamala', the orange red powder, which exists as a glandular pubescence on the fruits of Mallotus Philippines, a small evergreen tree met with throughout the tropical India. The third is the gum Kino which is the dried astringent exudate of Pterocarpus marsupiums a large deciduous tree of Central and South India. This gum is marketed in commercial quantities in North Malabar. The fourth suggestion is the wellknown colouring matter cutch, obtained from Acacia Catechu and fifth is the dye Santalin, obtained from Sanderswood (Pterocarpus santalinus), a small sized tree found chiefly in South India. The cost of producing a lb. of dye from all these sources except from tamarind seeds have not been calculated. These researches can be of commercial importance permanently only if the dyes from these indigenous vegetable sources can be produced more cheaply than the synthetic dyes that once displaced them. Yet they can be of great value, so far as they solve our acute war-time shortage of dyes, the imports of synthetic dyes having practically ceased.

The Bradbury Mills, Limited.

NOTICE.

NOTICE is hereby given that the *Thirtieth Ordinary General Meeting* of the Shareholders of the above Company will be held at the Registered Office of the Company, Imperial Bank Buildings, Bank Street, Fort, Bombay, on Tuesday, the 7th September, 1943, at 4-30 P.M. (S.T.) to transact the following business:—

(1) To receive and adopt the Directors' Report and Audited Balance Sheet and Profit and Loss Account for the year ending 31st March 1943.
(2) To sanction declaration of Dividend on Preference Shares for three years ending 31st March 1930.
(3) To re-elect as Director Mr. Madanmohan Ramnarain who vacates office on the date of the meeting under Article 101.
(4) To elect Directors in place of those who retire by rotation.
(5) To appoint Auditors for the current year and to fix their remuneration.

The Transfer Books of the Company will be closed from Monday, the 23rd August to Tuesday, the 21st September 1943, both days inclusive.

By order of the Board,
For RAMNARAIN SONS, LIMITED,
RAMNIWAS RAMNARAIN,
Director,
Agents.

Bombay, *4th August,* 1943.

N.B.—Dividend on Preference Shares, if sanctioned, will be made payable at the Registered Office of the Company on and after Wednesday, the 22nd September, 1943, to those Shareholders whose names stand on the Company's Register on the 23rd August, 1943. Intimation of any change of address should be given to the Company immediately.

NEWS PAGE

All Argentine shipping will be henceforth devoted to inter-American trade, with the exception of several ships already sent to India to pick up jute. This is according to the decree of the Ministry of Marine, Argentine, placing all private Argentine sea-going shipping under State control. The Ministry will also set up maximum freights and establish itineraries by cargo.

* * * * * *

The Appropriation Accounts of the Post and Telegraphs Department for theyear 1940-41 revealed a net surplus of Rs. 3.41 crores against Rs. 1.25 crores in the previous year, revenue having risen from Rs. 13¼ crores to about Rs. 16 crores while expenditure rose only by half a crore to Rs. 12½ crores. Out of the net surplus one crore was transferred to general revenues and the balance added to the accumulated surplus of the Department, which was little over Rs. 4 crores at the end of the year.

* * * * * *

A leaflet issued by the Forest Research Institute describes how useful dyes can be obtained from the tamarind seed, (the kernel of which is rich in pectin), kino gum, catechu and sanderswood. India has abundant supplies of the materials.

* * * * * *

It is understood that an Indian Trade Commissioner, attached to the office of the High Commissioner for India in South Africa, would be appointed next year, who will help to develop trade between the Union of South Africa and India, particularly with regard to the import of Indian textiles.

* * * * * *

The Cotton Subsidy Scheme of the C.P. Government has put well over 14 lakhs of rupees in to the pockets of cotton cultivators in the province and this has resulated in an increase in the area under food crops by no less than 307,000 acres or 3 per cent.

* * * * * *

The examination by the Public Accounts Committee of the appropriation accounts for the railways for the year 1941-42 showed that the traffic receipts amounted to Rs. 129 crores and the railway surplus to Rs. 28 crores, till then the highest ever recorded in the history of Indian Railways. The latest 1942-43 figures surpassed these records and are Rs. 154½ crores and 44 crores respectively.

* * * * * *

It is understood that the Central Advisory Board of Health will meet in New Delhi in the first week of October to consider the Food Adulteration Committee's report, post-war planning and a memorandum on the appointment of a Director of Nursing Services in the Medical Department of each province. There will also be a meeting of the Nutrition Advisory Committee.

It is understood that the Government of Bihar are preparing a scheme estimated to cost Rs. 40 lakhs for the Grow More Food campaign.

* * * * * *

A deputation of shippers interested in the coastal trade, waited on Mr. D. D. Warren, Joint Secretary, War Transport Department, Government of India, who was in Karachi in connection with the organization of sailing vessels with a view to their maximum use.

* * * * * *

The all-India groundnut forecast for 1943-44 shows a decrease of two per cent. in acreage over that of last year. The figures are as follows: Area under cultivation in 1943-44—2,807,000 acres, 1942-43—2,809,000 acres. The condition of the crop is reported to be good on the whole.

* * * * * *

The April number of the League of Nations' *Monthly Bulletin of Statistics* reveals that the industrial production in the United States stood 90 per cent over the average 1939 level in March, and in Canada 154 per cent over that level in February. Compared with the pre-war average January-June 1939, employment in manufacturing industries had increased 95 per cent. in Canada up to January 1943 and 74 per cent. in the United States up to February, 1943.

* * * * * *

It is understood that four Provincial Governments, Madras, Punjab, Bombay and Central Provinces, are again floating loans to meet their obligations to the Central Government. According to the usual procedure the Reserve Bank is about to invite tenders from financial brokers. It is generally anticipated that the issue price may be in the neighbourhood of 99, the rate of interest may not exceed 3 per cent and the period may not exceed 13 years. Bombay is expected to borrow 3.5 crores, Punjab 2.5 and Madras 1.25 and C.P. 50 lakhs.

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Speaking in Sydney at the launcing of a naval vessel, the Minister for Trade and Customs, Mr. R. V. Keane, visualized the growth of the shipbuilding industry as one of Australia's great post-war reconstruction objectives.

* * * * * *

The Government of Dewas State (Junior) has started a village uplift scheme, involving an expenditure of 3,00,000. Rs. 1,00,000 will be spent on the construction and repair of roads, Rs. 1,50,000 on irrigation and Rs. 50,000 on improving crops.

Special Article

Problem of Full Employment After the War

By Sachindra Nath Dutt

THE war has thrown up new problems and has lent a new urgency and added significance to old ones. Though some of these problems have to be faced, not at the present time, but only after the restoration of peace, the mode or manner of approach to them has to be determined right now. One of the outstanding problems of this nature is that of post-war full employment. War economy often affords 'short-cut' solutions of problems which seem baffling and insoluble in peace-time, and this is true in a very special sense of the problem of full employment. In the period of peace to come, however, this problem will have to be seriously grappled with. There is already clear evidence of a keen realization of this fact. Recently the U.S.A. Vice-President, Mr. Henry A. Wallace had occasion to observe that one of the important peace-time responsibilities would be to mobilize production for full employment. It was also recently reported in the Press that Sir William Beveridge, the famous author of the social security plan for Britain, has now turned his attention to the task of drawing up a programme for full employment after the war. Among urgent and outstanding post-war issues, therefore, the question of full employment has already taken an important and distinctive place. This is as it should be. The peace-aim of 'freedom from want' on which quite a considerable amount of emphasis has been laid would be only a meaningless and empty slogan unless far-reaching steps are taken on the cessation of hostilities to prevent a recurrence of the phenomenon of mass unemployment which loomed so large in Europe and America in the period between the two wars.

The bare mention of the question of full employment gives rise to mingled feelings of despair and wistful yearning in those of us belonging to the backward and undeveloped economic-complex represented by India and China. The problem here is of so much wider dimensions, and has in many ways so much different a character and complexion that it may sometimes seem quite hopeless to ensure full employment in any adequate sense. And yet why not? Did not Soviet Russia, who was so backward even two decades back judged by the Anglo-American standards, succeeded in organising her economy in such wise way as to drive the spectre of unemployment out of Russian territory. In fact she did this job in a more efficient and competent way than the advanced capitalist countries. Of course India is not Russia, and it would be fatuous to draw facile conclusions about the former relying upon the Russian analogy, especially having regard to the basic difference between the two countries in political status and structure. But in any case it seems reasonable to suppose that by proper planning it is possible to tackle the problem of full employment in India, though of course we have to meet the roblem here on quite a different plane and from a different angle. For the purpose of our analysis, therefore, the problem of full employment may be approached from the distinctive standpoints of the two broadly distinguishable economic patterns as typified in the highly developed capitalist countries like Britain and America, and in undeveloped countries like India and China which are as yet in an almost primitive stage of capitalism.

It has customarily been assumed that unemployment in any serious shape and form, particularly unemployment on a mass scale, is a by-product of the economic phenomenon which is known as the trade cycle. But it is very important to realize that the 'trade-cycle' explanation of unemployment is neither complete, nor does an attempt at solution of the unemployment problem by regulation of the trade cycle only seem likely to yield satisfactory and adequate results. The trade-cycle theory fails to take into account "unemployment of more or less permanent character resulting not from cyclical fluctuations but from deeper-seated forces involving basic economic readjustments such as Great Britain and Germany experienced during the post-war decade."[1] It is of the very utmost importance to observe that an attempt at finding a remedy for unemployment by checking the trade cycle is fraught with the serious danger that it would only succeed in keeping economic system in "a chronic condition of sub-normal activity for a considerable period without any marked tendency either towards recovery or towards complete collapse."[2]

The approach to unemployment problem too exclusively from the standpoint of trade cycle has led to the tendency to attach undue importance to two specific types of remedy for unemployment, *viz.*, the monetary policy of regulation of the rate of interest and a public works policy of counterbalancing fluctuations of private investment manifested in the ups and downs of business by inverse operations of public investment. These remedies cannot in any case go to the root of the matter. For the high interest rate proves a deterrent not only to speculation but also to useful and desirable investment and carries with it the danger of condemning the economic system to a chronic state of sub-normal activity. As regards public works policy, its efficiency within the capitalist framework is of a severely limited character, because "public investment normally constitutes only a small proportion of total investment."[3] The truth is that even in countries like Britain and America it is idle to hope for the attainment of conditions of full employment except by a radical approach to the matter involving fundamental readjustments and innovations in this economic structures.

There are those who think that it is impossible to have any satisfactory solution of the problem unless steps are taken to institute in those countries full-fledged socialism. Thus G. D. H. Cole is quite emphatic in the expression of his view: "I do see reason to suppose that the problems of unemployment will be found insoluble within the limitations of capitalist industry."[4] This extreme view apart, it is important to observe that an attempt would call for fundamental readjustments in the present economic structures of Britain or America. This has only too clearly and forcibly been pointed by Keynes in his book *General Theory of Employment, Interest and Money.* Keynes has held that "a somewhat comprehensive soicalization of investment will prove the only means of securing an approximation to full employment:—Further, that "it is unlikely that full employment can be maintained whatever we may do about investment, with the existing propensity to consume."[2] In fact he proposes a two-fold approach under direct State auspices towards the problem of full employment. "There is room therefore for both policies to operate together—to promote investment and at the same time to promote consumption not merely to the level which with the existing propensity to consume would correspond to the increased investment, but a higher level still."[1]. The plain fact of the matter is that to assure anything like full employment in advanced capitalist countries it would be necessary to make more radical departures from capitalist traditions than have hitherto been made and to bring about far greater equality in income and wealth than has hitherto been seen. Unless the problem of full employment is evaluated in these terms in Britain and America, there is little chance of its adequate solution in the post-war period.

1—Monetary Policy and Economic Stabilization: By A. D. Gayer, P. 220.
2—General Theory, Keynes, P. 249, P. 378, P. 325.
3—Socialism versus Capitalism: By Pigon, P. 61.
4—Principles of Economic Planning (Preface).

Now we turn to a brief consideration of the unemployment problem in an undeveloped country engaged predominantly in primary production such as India. Judged by the numerical test the problem here is stupendous enough. Even during the last Great Depression the total unemployed in Europe and America taken together hardly exceeded 25 millions. In India reliable statistics regarding employment are not available. "A rough estimate," says Sir Visvesvaraya, "puts the number of unemployed in India at 40 millions and the total number of persons suffering from insufficient food, clothing and shelter even judged by the low Indian standards cannot possibly be less than a hundred million."[2] The dimensions of the Indian problem can easily be grasped in the light of these figures, even if allowance is made for some margin of error in the Indian estimate.

But over and above this numerical magnitude of the problem we have also to reckon with its seriously complicated character. Occupational mal-adjustment is for instance a vital aspect of the unemployment problem in India manifested as it is in the excessive pressure of population on land and in the low percentage of employment in the organized industries. The fundamental aspect of the problem of unemployment so far as India is concerned is the extremely backward system of industrial production associated as it is with a low rate of capital accumulation.

In India, therefore, we have to meet the unemployment problem on a different plane. In India the problem has to be faced in the first place in terms of increased production requiring a high rate of capital accumulation, The vital problem for India would indeed be not one of regulation of investment but one of its large-scale development and growth at least in the early stages of post-war economic planning, though admittedly there would be need for guiding investment along channels which would be most conducive to the national good. An economic plan embodying provisions for accelerated industrial growth, occupational planning and agricultural reconstruction would go far towards bringing about vastly improved conditions of employment. The State will in this way have to do a great deal of planning at every stage, for the days of planless economy are over. But the plan will necessarily have to be adjusted to India's needs—the most paramount need being that of intensive industrial development not only with a view to the manufacture of consumption goods of all kinds. It is to be earnestly hoped moreover that the State will play its directive role in such manner as to spare this country some of the worst experiences of the trade cycle. As capital expansion proceeds further and further the need for keeping a watchful eye upon this aspect would steadily increase. The task of stimulating the 'propensity to consume' so as to maintain its balance in relation to the 'inducement to invest' will have to be handled properly after a certain phase of capital expansion is over.

A reference to the international background of the employment problem is necessary, especially from India's point of view. In the interest of full employment in any particular country the fulfilment of certain conditions in the international sphere must be assured. The industrial and business structure of a country is exposed to the reactions of international trade and finance, and no internal equilibrium appropriate to conditions of full employment can be stable unless it is protected against these reactions. So far as Britain and America are concerned they are planning to introduce what might be called international 'controls' with a view to safeguard their position against dislocating factors of a world-wide character. The international currency plans are cases in point. But India's position in this regard is a matter of serious anxiety. The pattern of an international economic system that Britain and America may want to set up may suit their interests, but is far from certain that it would fit in with India's requirements. India has to aim at an accelerated development of her economic structure, whereas the problem of Britain and America is essentially to attain stability within the existing framework of their economic systems, even allowing for any possible tendency on the part of these countries to turn their energies mainly to the production of high-grade capital goods. No international plan can harmonize with India's interests unless it allows full scope for her economic development. How far this would be done remains still a matter of serious doubt. Patronizing interest is often shown in the development of backward countries like India, but it is at the same time insisted that such development should not upset the economic balance in advanced capitalist countries. Thus it has been said: "Necessary and beneficial as the development of backward countries is, it does not diminish the vital necessity of keeping the productive activity of the world as a whole at a regular progression."[3] It seems that we must not move too fast along the path of progress lest we cease to provide suitable markets for the industrial goods of Europe and America. The international currency plans and the economic provisions of the Atlantic Charter give considerable cause for anxiety. India has need to beware of false cries of economic internationalism, if she is to plan her economic life with a view to ensure conditions of full employment of her resources and man-power, not merely at the existing economic level but at a higher level still.

1—Keynes has evidently thought in terms of a compro-...mise between the capitalist system and socialism. In ...his view his programme "need not exclude all man-...ner of compromises and of devices by which public ...authority will co-operate with private initiative. But be-...yond this no obvious case is made but for State ...socialism." ...
2—Unemployment in India, P. 6.
3—See booklet entitled "Problem of Unemployment." Pub-....lished by Lever Bros. and Uniliver Ltd.

The World Abroad

Experts At Conference At Chicago

(From Our Washington Correspondent)

WASHINGTON, Aug. 30 (By Cable).

Price of Gold

An increase in the gold content of American dollar and a reduction in the price of gold now appear probable if the Treasury's Revised Plan for International Stabilization Fund is adopted by the United States and other United Nations. This contingency was not generally foreseen when the Treasury published the proposal almost a fortnight ago but more intensive interim discussions have caused these unofficial predictions here that the United States would raise the dollar quotation in terms of sterling by reducing the price paid for gold and thus reversing the devaluation programme initiated a decade ago.

British, American and Canadian economic experts met at Chicago last week for a symposium before the Mid-Western Federal Reserve officials and expressed the hope for an early settlement of technical differences in post-war monetary stabilization plans sponsored by the three nations. The speakers included Harry White, author of the Treasury's Plan, Graham Towers, Governor, Bank of Canada, and Professor D. H. Robertson (attached to the British Embassy at Washington) who defended John Maynard (now Lord) Keynes' monetary programme. Mr. Robertson said that the British plan was more tentative than the American and Canadian proposals and Mr. Towers said that the provisions for a monetary pool were secondary to providing a frictionless exchange of goods and services between member countries. Mr. White remarking that all the proposals were tentative said that despite technical differences all the three plans have the same goal, namely, "better order in the future world through economic collaboration." He added "we are all optimistic that we shall be able to find meeting minds at the technical level. After the plans are agreed upon it will enter the official stage when they will be mostly approved by our respective governments."

Discussion centred round the major differences among the three plans and especially on whether gold will be the basis for post-war stabilization. The United States Plan envisages at least five millard dollars for the stabilization Fund backed by gold. The Canadian plan also contemplates gold as the basis but with smaller quotas. Keynes' programme provides merely a "clearing house" based on pre-war trade.

So far little Congressional opposition has developed to the Treasury's Plan but in any event it is possible that American participation in monetary and other international post-war collaboration may be achieved through executive agreements rather than by treaties requiring the approval of two-thirds of the Senate. The United States Government in recent years have resorted increasingly to executive agreements with foreign nations instead of treaties. This trend will probably be even stronger in the post-war period. Congressional approvals are not required where no domestic laws are affected and where no appropriations are necessary. If such agreement must be submitted through the Congress, they need only a simple majority of the two Houses instead of two-thirds of the Senate vote.

The reduction in gold price however would undoubtedly encounter the staunch disapproval of the inflationary bloc in the Congress. Nevertheless it is recognized as a practicable method for equalizing the disproportionate rise in British and American commodity prices which have occurred since the war started. Indeed the United States wholesale prices have risen by 35 per cent. since 1939 but the index of wholesale prices in Britain has advanced 58 per cent. in the same period. If the British commodity prices continued to be relatively high after the war it would discourage exports and encourage imports thus sapping the equilibrium of the British balance in international payments.

British and American Price Levels

This problem might be solved if Britain reduced the official sterling exchange rate below the current level or adopted measures depressing commodity prices after the war. Neither action is considered to be likely here. Similarly it is improbable that the United States Government will seek to increase the internal price level. The easiest solution would be the United States' move to increase the dollar quotation compared to sterling through lowering the price of gold. The effect would be the same as sterling depreciation bringing the British and American price levels into a closer alignment without changing internal prices.

The White-Morgenthau International Stabilization Fund Plan provides that the initial exchange rates "shall be based upon the currency value in terms of the United States dollar which prevailed on July 1, 1943." But adds that 'if a member country of the fund regards this rate to be "clearly inappropriate" a different rate shall be determined by consultation." The financiers here believe that the monetary stabilization plan will be one of the first international agreements resulting from war and many opine it may be launched before the cessation of actual hostilities. Therefore observers would not be surprised if the Treasury within the next few months should make a vital decision regarding the pound-dollar exchange rate which would affect the United States' gold price and commodity price policies.

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FROM THE PROVINCIAL ANGLE

Madras Letter

RATIONING ARRANGEMENTS—ADVISER EXPLAINS FEATURES OF THE SCHEME—CEILING PRICES AND HANDLOOM INTERESTS

(From Our Correspondent)

MADRAS, Aug. 28.

IT HAS been officially announced that the rationing of rice will be introduced in Madras City on September 5. At the Press Conference held to-day, Mr. S. V. Ramamurthy, Adviser to H. E. the Governor now in charge of the Department, the former Adviser, Sir Hugh Hood having availed himself of leave, explained the features of the scheme and announced several concessions which will eliminate the more objectionable features of the scheme. Under the present arrangements, city residents who have lands in the surplus districts can continue to draw their supplies from their lands but they will be limited to the quantity allowed to the family under the Rationing Order. This concession has been extended to the deficit districts also. Special rations are to be given for important religious and marriage occasions and a list of such functions is to be drawn up by the Civil Supplies Commissioner. The Government are to keep a buffer stock of a month's requirements, apart from the two week's supplies. The Adviser assured that once the current stocks are exhausted there will be no need for complaints as to the quality of rice, Madras drawing its supplies only from the Nellore, Tanjore and South Arcot Districts, noted for good quality. Last week, I mentioned that the wholesale dealers are being eliminated as a prelude to the introduction of rationing. I now understand that one prominent European firm has been given the monopoly to handle the transport of rice from place of origin to the destination. There has been quite a legitimate volume of opposition and resentment expressed at this discrimination and it may take shape and form shortly.

Handloom Interests and Ceiling Prices

The fixation of ceiling prices for cotton yarn at rates higher than the ruling prices in the market has come in for criticism by the handloom interests. The addition of 20 per cent. over the ceiling prices, it is stated, would only add to their difficulties and would work real havoc. The Chairman of the Textile Control Board in a statement issued early in July indicated that a fall up to 40 per cent. from the peak levels may be considered to be a "reasonable" price. Accordingly 20's, which has been fixed at Rs. 17-8-9 should be sold in retail at about 21. Actually, the price on the day of the announcement was only Rs. 17-12-0. Now to the other side, the peak price was Rs. 31 and allowing a decline of 40 per cent., the "reasonable" price should be Rs. 18-8. On this basis the new prices are criticised and the Government is indicted that they have not understood the difficulties of the weavers. The Madras Government have also been apprised of the position and it is possible that representations would be made to the Central Government and the Textile Commissioner.

The Piecegoods Market

The Piecegoods market has adjusted itself to the ceiling prices fixed by the Government of India in consultation with the Textile Control Board but uncertainty still hangs about as the fateful day of August 31 draws nearer. Some distress selling is expected and certain interlopers who had entered the market at peak levels may be landed in difficulties. The levels at which the prices have been fixed have a definite bearing on costings, allowing anything between 12½ to 18 per cent to the manufacturers but stockists who have bought at higher prices are bound to incur some loss. The fixation of prices it is stated will eliminate speculation and help to curtail large holdings. Criticism has been directed against the ceiling prices that they have been fixed higher than the market rates. While this may be so, the market has not taken advantage of this to any extent, though the rates showed an upward tendency for two or three days after the announcement. Taking the example of H61 mulls, when the selling rate of the mills was Rs. 20-8 per piece, the market rate was Rs. 23, which was also the peak level. When the intention of the Government as regards the disposal of stocks were known, there was panicky selling and the price dropped to Rs. 9-12 with a subsequent recovery to Rs. 14-8 and this was the rate a day prior to the fixation of ceiling prices. The fixed price is about Rs. 13-2 ex-mills and adding 20 per cent to cover the profits of the merchants and freight charges, the price comes to Rs. 15-12 at which rate it should be sold to the consumer but the market rate today is only Rs. 14-6. The retail prices have shown a resistance to decline and are likely to be so, till the retailers get their replacements at the new levels now prevailing in the wholesale market. Under the present scheme of the control of the industry, 50 per cent. of the production is earmarked for standard cloth, 10 per cent. for the Supply Department and 40 per cent. is left uncontrolled. As standard cloth is produced from yarn of counts 40's and below, mills might devote this uncontrolled 40 per cent. to the production of specialities. It is stated that this production will be limited and the price would be therefore as costly as ever. Dealers are anxious to dispose of their stocks and very few are interested in replacements. Madras prices are lower than the other North Indian markets as this market which looks to Ceylon for part of its trade has been handicapped in the paucity of licenses for export. With the result, it is stated that there has been a great deal of black market trading, the licensee demanding as much as 8 to 10 annas per yard. On the whole, considerable difference exists amongst the mercantile community and if it should remain for long is bound to disorganize the distribution system.

Bombay Letter

PRINCES' CHAMBER MEETING—MEASURES OF ANTI-INFLATION AND POST-WAR RECONSTRUCTION CONSIDERED—CEILING ANAMOLIES

(From Our Correspondent)

BOMBAY, Aug. 28.

THE Standing Committee of the Princes' Chamber which concluded its deliberations last week considered what measures of anti-inflation and post-war reconstruction should be taken by the States. While no decisions have so far been made public, the Jam Saheb's statement in an interview that "whatever differences we might have, we should all join hands in the industrial development of our motherland" is interpreted in industrial circles here as a plea for freedom for the

Indian States to take whatever action they they deem desirable in regard to taxation and new capital issues, having regard to their peculiar industrial conditions and administrative difficulties.

The Bullion Market

The intriguing question in the bullion market is, from which source sales of gold by banks emanated during this week and the week previous? It was hinted that gold might have been sold on behalf of the British Exchange Equalization Fund, but there are some who believe that it is not only this Fund but also the Dutch Government. In the years that India was exporting gold, the Dutch Government was also freely buying and gold which was sold just before and immediately after the outbreak of the war appears to have been retained in Bombay in the custody of the Reserve Bank to which, it is gathered, were added the gold reserves of the Netherlands East Indies when war broke out in the Far East. It sounds quite possible that the Dutch Government might have in consultation with the British Government sold a part of its gold stocks to India, but it is difficult to get confirmation of this from any source. The banks selling gold did not like to sell below the level of Rs. 70 which gave some encouragement to the "bulls." Prices therefore have inclined to be steady around this level. The latest quotation for Ready mint gold is Rs. 70 and ready silver Rs. 108. Floating stocks of gold continue to be around 40,000|50,000 tolas Gold in neutral countries was quoted some time ago around $60 per ounce as against the American price of $35 per ounce. This means that in the neutral countries gold is at a premium of 70 per cent. On that basis, the price of gold around Rs. 70 would seem to be in accordance with the prices in the neutral countries. As neither in England nor in U.S.A. is there a free market for gold, there is no yardstick to measure whether the present price of gold is too high in Bombay. As the Government of India have repeated their intention to take steps against the bullion market and have already taken some steps, one wonders what yardstick they will adopt for arriving at a fair price of gold.

Cotton Prices

Cotton ruled weak during the week and the quotation of new crop Sind N.T. has gone down from Rs. 650 to Rs. 635 with few buyers. The position in the cotton market is artificial in the sense that a moderate mill demand or a moderate selling pressure brings about wide fluctuations in prices. In the old crop inquiries were limited and prices on the whole continue to be easy. Problems regarding cotton were in the forefront of discussions at the meeting of the Cotton Sub-Committee of the Textile Control Board a week ago. No definite conclusions seem to have been arrived at, but it is reported that there was a proposal to work out the "ceiling" prices of cotton on the basis of the "ceiling" prices fixed for "civil" cloth and yarn some days ago. The necessary details have to be furnished by the Chairman of the Textile Control Board, but it is doubtful whether he will do so, as it will mean that the set of figures he may have used with Government for the "ceilings" may be open to challenge in the Cotton Sub-Committee. The more so is this his fear as it is generally admitted that the margins in the "ceiling" prices of cloth and yarn are too wide even after taking into consideration the maximum prices recommended by the Government for cotton. Even on the Government-recommended maximum limits, the margin to mills in yarns alone is about As. 8 per lb. which is equivalent to Rs. 400 per candy. Before the War, the maximum mill margins were ¼ anna to ½ anna per lb. and 1 anna per lb. was a rarity.

Cloth And Yarn

The Textile Control Board have followed up the "ceiling" prices of cloth and yarn by fixing "ceiling" prices for mill stores. The announcement by the Textile Commissioner says that the idea is to stabilize mill costings and further, that should the mills not be able to get their requirements at the "ceiling" prices, the stocks would be requisitioned from the merchants at the "ceiling" prices or under. Here again, it has been added that deliveries from now on even against previous contracts will be reduced to the "ceiling" level. Both the cloth and the yarn markets are cheerful as a result of the "ceiling" prices published ten days ago and in many lines the prices of cloth have gone up. As the control order states that the Government will take up what is left of the stocks by August 31 at a small discount of 7½ per cent under the "ceiling" prices, there has been no anxiety on the part of the merchants to press sales. On the contrary, this has had the effect of raising the prices of cloth as the merchants are secure with the comfortable cushion of high rates of "ceilings" fixed. The quotation of grey Leopard cloth 43 inches by 38 yards is Rs. 2-7-6 a pound. This compares with the Government "ceiling" price of Rs. 2-3 per pound *plus* 15 per cent is equal to Rs. 2-8 per pound. It is reported that these stocks will have a depressing effect on cloth prices since the unsold stocks will be taken over by the Textile Commissioner. This concession secured by the Chairman of the Textile Control Board from the Government makes the "ceiling" prices an effective "floor" and is an eloquent tribute to the overwhelming influence that is being held by the mill interests in the Textile Control Board.

The logical step that should follow after stabilizing the prices of mill stores is that the present very wide margins allowed to the mills should be drastically reduced if the consumers in the country at large are to get real benefit from the Textile Control Order. In his first speech on June 2, last, Mr. Hydari definitely stated that the whole object of instituting control over cloth was to see that the consumers get cloth at *reasonable* rates for which popular opinion all over the country had clamoured. With "raw cotton practically under ceilings" as well as with "ceilings" placed on mill stores, mill costings are now stabilized and it is up to Mr. Hydari now to see to it that the original object is achieved and the very wide mill margins available under the "ceilings" are reduced to a reasonable level. It is possible that the first "ceiling" prices may be in the nature of an experiment. One needs to place emphasis on the duty of Mr. Hydari and his Department, as people are very much disheartened by the utterances of Mr. Krishnaraj M. D. Thackersey, Chairman of the Textile Control Board. In the interview that he gave in the beginning of July, he emphasized the maintenance of mill margins and stability in the prices of cloth. His subsequent actions in getting from the Government very high "ceiling" rates and persuading them to take over the balance of the unsold stocks on August 31, give legitimate grounds for the view that his recommendations are mostly from the millowners' point of view which was the very object of the control. The original proposal of Mr. Hydari was a very drastic one and meant taking over the control of the industry itself. In the modified proposals the industry has been left to manage the whole field and the manner in which it has proceeded so far has shown that mill interests in the Textile Control Board have used their influence and power only to stabilize their profits at a higher level which is utterly out of tune with the anti-inflation policy and the original object.

Bengal Letter

THE FOOD MEMBER IN THE CITY—NO HOPES OF EARLY GOVT. RELIEF—THE NEW PRICE CONTROL ORDER

(From Our Correspondent)

CALCUTTA, Aug. 29.

SIR J. P. Srivastava, the new Food Member of the Government of India who arrived in Calcutta recently is acquainting himself in a first-hand manner with the food situation in Bengal and especially that in the city. The situation is indeed most disgraceful for a premier city like Calcutta. Sir J. P. met various party leaders and public bodies and discussed the food problem. Nevertheless he did not leave the impression that this afflicted province could expect an early relief in her trials and tribulations. Many feel that the Food Member in his speech before the Regional Food Council was more keen on extenuating the Central Government than in proffering positive help. The province has been advised to draw up plans to deal with the main winter crop of rice and introduce rationing without delay, especially, in Calcutta because of its valuable effects on public morale. The province cannot expect 350,000 tons of rice since the original plan has been given up. What has been provided and what is yet due can only be guessed. Improved transport points to more careful use and Civil Supplies Departments have been asked to help Transport Department.

The New Control Order

Internally the surplus of six districts would be at the disposal of purchasing agencies created under the terms of the latest Control Order. The Order introduced on August 26 laid down fixed prices for paddy and rice and the price is expected to be lower after September 10 and agriculturists including tenants are compelled to sell at the controlled prices only. The maximum retail price of rice will be Rs. 2 over the wholesale price. The last quotation for rice at Calcutta in the Indian Trade Journal (for Kalma) was Rs. 37 per maund. A sharp decrease is not envisaged, though transactions not exceeding 2½ maunds are covered by the new schedule of prices. The order provided for voiding all contracts for purchase of rice and paddy except at or below the maximum prices of Rs. 30 and Rs. 1'. Any person selling or agreeing to sell at prices above the control rates shall be liable to imprisonment up to three years and or a fine and his stocks shall be liable to forfeiture. Mr. H. S. Suhrawardy, the Minister for Civil Supplies, also issued a stern warning to traders that their stocks might be seized and their licenses permanently cancelled if they withdrew their stocks from the market following the introduction of the new control order.

The Food Drive Plans

It is not known whether the Order has pushed prices down but free selling at the ruling prices of Rs. 35 to 45 per maund was noted in midweek and consumers were tempted to buy. Supplies since have evidently been reduced and retail shops are reluctant to sell rice. The food drive plans have been again drawing attention. An increase in *rabi* crops is desired and the new crops proposed for Bengal are wheat, gram and millets. Potatoes are viewed as a substitute for rice. Dealers in seed potatoes have been offered transport facilities so that the cultivator gets what he wants. The average yield of potatoes is put at 200 maunds per acre as against 18 maunds of paddy. The Minister arranged a conference with officials when Mr. D. R. Sethi gave his own views as to what can be hoped from potatoes. If 10,000 more acres in Bengal are brought under potatoes it would supplement rice supplies between April and July next year.

Relief Measures

Since the Corporation raised the question of public health it has been made known that cholera is rife in many districts. The Calcutta Corporation's suggestion that relief kitchens should not complicate its own conservancy problem has not been without effect. The official conference on Friday decided that concentration of the destitute is undesirable. The number getting free food here was put at 82,000 and arrangements for sending them back to their native areas must be prepared. As starvation is a common cause of death hospitals have to take in patients. Two hospitals receive such cases after vigorous public protests. Auxiliary hospitals with 2,000 beds are almost ready and will be available in a few days according to report. Deserted children and orphans are to be received in special camps. A number of relief camps are to be set up in the suburbs for adults who have to be sent back gradually to the mofussil where they can count on relief. Private example has been directly responsible for the promise of large-scale relief though the description of famine relief has been avoided so far.

The Corporation's Finances

The Corporation has accepted a proposal made by its Finance Committee to ask for a subvention for the waterworks. The Corporation provided Rs. 2.89 lakhs in its budget but improvements now planned will cost Rs. 11.33 lakhs: hence the gap of Rs. 8.44 lakhs. The Corporation cannot raise any loan or divert funds assigned for other purposes. Apart from the request for a grant in aid, the Corporation may ask for extension of time by one year up to September 30, 1944 for repayment of the loan of Rs. 10 lakhs made by Government. The Government has, however asked the Corporation to examine possibilities of retrenchment. A letter suggesting the execution of Mr. Gurner's plans was read by the Mayor on Wednesday. The abolition of the mosquito control unit is not desired by Government. The Corporation has been also asked to get 25 new lorries for conservancy work. The letter did not mention ways of improving revenue but referred to the need to save in expenditure. The Chief Executive Officer has been reappointed for 5 years. There has been a request for an interest free loan of Rs. 2,81,800 for the purchase of two boilers assigned for the pumping station.

Jute Industry

The Indian Central Jute Committee at a recent meeting decided to recommend to the Government of India to re-examine the position arising out of the fixation of maximum prices for jute by the Indian Jute Mills Association. The price fixed for raw jute has no relation with the general level of prices ruling in the country and the increase in the cost of living of the jute growers. The Committee apprehends that such a state of affairs might leave a permanent injury on the jute industry. Meanwhile in the Stock Exchange, jute shares are resisting the down-trend. The mild improvement in hessian prices admittedly has been a minor factor. The

mills may be forced to stand idle for lack of coal. The local industry's problem has not been solved though 40 per cent. of the mills here use electricity. Some concessions offered as regards wagon supply may produce little benefit, and it is stated that a week's holiday every month and a working week of 40 hours only may be adopted by the I.J.M.A. The mills have no alternative but a shorter working week in spite of the big U.S. order. It is realized that until the outlook is clear the mills cannot buy raw jute. For a week and more jute prices have declined and the Indian Central Jute Committee at its last meeting was informed of the alarm produced among jute-growers. Revision of the maxima for raw jute is deemed probable. Mofussil prices are likely to stay up for that reason, but the new crop when it comes on the market may not find ready takers as the consumption this season is bound to be lower. The probable effect on profits and Central revenues compel attention. There may be no cuts in dividends in certain cases, but mills forced to keep up food supply to labour and to pay wages in part for the holiday period are likely to feel the financial effects for this half-year. The contrast between the month of June and August is indicated by the drop in share prices.

Sind Letter

ENCOURAGEMENT OF COUNTRY CRAFTS—CEILING PRICES FOR TEXTILES—BULLISH EFFECT ON THE CLOTH MARKET—BAN ON CATTLE EXPORTS

(From Our Correspondent)

KARACHI, Aug. 31.

As part of the programme of the Government of India to encourage countrycraft traffic on lines laid down by the Soreley Report, Mr. D. D. Warren, Joint Secretary, War Transport Department, and Rao Bahadur Maneklal Lalbhai, Countrycraft Organization Officer, were in Karachi during the week, and met the Port Trust authorities as well as representatives of the trade concerned. From these talks it has emerged that the Government have decided to divide the vast coast of India, into five zones for the purpose of enabling countrycraft to take in a larger share of cargo of Government requirements than at present, and thus relieve the pressure on other forms of traffic by land and sea routes. At each zone will be set up one or two agents, who will act as brokers for the Government in securing the necessary craft. Organizations directly connected with the countrycraft business have not, however, taken very enthusiastically to this procedure which the Government propose to adopt. A deputation which saw Mr. Warren urged upon the authorities that it would be better in the interest of the Government themselves to follow the example set up by the Provincial Government in the matter of procuring foodgrains for export from Sind, namely, dealing with the interests concerned directly or through a special syndicate, instead of setting up agents, as the latter method would smack of giving monopoly rights to one or two individuals, who, in the opinion of the deputationists, did not generally command any leading position in the line. In the matter of freight, the deputationists urged that the countrycraft owners must not be left to the mercy of these agents, and that the freightage must be separated from the commission which would be allowed to the agents. It is interesting to note in this connection that nearly 2½ lakhs tons of cargo are generally handled by countrycraft in Karachi during the season October-April every year, and most of the tonnage after Government's new deal would be diverted for handling military and Government cargo. The fear of likely shortage of shipping space for commercial commodities as a consequence has already had a panicky effect on at least one commodity dealt with by the countrycraft, namely black pepper which is brought to Karachi from the West coast ports like Alleppey and Calicut. The market price of black pepper has shot up so high that certain interests have even sent telegrams to the Government that the price should be regulated, as in the case of textiles, in order to prove reckless profiteering.

The announcement fixing the prices of textiles and yarns has had a surprisingly bullish effect in Karachi market. During the last week of July, following Government's refusal to extend for clearance of stocks, for 16,000 shirting, voile 51, Goekwar Mulls and J. B. Poplin had come down to Rs. 38, Rs. 24-8-0, Rs. 8-15-0 and Rs. 36-4-0 respectively. But since the announcement of the ceiling of prices, 16,000 white shirting is being steadily quoted at Rs. 47, and J. B. Poplin at Rs. 48-12-0. It is stated that the margin of profits fixed by the Government at 20% is high and this coupled with the assurance that the Government would themselves be prepared to purchase uncleared stocks, has tended to send a wave of satisfaction in the cloth market

Price of Rice Raised

The Government of Sind have lately raised their selling price for rice, to keep in line with the Punjab rate. Thus, for instance, Bombay has been asked to pay Rs. 17 for a maund of rice instead of Rs. 12. This tendency to profiteering has come in for sharp criticism at the hands of the Press and by commercial organizations. The immensity of the profit made by the Government within four months of trading is indicated in the Sind Reconstruction Fund, which has now reached a figure of Rs. 1½ crores. In the meantime, representations have been made to the Government to permit *bona fide* commercial or philanthropic organizations to export foodgrains to Bengal in order to relieve the distress there, and that further the Government themselves should express their sympathy by keeping their margin of profit as low as possible. It may be pointed out here that that the Foodgrains Syndicate, which deals with the export of rice and other foodstuffs, other than wheat on behalf of the Government, has now been registered with a capital of Rs. 1 crores, out of which Rs. 36 lakhs has already been subscribed by about 30 local business men. The agreement with the Government provides that the Syndicate will finance the purchasing of fodgrains for export to the tune of its paid-up capital, and in the event of its requiring more money for the purpose, the Government would themselves advance the amount or provide the finance through banks, bearing the incidental interest charges.

Ban on Cattle Exports

In order to prevent the drain of cattle from Sind as a result of large exports to other parts of the country, the Government of Sind have notified that with effect from August 20, neither cattle of any description nor camels shall be exported from any place in Sind except under an official permit. Sind has a large export market for milch cattle, particularly the Red Sindhi cow, as its milk-yielding qualities are remarkable. The result has been that the milk and dairy products for consumption in province have diminished. The ban is also intended to stop the denuding the agriculturist of draught cattle. So far as the milk and dairy products are concerned, the Government have also plans for organizing the business through the agency of the Co-operative Department.

Forest Plantations

Sind presents a happy picture of good attention being devoted to forests, and a consequent increase in revenue. The leases of Barrage irrigated lands under agriculture and forestry fetch very handsome revenue. An average of Rs. 100 per acre has been obtained, as compared to the purchase prices of Rs. 180 per acre for the best land by the Revenue Department. These forest plantations, raised on Barrage waters, not only pay a handsome revenue to the Government but also supply firewood and charcoal throughout Sind and to several neighbouring provinces, and further provide material useful in the tanning industry and in the manufacture of sports goods. With the temperate climate in Lower Sind and under assured irrigational conditions, several specimens of trees not known in Sind previously can grow and prosper, and the Forest Department is now busy in this direction. For the last few years the areas under barrage irrigation are leased out on the method of agriculture combined with forestry. The Sind method is to have 33 to 40 wide strips of agricultural land alternating with three to five feet strips of forest trees. According to officials of the Forest Department, there are vast possibilities for growing exotics which give valuable wood as well as economic products. For instance, teak, mulberry and bombax which were introduced about five years ago, are doing very well, and various other species have lately been started in the nurseries conducted by the department.

Boll-worm Paste

In addition to locusts and rats, boll-worm does considerable damage to crops in Sind, particularly cotton, leading to great financial losses to zamindars and also to Government by way of diminished revenue. An official Bill imposing a statutory obligation upon the cultivators of land to take all possible measures for eradication of this pest on the lines suggested by the department of agriculture, is proposed to be moved as an official measure the next time the Assembly meets. In alienated lands mukhadims and their transferees have similarly been made liable. As regards the locust menace, swarms have been appearing in Sind since June, but they have so far done very little damage to crops, except in one district where the situation is admitted to be critical. In this area mounted scouts have been employed by the Government to collect information about the presence of hoppers and inform the supervisors accordingly. The number of supervisors varies according to the vastness of the swarms. In the meantime, floods as a result of the rise in the level of the Indus appeared to threaten villages and inundate lands early this month. According to official spokesmen of the P.W.D., at one time an extremely precarious situation arose and the engineers had an anxious time. The precautionary measures taken by the Department were in all cases effective and the danger has been averted without a single breach

Bihar Letter

CONTROL OF GUR PRICES—CULTIVATORS AFFECTED—KISAN SABHAS' DEMAND

(From Our Correspondent)

PATNA, Aug. 31.

BIHAR, the second largest producer of sugar, is much concerned over the fresh order under the D.I. Rules for the control of gur prices. In spite of of the great rise in prices of every raw and manufactured commodity, the sugar producing provinces of Bihar and the U.P., have been made to supply sugar at prices not very much higher than those prevailing before the war by means of a rigid control over the industry. The much vaunted success of sugar control, has as a matter of fact been practicable these days, only because the price of gur which absorbed 80 per cent. of the sugarcane was uncontrolled and moved sympathetically with the rise in other prices and compensated the growers for their comparatively low returns on 20 per cent. of their cane, which they supplied to the factories. The minimum fixed which also tends to be the maximum for the supply of cane to the factories has been unremunerative and this can be easily realized when the prevailing costs of agricultural production are taken into account. The cultivator in Bihar compares the prices he gets for cane with those received for the foodgrains, not simply because he has any thought of maximizing his returns along the various alternative lines of production, but because in rural areas the standard for agricultural wages is still foodgrains. One has to give two seers of rice or four seers of inferior foodgrains or their equavalent in terms of money, that is rupee one, for a day's work in the busy agricultural seasons. Thus it is a rise of nearly four times above the pre-war rates in terms of money. The cost of ploughing which constitutes more than half the total cost of producing sugarcane was generally as. 6 per plough per day in 1939-40 and is anywhere between a rupee and two in the different localities now. Thus making an allowance for other costs that have remained almost constant it can safely be considered that the price of sugarcane should be three times above the rates in 1939-40. The rates per maund prevailing in 1939-40 were 0-7-6 and on that basis the prices this season should not be below Rs. 1-6.

Cane Prices and Gur Control

The Kisan Sabha in Bihar has demanded the fixation of cane prices at Rs. 2 per maund; this may be pitching it too high but the case for a much higher minimum price of cane is so reasonable that even the Bihar Chamber of Commerce has recommended it. The fixation of minimum prices for cane at about Re. 1-4 to Re. 1-6 per maund would be the proper solution of the difficulty. But the manner in which Government seeks to ensure supplies to factories is to force down the prices of Gur which alone made it profitable to grow sugarcane instead of foodgrains. The only possible effect of such a policy will be the shrinkage of area under cane in the province, with disastrous consequences on the sugar industry in general. Now that the measure to control Gur prices comes late in the season when the cane crop has been long in the fields its effect beyond the frustration of the hopes of high profits that the cultivator has cherished for all these months will not be very great. Still it is not unlikely that a considerable acreage under cane is destroyed for fodder and paddy sown in its place.

The notion of maintaining a 2:1 ratio between prices of sugar and gur is all right provided the price of sugar is equitably remunerative. But this it is not—if one may say so with due deference to those who are administering control; the grower's cost of cultivation is three to four times what it was in pre-war days while his receipts are only a little above the pre-war figure. Therein lies the iniquity of the whole thing.

Causerie

International Monetary Plans

A Learned Talk

G. L. M.

(AS I have been at a loss to understand the meaning and implications of the two—or is it three?—Plans for International Monetary Arrangement in the post-war period, I decided to consult a recognized authority on economic, financial and fiscal questions who is making a profound study of post-war tendencies and reconstruction. In fact, he devotes all his spare time (which amounts to *all* his time) to examining and forecasting post-war problems, tendencies, development etc., frequently to the utter neglect of war questions and consequent detriment to (his own) war effort. I made an appointment with him and met him posthaste.)

Myself: I am baffled and puzzled, Sir, by reading about some highly technical plans of international currency arrangement in the post-war period and some two mysterious words "Bancor" and "Unitas" which keep on appearing in the discussions. Would you, Sir, care to explain clearly but briefly what does all this mean? I can assure you I do *not* propose to issue a statement or contribute an article on the basis of your discourse.

Economic Authority: Like all economic questions which are made to appear unnecessarily complicated by technical jargon, the British and the American Plans are, in fact, quite simple provided you grasp certain essential fundamentals. For example, when economists —I mean, the ordinary run of them—want to speak of cash in your pocket which you can use for buying things, they call it "purchasing power." So with these Plans.

Myself: What are the fundamentals to be grasped in this case?

Economic Authority: That international trade and exchange are, at bottom, nothing more than ordinary process of buying and selling as well as paying and receiving, as also borrowing and lending with only this important difference that price levels, tariff rates and taxation in the several countries tend to make such operations distinct from normal operations within a country. These conditions, in plain terms, determine the quantum of trade, the valuation of currencies and the fluctuations of exchanges. You follow?

Myself: I am trying to. But these Plans—

Economic Authority: Don't think about the Plans just now. If you grasp the First Principles of international trade and balance of payments, the Plans are a child's play—I mean the play of an Economic Child of the Economic Man.

Myself: But do not these varying and even conflicting conditions in different countries vitiate a uniform theory or practice—

Economic Authority: Not at all. That's just the point. The Plans about which you are worried, for example, seek to promote *international*, that is, common economic welfare and progress while safeguarding and promoting the *separate* interests of *different* States. Don't you know, it is one of the criticisms of the American Plan that it involves more than a justifiable interference with the national sovereignty of participating countries?

Myself: Yes. But what is actually "justifiable" interference? Who determines it?

Economic Authority: Britain, of course. It is now an admitted fact (admitted at any rate by all good Britishers) that the British view on international relationship is always not only the most philanthropic but also the most scientific. Indeed, no nation is able to serve God and Mammon so well and at the same time; simultaneously the Britisher gathers wealth and virtue.

Myself: I remember to have read in one of Bernard Shaw's plays that the Britisher does everything on principle: he enslaves you on imperial principles and robs you on business principles. His watchword is always Duty and he never forgets that the nation which lets its duty get on the opposite side to its interest is lost.

Economic Authority: We are, however, discussing the British Plan, not British character.

Myself: Precisely. But does not the criticism that the American Plan interferes with national sovereignty introduce political considerations in a purely financial question? I thought only Indian economists and businessmen and publicists committed such an unscientific sin.

Economic Authority: No. It all depends on your attitude of mind and your ultimate purpose. For instance, if you suggest the use of India's sterling resources during war or ask for information about the data and obligations of Lease-Lend, that's introducing political element in economic questions; but if you are in favour of leaving sterling credits severely alone for post-war reconstruction and merely welcome Lease-Lend but don't insist too much of it for industrial purposes, that's a strictly economic view. It is *not* "politics" to desire to remain in the sterling area but to demand de-linking the rupee from sterling is definitely to show political bias.

Myself: Is it "politics" to say there is inflation in India?

Economic Authority: Yes and No. A strictly rigorous economic view is that there are elements of "inflationary tendencies" which might be due to currency expansion or scarcity (you can never say) but can in any case be remedied by the "anti-inflationary" measures adopted by the Government, whatever the causes of inflation. I hope it's clear.

Myself: Very much. To come back to the Plans, however, would not the fact that the scheme is framed by the experts of one or the other country influence their trend so as to favour the interests of that particular nation or group?

Economic Authority: I am afraid you have not developed the proper international outlook. In international schemes, the interests of powerful and leading countries are furthered through harmony. That's how it was done at Geneva where England and France represented the common interest of the world and the general will of mankind. If, therefore, the American Plan gives more importance to gold and Britain less, that is *not* because America today holds the world's gold while Britain is living and fighting on Lease-Lend. Nor is it because Britain wants to protect debtors and restrict creditors since London is no longer the world's financial centre and British indebtedness is heavy and growing. Not at all. The British scheme assigns this subsidiary role to gold despite the fact that the British Empire is the biggest producer of gold and proposes safeguards for debtors in international interest which is, once again, evidence of her philanthropy with five per cent. We now find that while previously India being a debtor had primary obligations to fulfil her dues, now creditors have more obligations than debtors, of course, for international stability and incidentally, Britain's prosperity.

Myself: Does that make the British Plan less or more practical

Economic Authority: It makes it right—and that's important. Britain can never be in the wrong any more than she can know defeat. The British Plan is flexible like the British Constitution and the British Empire-cum-Commonwealth while the American Plan is rigid like the written Constitution of the U.S.A. with its federation and its fundamental rights. In the British Plan, gold, as Mr. Amery said of the Empire, is like the Kingdom of God within us.

Myself: I am afraid, I don't follow.

Economic Authority: You can't unless you are a mystic and an Empire-builder rolled into one.

Myself: Will gold occupy an important place in these Plans?

Economic Authority: Well, that's rather hard to say because experts (as usual) differ. One view is that gold will be enthroned on the seat it had lost when countries went off gold; the other view is that "Bancor" and "Unitas" to which you referred in the beginning will dismiss gold by the front-door and admit it by the back one. In other words, gold will be on *bancor* standard while *bancor* will be on a vacuum gold standard . Shall I put it in still simpler terms?

Myself: Oh no. It's already very plain. But what I want to know is what are the objects of the Plans, how the Plans will function and how will they affect India, for example?

Economic Authority: All these are valid and pertinent questions. But you must get first things first. As I said at the very start of our discussion, these Plans are but a part of a much larger scheme of regulation of international economic relationship.

Myself: I am afraid, I don't think you said that.

Economic Authority: Then I should have. But I thought that was elementary and understood.

Myself: At any rate I didn't understand. What's the whole scheme?

Economic Authority: It has not yet been wholly formulated and even fully conceived. For example, there would have to be international regulation and direction of investments, commodities, trade cycle and production, not to mention policing of the world—but not labour, of course, because "White" South Africa and "White" Australia and the Immigration authorities of U.S.A. do not approve of any international planning of emigration. They prefer national barriers.

Myself: Such international regulation would be done for all countries?

Economic Authority: At least the more backward and less developed ones, to begin with.

Myself: And in whose interest?

Economic Authority: In common international interests, of course. That may not necessarily mean the specific interest of every single nation but—

Myself: But I thought you said a little while ago that international schemes safeguard and promote the separate interests of different countries.

Economic Authority: There's no contradiction between what I said a few moments ago and what I am saying now. In ensuring or furthering the interests of all, you *may* have to sacrifice or surrender individual interests which are thereby promoted in the end.

Myself: How?

Economic Authority: That is how civil administration is carried on.

Myself: But there, the mass of people have the requisite confidence in the impartiality of the administration.

Economic Authority: The world currency authority will be equally impartial—so far as British and American interests are concerned in the first instance and independent Allied countries in the next.

Myself: Suppose for the sake of common good or the benefit of countries with a lower standard of living, the more advanced countries have to suffer or sacrifice?

Economic Authority: That would, of course, be unwarranted interference with their sovereignty.

Myself: But will not the success of the scheme ultimately depend upon the number of countries joining as members?

Economic Authority: Of course. But the scheme will automatically start with all the free countries comprising the British Commonwealth *plus* those about to be free (sooner or later, later rather than sooner) in the Empire *plus* all the members of the United Nations —I believe they are thirty-seven.

Myself: I don't know the latest authoritative figure.

Economic Authority: Well, that's easy. Take all the countries of the world and subtract the Axis Powers, occupied countries, Axis satellites and neutrals and the balance are all United Nations.

Myself: Will Russia and China join?

Economic Authority: It depends on many incalculable factors—that's why post-war planning is highly fascinating—such as how and when the war will end, whether the Second Front will have been opened along with the life-line of China.

Myself: And what about India?

Economic Authority: India has already an international status in the financial and economic realm owing to her being a recipient and beneficiary in respect of Lease-Lend (though figures of aid and reciprocal aid are still being carefully checked up and calculated by the Indian Purchasing Mission and the Finance Department of the Government of India for the last two years) as well as the accumulation of large sterling balances which can be considered as "abnormal" if necessary and can be "frozen" if convenient in London's winter. India will play her proper part in this international scheme through her membership of the sterling area, just as in the political sphere she will participate in a revivified and resurrected League of Nations through her voluntary membership of the British Empire. There is nothing easier in the world than reconciling and harmonizing Indian interests with those of the world.

Myself: But would the scheme achieve its object of furthering international trade and ensuring economic stability?

Economic Authority: Ah! That depends entirely, of course, on whether depressions and slumps and booms are the causes or the results of monetary system and factors and whether the monetary aspect is the right one to begin post-war international planning or whether the first task is to tackle trade and investment. That has yet to be found out.

Myself: How can it be found out?

Economic Authority: By working these Plans and watching their consequences and complications.

Myself: So you think the Plans will come into operation after the war?

Economic Authority: That's more than I or anyone for the matter of that can say.

A DELHI DIARY

THE Viceroy had to hurry through his tour in Madras and Bombay in order to be back in New Delhi for the meeting of the National Defence Council—an important meeting which, apart from the fact that it will be Lord Linlithgow's farewell session, is expected to deal with a number of new problems. The general expectation in New Delhi is that very scon operations both by land and sea will be started from India for the final offensive against Japan. Though no definite announcement has yet been made it is believed that the new chief of the South-East Asia Command, Lord Mountbatten, will be very soon in India for conferring with the Generals at this Headquarters. Something at least of these military possibilities in the near future is expected to be revealed at this week's meeting of the National Defence Council. Of considerable importance also is the discussion which is expected to take place on the serious food situation in Bengal and elsewhere. As both the Transport Member and the Food Member have recently been in Calcutta, they will be in a position to give detailed accounts of what they have seen and propose to do. The Government's proposals on the basis of the interim recommendations made by the Foodgrains Policy Committee are believed to be getting ready. As very soon there will be the adjourned meeting of the Policy Committee, its final report will also be in the hands of the Government of India within the next few days. General Hutton, the Secretary of the Post-war Reconstruction Committee of the Viceroy's Council, has also been on tour. A more detailed statement on the progress made for setting up policy committees and drawing up reconstruction programmes will be made to the Council by the Member in charge, Sir J. P. Srivastava.

The Viceroy's speech on Wednesday at the meeting of the All-India Cattle Show Society's Committee had an intimate personal touch. "I am never tired of reiterating the national importance of an improvement in livestock," said his Excellency. And he added: "In this immense agricultural country which feeds the largest population in the whole world, almost every seed that germinates owes its debt to the work of cattle in ploughing up the soil and almost every grain that is carried to the markets to feed the great urban populations is carried there by bullock transport. . . . . In fact cattle are in a real sense the basis of India's economy." This was a fine speech, but it was only a few days ago that the Council of State discussed the cattle position in the country and pointed out the danger to agriculture arising from the big increase in the number of cattle slaughtered for meeting army requirements and the needs of the various Prisoners of War Camps in the country. According to Mr. Hossain Imam, the number of cattle slaughtered had risen to five times the peacetime number. He further complained that while in peacetime it was only the surplus cattle that was slaughtered, attractive prices were now offered and sometimes the best cattle were taken away for meat purposes. A number of assurances were given by Sir Jogendra Singh including a definite undertaking to see that no animal which came under protected categories was passed for slaughter at military slaughter-houses. The Viceroy did not refer to this aspect of the question, but as the matter is expected to be raised also at the meeting of the National Defence Council, some more information on the steps taken may be made available.

Of more than ordinary interest is the scheme initiated by certain officers of the Government of India for exploiting new sources of vegetable rubber. It is estimated that the rubber production of Malaya, the Dutch East Indies and neighbouring countries used in pre-war years to be nearly 92 per cent. of the total world output. As these countries are now under Japanese occupation, there has been a big shrinkage in rubber supplies available to this country. In the course of an interesting article in the Journal of Scientific and Industrial Research, Rao Bahadur B. Vishwanath points out what is being done to investigate the possibilities of developing new and secondary sources of rubber, for the share of *hevea* rubber plantations in India in production has been only 1 per cent. of the total output. It is said that the field operations in this connection have been in progress at Okhla near Delhi and at Radhakund in Muttra district under Major Walden and yielded useful data on the propagation of tapping and utilization of these new vegetable sources—described as emergency sources. The Rao Bahadur says: "The rapid survey and laboratory analysis disclosed that Cryptostegia grandiflora was widespread in the country, contained latex rich in rubber and possessed considerable possibilities for rubber production. It has been observed in all parts of India in various types of soils —in all climates without regard to temperature." If these experiments succeed it would be possible to do something substantial for relieving the rubber shortage in the country. The Rubber Section of the Supply Department is reported to be working at top speed in this connection.

The Public Accounts Committee at its meetings this week examined the accounts of the Railway, Posts and Telegraphs and Labour Departments. The main feature of the Railway accounts was the gradual dwindling of private invested capital which from Rs. 77 crores in 1924-25 has now come down to Rs. 22 crores. The Government investments in Railways now amount to Rs. 732 crores. The B.B. and C.I. and the Bengal-Assam Railways were acquired by the Government during 1941-42. The strategic railways which have been a heavy liability on the exchequer so far made profits for the first time during 1942-43. The depreciation fund stood at Rs. 55 crores at the end of 1941-42. An interesting point about the Posts and Telegraphs account was the success of the newly started airgraph service. About a million airgraph were handled by the Department every week. The Karachi and Ahmedabad Telephone exchanges have also been acquired by the Government this year. The technical training scheme of the Labour Department cost the Government Rs. 60 lakhs during the first year. It is now intended to increase the number of trainees to 60,000 a year. An interesting fact revealed was that the total capital outlay on New Delhi so far amounts to Rs. 16.33 crores. The Committee has not yet concluded its work and will be meeting again in October.

ARGUS.

Gleanings

THE INDIAN FOOD CRISIS

Referring to the Indian food crisis, the London *Times* writes:—

"The most serious problems of food supply with which Government have now to cope are hoarding and transport. Withholding of stocks for higher prices has been practised not only by large-scale speculators but by countless small producers who, perhaps for the first time in their lives, have found themselves well enough off to choose their own time to sell and have become convinced by wartime experience that profits can be made by waiting. Coercion even if it were fair or practicable, would hardly avail to bring out these latter reserves. The one effective method of achieving this result in the long run is firm price control and rigorous check on black market practices."

Speaking of the barriers erected by local and provincial separatism to the transport of foodstuffs from province to province and district to district, *The Times* says: "The present distinction between 'surplus' and 'deficiency' provinces in the matter of food and the wide range of prices between areas of abundance and areas to dearth, have persisted long enough to create a network of vested interests which it will not doubt be troublesome to break down. But the time has come when they can no longer be allowed to continue without serious impairment of the war effort."

"WE HAVE ALL ERRED"

"The fact of the matter is that we have all erred and the main thing now for us to get together and do all we can," said Sir J. P. Srivastava, Food Member of the Government of India, in a statement relating to the situation in Bengal. He proposed visiting the Punjab immediately with a view to obtaining more foodgrains for Bengal by personal intervention. He wished to appeal to all surplus provinces and their Governments to come forward to help Bengal in its present distress.

"EXCEPT A FOUNTAINPEN—"

"In any case, private control of means of production, with the right to employ others at a wage in using those means, whatever may be said for it or against it on other grounds, cannot be described as an essential liberty of the British people. Not more than a tiny fraction of British people have ever enjoyed that right. I myself have never owned any means of production except a fountainpen and an occasional garden tool."—Sir William Beveridge in his "Pillars of Security."

STERLING LIABILITIES

In the Council of State, Mr. C. E. Jones, Finance Secretary, replying to Pandit Kunzru, said that it was not possible to calculate exactly the capitalized value of the future sterling liabilities of the Government of India in respect of pensions, family pensions and provident funds. On the basis of an assumed rate of interest of three per cent. per annum it was estimated that a lump sum payment of approximately £150 million would purchase the right to receive a series of sterling amounts sufficient to meet those obligations. He added that the matter had recently been put to H.M.G. which had not yet accepted the scheme.

OVERSEAS CHINESE

Contributions from overseas Chinese have played an important part in war relief during the early war years. The Overseas Chinese Affairs Commission alone received NC$5,300,774, HK$172,177, US$61,985, £18235 Fr. 1,397,848, Guilders 14,317 and £3,158 Canadian currency from July, 1937, to December, 1941. Most of the contributions were sent to the Ministry of Finance directly instead of going through the Commission. It was estimated that by the end of 1940, a total of $300,000,000 had been received from the overseas Chinese as their contribution towards the war. The inflow of relief money from China's loyal sons abroad before the outbreak of the Pacific War was estimated at $70,000,000 a month.

A number of investments were also made by overseas Chinese in the form of capital, machinery, and personnel to help reconstruction in Free China. A $100,000,000-Overseas Chinese Industrial Corporation was proposed by the National Government, while a number of private companies have been organized by overseas Chinese to develop agriculture, industry, mining, and trading in the South-West.

Overseas remittances also play an important part in the China's national receipts and expenditures. In the four war years ended in 1940, no less than $2,000,000,000 had been sent by the overseas Chinese to their families in China. More than $1,000,000,000 came before the outbreak of the Pacific War.—*China Handbook*, 1937-1943.

CHINA STUDIES POST-WAR PROBLEMS

A special committee on the study of post-war world reconstruction problems was established in the Sun Yat-sen Memorial Cultural Institute early this year. This is the first Chinese civil organization to have a special committee for the study of post-war problems. Divided into five sub-committees, this "Post-war World Reconstruction Research Committee" studies and reports on proposals and plans suggested by Chinese and foreign authors, besides offering its own suggestions. The five sub-committees include one on world general situation, one on politics and law, one on economics and public finance, one on education and thought, and one on social problems. The committee meets several times a month under the chairmanship of Dr Sun Fo, President of the Legislative Yuan and director of the Sun Yat-sen Memorial Cultural Institute.—C.I.B.

RESEARCH ON FIBRES

Efforts have been made under the auspices of the Imperial Institute to encourage the production of flax in many Empire countries, and special reference may be made to the experiences in Kenya, which although unsuccessful in the first attempt, have now led to a substantial production. Much work has been carried out on Indian sun hemp (Crotalaria Juncea) with a view to improving the quality of the product and securing its trade acceptance. Among other fibres examined may be mentioned the bow-string hemps, pineapple fibre, palm leaf fibres, pita, coir and kapok and other silk flosses. It has been shown that for use in life-saving appliances Indian "kapok" (Bombax malabaricum) if carefully prepared is equal as regards buoyancy to the Java product (Ceiba pentandra) and can be used as an alternative to that fibre.

BRITISH WAR PRODUCTION

A speed-up in Britain's production plans which will take place in the next six months will enable even

bigger offensive blows to be struck at the Axis, says a *Reuter's* message.

Mr. Oliver Lyttelton, Minister of Production, in explaining the coming changes in war industry and transfer of labour, revealed that the total output of naval and air and army munitions in the second quarter of 1943 showed 25 per cent. increase over the same quarter of 1942, though that was a particularly good quarter. In aircraft, the increase in structural weight was 44 per cent. and it was particularly satisfactory that the actual production during the first six months of this year had equalled the planned production.

Mr. Lyttelton said that further expansion in aircraft production in the next 12 months was being planned besides further increases in certain types of naval vessels and scientific instruments for use in the war at sea.

SPINNING RESEARCH

Referring to experimental research in spinning methods and equipment to be conducted by an *ad hoc* committee, the *Manchester Guardian* says:

The conversion of raw cotton into cotton yarn is a long and tedious process, or series of processes, calling for a great deal of complicated and expensive machinery, which must be well balanced as between one process and another if the whole production is to be carried out economically. There have been, from time to time, many improvements and refinements, but the general principles of cotton spinning are still much the same as when the mule and the ring spindle were first employed on a commercial scale. In view of these circumstances the scope for research into the technique of spinning remains very wide, and there are possibilities of obtaining results of fundamental importance. The elimination of one or more of the processes or operations would permit substantial economies in machinery, skilled labour, and time, and the urge to simplify and cheapen the procedure is especially strong now that progress is being made in producing fabrics from silver by a method similar to that used for making plastics on the basis of a woven fabric.

RESTRAINED PRODUCTIVITY

"The productive potentialities of private enterprise are incomparably greater than those of any rigid economic system. Private enterprise simply suffers from a serious disease, a disease which consists of various devices which we have wrongly come to believe are essential for the earning of reasonable profits, the achievement of distributive justice, the maintenance of prosperity, and the safeguarding of security. A study of modern statute books shows that at least half the legislation is intended to foster a policy of scarcity creation. Practically the whole of the marketing and industrial laws of modern countries appear to be designed to make goods and services relatively scarce. The aim is 'legitimate' profits, 'fair' wages and conditions, 'prosperity' and 'security.' The effect is the scaling down of the economic return to all classes. The policy is partly enforced through the fixing of prices and wage-rates, sometimes by the State and sometimes by institutions like cartels and trade unions. Now such fixing of prices and wage-rates has exactly the same economic effect as output restriction. Some readers may at first feel that these are outrageous assertions, or that they have outrageous implications. If so, they must reserve judgment for a short while. I do not suggest that the search for security and economic justice is wrong. That is precisely the aim of my plans! My case at present is that we seek these things in a foolish way."—Prof. W. H. Hutt, in his "Plan for Reconstruction."

AN ANTI-MALARIAL INSECTICIDE

The cultivation in India of pyrethrum, a plant which yields a powerful anti-malarial insecticide was one of the subjects which was discussed at the recent meeting of the Medical Stores Supply Committee, under the chairmanship of Lt.-General Sir Gordon Jolly.

In Kashmir, Punjab and on the slopes of the Ootacamund and Palani Hills, large-scale experiments in planting have been conducted for some time. In Kashmir, the experiments have reached a more advanced stage and elsewhere the germination of the seed has been reported to be satisfactory and awaits planting out. Japan was the largest grower of pyrethrum before the war. Kenya began planting, for the first time, in 1928. In 1937, the Imperial Council of Agricultural Research took up the question of the systematic production of pyrethrum in India and seed was imported and distributed to various parts of India from U.K. Further impetus was given when Japan's advance cut off quinine supplies from Java and early this year, a further 5,600 lbs. of pyrethrum seeds were imported from Kenya.

The insecticide is extracted from the daisy like flower heads of the plant and dissolved in solvents can be used either as a spray or as a body cream.

Demonstrating that the United Nations are sharing the blue prints and battle experience of the war, it is understood India will also benefit by the great strides which are being made in the United Kingdom and the United States in the production of quinine substitutes—*mepacrine* and *pamaquin*.

SZECHWAN HOUSES 1,654 FACTORIES

Szechwan housed 1,654 factories, big and small, with an aggregate capital of $1,130,012,285 Chinese currency, and a total of 108,205 workers at the end of 1942, according to a private survey. Backward in economic reconstruction prior to the outbreak of the war in 1937, Szechwan is now the best industrially developed province in Free China.

Before the war, only 2.93 per cent. of the country's factories were located in Szechwan. The capital was merely 0.58 per cent., while the number of workers 2.85 per cent. Szechwan at that time had only 115 factories and most of them were small. Compared with the pre-war situation, Szechwan has increased the number of factories by 1,480 per cent. capital by 52,728 per cent. and the number of workers by 733 per cent. Today all kinds of industry can be found in the province. The chemical industry now occupies the leading position in Szechwan, machinery manufacturing second, and textile third.—C.B.I.

OIL FROM COAL

In the opinion of Sir Cyril Fox, there is a great field for thorough scientific and industrial research on the subject of oil from coal. With about 2,500,000 tons of coal used in the manufacture of metallurgical coke, there could, with some encouragement, be a recovery of 2,500,000 gallons of high octane benzol, said he speaking at the annual meeting of the Indian Science News Association in Calcutta. If this process was able to treat low grade Indian coals a very great step forward would have been taken, but the investigations were so costly that Government assistance was essential.

Referring to the trade position in India, in relation to the mineral industry, he emphasized the need for imports of aluminium, lead, tin and zinc, as these metals had not yet been prepared here from domestic ores. The Indian consumption of mineral oils was far in excess of what the country could produce from its own resources of crude petroleum.

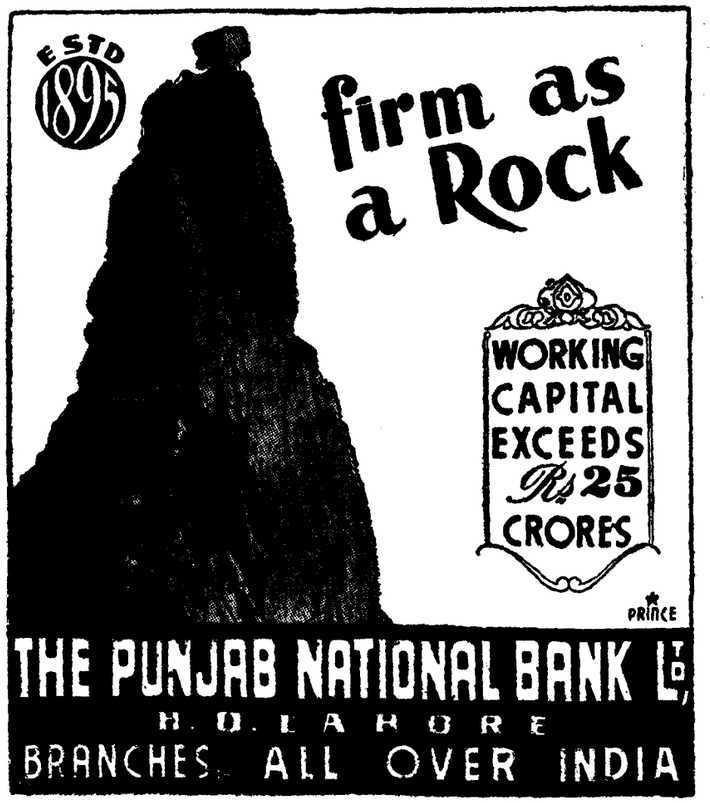
FUTURE OF TEA TRADE

On April 1, the International Tea Agreement was extended for the duration of hostilities and for two clear quota years thereafter, writes *The Times* City Editor.

"Unlike the wheat, sugar, rubber and tin control agreements, the tea regulation scheme has never been a Government scheme as such but an agreement between the Tea Planters' Associations in British India, Ceylon and the Dutch East India. In the event the scheme was extended in April without any significant change. Whether the idea of a Governmental scheme has been abandoned or merely shelved until after the war has never been made clear. No reliable estimates can yet be made of post-war production or consumption. The committee thinks, however, that it may be two or three years before production on the estates in the Netherlands East Indies gets back to normal. High crops may be continued from India and Ceylon if ample supplies of fertilizers are available. Consumption for a year or two after the war is likely to be below its pre-war rate.

DISAPPOINTING ROAD DEVELOPMENT

Speaking at the annual meeting of the Indian Roads and Transport Development Association on Wednesday, the Hon. Mr. R. H. Parker, the President, expressed disappointment at the lack of any real progress in road development during the last decade and said that when the Central Road Development Fund was created in 1929, which made available a small portion of the petrol tax for the construction and improvement of roads, hopes were justifiably entertained that it would mark the beginning of a real effort to provide India with an adequate and efficient network of roads. Far from these hopes being realized, the 10 years preceding the outbreak of the war had seen less money spent on roads than before the creation of this new and additional source of revenue for road development. In contrast to this, the Revenue provided by motor transport to the Central and Provincial Governments had doubled during these 10 years and amounted to Rs. 9½ crores in 1938-39, while the total road expenditure during that year was no more than Rs. 6 crores. Motor transport revenue was maintaining its upward trend and reached the figure of Rs. 11½ crores in 1940-41.



Labour

Sickness Insurance Scheme for India

By S. K. R.

IN INDIA the question of introducing a sickness insurance scheme came to be discussed for the first time in the Central Assembly in 1927 in connection with the debate on the Draft Conventions and Recommendation of the International Labour Conference on sickness insurance for industrial and agricultural workers, adopted that year. The Assembly's verdict at that time was that the introduction in this country of any comprehensive scheme of sickness insurance was not practicable in the existing conditions. All the same, it was recognized that the need of the Indian worker for some protection was in no way less than the need of those in other countries; provincial governments were, therefore, approached in an effort to explore more deeply the possibilities of adopting a scheme for India. The replies of these governments were definitely discouraging and the project had therefore to be abandoned then. The question was again taken up as a result of the recommendations of the Whitley Commission on sickness insurance; the Commission had urged that all methods should be explored for alleviating hardship among workers on account of lack of provision for sickness. It was recognized by the Commission that sufficient statistical data was neither available nor procurable for making definite recommendations, and it, therefore, suggested the starting of preliminary or exploratory inquiries with the aid of a small committee of members of the Central Legislature, to be followed by statistical inquiries with expert medical and actuarial assistance. The resulting attempt of the Government of India to push on the question, again did not bear tangible results. In closing the second abortive attempt, the Government, however, remarked: "But the fact remains that the question of sickness insurance, though a difficult one, is of very great importance to the industrial worker and it is necessary to solve it in a satisfactory manner."

It was not till 1940, when the war was on, that the question was taken up for the third time. The subject was placed on the agenda of the First Labour Ministers' Conference, which came to the conclusion that a compulsory sickness insurance scheme was necessary and that Central legislation was indicated. As a result of this decision, inquiries were again instituted, actuarial and otherwise, and the scheme has subsequently begun to take shape and definiteness. Professor B. P. Adarkar has recently been appointed by the Government of India as Special Officer to sound the interests concerned and to draw up the frame-work of the scheme. In India the introduction of a compulsory sickness insurance scheme will only be an artificial transplantation of a mature institution whereas in the European and other countries, the existing systems are the result of slow growth over several decades of indigenous ideas and practices, so that each system took the course most suited to local conditions. Again in Europe, where sickness insurance originated, compulsory sickness insurance was a super-structure erected over the firm foundations of the indigenous voluntary institutions.

India having no such national institutions or their experience to fall back upon to build up a compulsory sickness insurance scheme, must necessarily set about cautiously, plan modestly and build slow in order to avoid costly mistakes. It is, however, no longer disputed in India by any one that compulsory sickness insurance is necessary to ensure the political and social stability of the nation. The income of a substantial proportion of the population, it is admitted, is too small to enable them to make provision against physical decline and sickness. It might be theoretically possible to fix a wage to cover the essential needs for food, shelter and clothing of a worker and his family, leading to the establishment of minimum wages, but it would be impossible to calculate the allowance that should be made to protect the worker and his family against risks of sickness, or prolonged unemployment or premature death. These risks are unequal in incidence and upset even a carefully managed individual budget. Therefore, though the introduction of sickness insurance scheme in India is not merely unobjectionable on principle, but very necessary, greatest care should be taken in deciding the nature of the scheme and its introduction.

There are several broad principles common to all compulsory sickness insurance systems, the soundness of which cannot be challenged in the least; these prove of considerable guidance to India. The I. L. Draft Conventions, which form a synthesis of well-tested principles and experience, lay down the minimum requirements which any sickness insurance scheme must fulfil at the outset, and indicate the minimum level below which the efficiency of a sickness insurance scheme would not appear to be guaranteed. The I. L. Recommendation is more substantial since it gives expression, in the form of general principles, to the results of an international experience, already lengthy, and to the tendencies of modern sickness insurance schemes. According to these international standards, in the first place, sickness insurance should include within its scope "without discrimination as to age or sex, every person who performs work by way of his occupation and under a contract of service or apprenticeship."

In practice, however, the I. L. Conventions and national practice make several exceptions to this wide scope. Thus, workers whose wages exceed a certain level, (the level being fixed independently by each country), are excluded from the sickness scheme as they are excluded from workmen's compensation schemes. Gradually, to widen the scheme, the critical wage level is slowly raised. Other criteria for exclusion are temporary or casual nature of the work, method of payment of wages (those not paid on cash basis are usually excluded), age of the worker (those below or above certain levels, determined by each country, are excluded) and the family relationship of the worker to the employer (those forming members of the employer's family are ineligible for inclusion in most of the schemes). Also, those workers covered by special laws which bestow comparable benefits are not included in the scheme. In most countries, the great majority of "independent" workers of small means who are not "wage-earners" are excluded from compulsory sickness schemes, but are offered voluntary insurance. So, too, are wage-earners who subsequently become unemployed. In spite of these exclusions, a study of sickness insurance legislation discloses that in most of the advanced countries, there is a strong tendency to bring all employed in manual work and the lower ranks of salaried employees under compulsory sickness insurance.

It is impossible to define the nature of the risks covered by sickness insurance. It is the function of the insurance, generally, to provide preventive and curative medical care and partial compensation for loss of wages in case of illness of non-occupational origin. "The fundamental object of social insurance" as the Labour and Social Legislation Committee of Chile, a country which is perhaps the most advanced in health insurance, has remarked: "is to provide for the preservation and increase, the recovery and replacement, of human capital by the most advanced and efficient scientific methods, in order to improve the conditions of life and the demographic composition of the population. Therefore, social insurance must aim at prevention and recovery wherever possible, and in any case it should compensate the economic injury caused by any loss of working capacity, whether partial, temporary, permanent, or total, and whether produced by causes inherent in the work or by the economic structure of society."

Cash benefits under sickness insurance are almost everywhere proportionate to the wages recently earned by the workers and represent the compensation for lost wages. The benefit is fixed generally at 50 per cent. of the basis wage, but in some, up to 60, or even 66-2|3 per cent. Until very recently rarely was the benefit adjusted to the family responsibilities of the beneficiary. A number of laws at present permit sickness funds to grant dependents' allowances as an adidtional benefit. In India a benefit of 40 per cent. of insurable remuneration for unattached workers, and a higher percentage for those with dependents may be fixed. The benefit may be reduced by 20 per cent. of insurable remuneration while the person is in hospital. Cash benefit is granted, in most of the systems, up to 26 weeks, though in a few chronic cases up to 39 or even 52 weeks. Chile has pursued the object of cash benefit to its logical conclusion and has granted it for the full period of incapacity, however long, in cases of curable diseases.

Maternity cash benefit is provided for insured women by all sickness insurance schemes. Rate of benefit is the same as under sickness insurance and the duration of benefit is determined by the maternity leave granted under national law. In most of the provincial maternity benefit schemes in India, such leave is granted for eight weeks, four before and four after childbirth. (The I. L. Convention on childbirth, however, suggests the granting of leave and benefits for six weeks before and six after childbirth). It is expedient to transfer the liability for maternity cash benefit from the employer to the sickness insurance institution in order to avoid the discrimination against married women in engagement and their discharge in the later stages of pregnancy, as also the failure to claim benefit for fear of incurring the employer's ill-will. In India, combining maternity benefit with sickness insurance will also facilitate the adoption of maternity benefit legislation in provinces which have yet to adopt such legislation. In addition to maternity benefit, sickness insurance invariably ensures funeral benefits in the case of the death of the insured or members of his family.

In organizing sickness insurance workmen's compensation is always combined with it for temporary incapacity and medical benefit. In cases where the responsibility of workmen's compensation appears to be involved, the worker will claim compensation if it is advantageous to him; if he does not do so, the sickness fund will act in his stead in order to reimburse itself. In India for the first four weeks of incapacity, the cost of compensation may be borne by the sickness fund and from the fifth week onwards, the cost may be refunded by accident insurance which should also be entirely responsible for pensions or lump sums in case of permanent incapacity and death.

The ideal to be aimed at of course is a public medical service for all, to the insured and the uninsured alike. No rational health policy can admit of the division of the population into two classes equally in need of medical care, but only one of which can obtain it. This ideal can be attained only after a few decades and by stages, considering the utterly insufficient provision made for public health services at the present time. Even in advanced countries the co-ordination of the medical service of sickness insurance with public health service is still an outstanding problem. In countries where health equipment is deficient, as it is in India, and the public health services have a limited budget, the gap is filled by the sickness insurance institution. Regarding medical care it should consist of free treatment by general practitioners, specialists, surgeons and visiting nurses and supply of drugs on strictly economical principles. Some payment may be made to public hospitals from insurance funds to improve the quality and capacity of the hospital.

The sickness insurance schemes are supported mostly by workers' and employers' contributions, and in a good number of cases by State contributions. As regards the proportions in which the several contributing parties share in the cost of insurance, the commonest practice is for the contributions of workers and employers to be equal. There are, however, important exceptions, particularly in the more recent legislation which seem to suggest a tendency to increase the employer's share and decrease that of the worker, especially in the case of lower income groups. In India, we may adopt a system in which the employer's share is more for the lower wage classes and, to equalize the total, less for higher wage classes. To facilitate administrative work, the insured may be divided into, say, six wage classes, and their contributions should be collected by the employers. The actual rate of contribution depends on the rate of the sickness benefits in cash and in kind, as also on administrative costs, cost of medicines, doctors' fees, and the incidence of sickness in the country. India will have to collect comprehensive data on all these before a fair or equitable rate of contribution can be fixed.

There is considerable controversy in India over State contribution to the insurance fund. An analysis of the practice in 19 countries with compulsory sickness insurance schemes discloses that the State does not make any contribution in four countries, and makes a contribution equal to that of the employer or worker in two countries. In the rest, contributions are made in most cases to meet in whole or in part the administrative expenses of sickness insurance schemes. In India, the State has definitely decided not to make any direct contributions; but indirectly, however, it can further the scheme by increasing hospital and public health services and making them available to insured and uninsured alike.

Agriculture

Research Scheme on the Storage of Groundnuts

By T. R. C.

The question of storage facilities, by itself an important one, for a predominantly agricultural country like India, has assumed added importance consequent on the emergency conditions now prevailing when both the Central and the Provincial Governments' food plans envisage the procurement of foodgrains from surplus areas and storing them for distribution at the proper time and according to ascertained needs, to the deficit areas. Even normally it is well known that the cultivators are handicapped for want of adequate storage and marketing facilities and where such facilities exist in the very few primary co-operative societies the possibilities of reducing to the minimum the loss due driage and wastage have not been fully employed. The problem became somewhat serious when in some cities e.g., Madras the stocking of essential food supplies against air-raid emergencies led to large waste due to bad storage. Thus there is need both for an efficient system of co-operative marketing of agricultural produce as also for investigating the best methods of storing the commodities until they could be disposed off. In this respect Madras has taken the lead and already rules exist for the grant of State loans to co-operative societies for the construction of godowns and the recent report on the Co-operative Marketing of Agricultural Produce has rightly suggested that other provinces and State Governments should consider the possibility of similar measures.

It is therefore gratifying to note that the Madras Government have now sanctioned an important scheme of agricultural research on the storage of groundnuts at a cost of Rs. 1,24,040 spread over a period of three years. The Imperial Council of Agricultural Research has given a grant of Rs. 62,000 to this scheme. Two other schemes of research one on insect pests of stored groundnut oilseeds and the other on the research of pests and diseases of groundnuts have also been approved at a cost of about Rs. 15,000. These schemes are of particular interest to South India. The matter arose out of complaints that groundnuts exported from the South Indian ports deteriorated abnormally resulting in huge loss to the cultivator. The Oilseeds Specialist took this up and prepared schemes of research and these were finally approved by the Government in conjunction with the Imperial Council of Agricultural Research.

In this connection, a small survey of the groundnuts position in South India would be relevant. In Madras three different commercial types of groundnuts are cultivated, viz., firstly, the Coromandel, Mozambique or Mauritius, secondly, the Peanuts or Khandesh and thirdly the Pollachi Red or Red Natal types. Of these, the Coromandel type is cultuvated throughout the province and constitutes 85 per cent. of the total acreage of the province. The Peanut variety occupies about 12 per cent. and is mostly confined to the districts of Guntur, Kurnool and North Arcot. The third variety contributes about 3 per cent. and is exclusively grown in the Pollachi taluk of the Coimbatore district. The cultivation of groundnuts is mainly done during the rainfed season. In the Pollachi area, it begins in May but in the Southern Districts of Ramnad and Tinnevelly it begins only in September. This is the main crop and comes on the market from September to March. The second also known as the summer crop is grown in the districts nearer to Madras City and mostly confined to South Arcot and the adjoining districts. The produce from this crop arrives in the market from June and is generally disposed of before the main crop comes in. Thus the crop arrives in two distinct periods.

In the villages, groundnut is generally stored in the form of nuts in shell and in this form it is said to remain without deterioration for long periods. In the Ceded Districts, where dry weather prevails at the time of the harvest, the ryots generally store the produce in unshelled form for long periods, even extending to over one year. Small quantities are stored in kernels in such places but the periods does not exceed generally a fortnight and therefore there is practically no chance of deterioration occurring at this stage. It is only in the port markets that the bulk of the produce is stocked in the kernel form awaiting shipment and the storage sometimes exceed periods of eight or nine months. Naturally, the deterioration and the damage at this stage is considerable.

Now to the methods of storage. The stock intended for export are always packed in gunny bags of the "B twill" variety and each bag generally takes in about 177 lbs. of the produce. The bags are piled up one over the other in godowns up to a height of 20 feet. There are various types of godowns in this Presidency but nearly half of them have corrugated zinc sheeting for walls and roofing and the others have masonry walls with either tiled, corrugated zinc or asbestos cement roofing. The flooring is not perfect in most cases and in others concrete flooring is provided. A few others have also stone slab flooring. Ventilation in most godowns is imperfect as no windows or ventilators are provided. When storing, generally some bedding material is provided on the floor to prevent the bottom bags getting spoiled due to pressure from the top bags and the rise of moisture or dampness from the ground. Some godowns have sand for this purpose up to a depth of 12 inches while in others groundnut shell and railway cinders are used though not to such depths as sand. Over these, a gunny purdah is put in and recently coir matting is also being used.

In spite of all these precautions, kernels stored in port godowns do deteriorate considerably in quality for various reasons. The damage done to the bottom layers of bags from the pressure of the top bags resulting in exudation of oil and caking up of the kernels aid also the intake of dampness from the floor is said to be very great. Different kernels deteriorate under different systems of storage. The nature of the flooring of the godowns, the material used for the bedding, the height to which the bags are piled up and the initial moisture content of the kernels do also contribute to a greater or lesser degree to the damage done. The loss done by the insect pests is also appreciably high and there have been frequent cases of rejection of stock by the Captains of vessels, lest the insects should spread to other commodities and spoil them. It is generally known that at least four important insect pests do damage to the stored kernels. Some feed on the kernels and reduce them to powder. The rate of deterioration of kernels having varying proportions of wholes, splits, immatures, nooks and damaged has also to be studied in this connection. The results of the researches will be awaited with keen interest as they are bound to have far-reaching effects on the agronomy of South India in particular.

Commodity Controls Section

Wheat Control in Retrospect

It is by now a threadbare charge against the Government of India that they failed to comprehend imaginatively the precariousness of our food economy and failed to take measure of the impending crisis until it was full on us. In training and experience, the Government was unprepared for the task of comprehensive economic control. Generally speaking, adapted admirably for routine administration the Governmental machinery lacked the needed resiliency. The bureaucratic mind was slow to learn and it learnt only under the sledge-hammer of events which were always three moves ahead of the Government. The result is that even after four years of war the Government has failed to outline a comprehensive food policy and is still moving from expediency to expediency while the gathering food crisis lours ominously on us.

Nothing illustrates better the waverings and vacillations of the Government straining under the weight of its task than the history of the rise and fall of its wheat control policy. Even in peace-time, India was barely self-sufficient in respect of wheat at the pre-war standards of consumption. Independent study had long established that the growth of our food production was not keeping pace with the growth of our population. Nevertheless, the outbreak of the war did not find the Government alive to the necessity of comprehensive food policy, and it was not until the end of 1941 that the steadily worsening wheat situation was forced into the notice of the Government. Its first reaction was to reduce the import duty on wheat from Rs. 1|8 to the nominal figure of two annas. But the rising trend of wheat prices halted only for a moment before resuming the upward career.

The bullish tendency in the wheat market was certainly contributed, at any rate, in part, by current exaggerated ideas about export requirements to the Middle East and the results of the Price Control Conference held at the time could hardly impress the public. The Government alarmed by the situation issued a warning on November 2, 1941 that the British Government would restrict purchases to immediate requirements and would take recourse to Australian wheat unless the Indian wheat market sobered down. Further the Government of India declared that the maximum prices which they would regard as tolerable was Rs. 4|6 applicable to the standard qualities in the ready market at Lyallpur and Hapur and by normal adaptation to other grades and other markets. A fortnight later, the Government rather naively threatened to appoint a Wheat Commission to acquire wheat to supply at reasonable prices such amounts as can be spared for *export*, and, if necessary, of the amounts required by the internal market. The Government also prohibited the export of wheat and wheat-flour outside India, except without permit of the Central Government. It also announced that the British Government would not buy Indian wheat until the end of the year and that two steamers had been allocated to bring 16,000 tons of Australian wheat to India. But the effect of all these calculated announcements were spoiled by a Reuter message coming a few days later to the effect that the Iranian Finance Minister had declared that large quantities of wheat had been imported from British India from where more consignments to the tune of 96,000 tons were expected to arrive in Iranian ports shortly. In any case, the basic situation being as it was, it was fatuous to believe that the market could be over-awed by mere threats and words of a Government which had yet to prove its competence in the matter of control.

With the wheat situation getting daily more serious, at last the Government was impelled to take action. It completely removed the import duty and on December 5, 1941, prohibited wholesale transactions at a rate above Rs. 4-6 per maund at Lyallpur and Hapur for spot delivery. The prohibition was extended to the futures market on the eve of Christmas and the Wheat Commissioner started work on December 30, 1941. We may recall that the price of wheat stood at Rs. 2-2 in August, 1939 and at Rs. 3-3 in April, 1940 and 1941. Further, the agriculturists had parted the crops at prices ranging from Rs. 3 and Rs. 3-8.

But it is one thing to issue a fiat and another to enforce it. If the Government believed that it could control the market merely by means of an order under the Defence of India Rules without possessing the administrative apparatus and adequate technical resources for control, it was surely labouring under a grievous illusion. The *sine qua non* of effective price control is at least so much control over supply and distribution as can exert marginal influence on the total market process. This the Government frankly lacked: the Government was technically totally unprepared. Besides, the Central Government operated through the agency of Provincial Governments which were continuously ready to disregard whatever little or misconceived lead was given by the Central Government.

One by one the Provincial Governments began to take steps, somewhat independently and it was hardly to be expected that any well-co-ordinated and uniform system of wheat control measures could possibly emerge out of such disjointed actions. On December 31, 1941, the Punjab Government prohibited export of wheat and wheat-flour and gradually imposed bans on inter-district movemnts of wheat. The Sind Government on January 20, 1942, under the D.I.R. fixed retail and wholesale prices for wheat and wheat-flour. The wholesale prices for wheat in Karachi was Rs. 5-8 per maund. The Government's control price was but a figure in the secretariat files and the black market was rampant and flourishing. The situation was frankly disconcerting, but the Central Government struggled valiantly like a small child on the surging waves lashing the beaches.

But the Government was apparently unmoved and on February 19, 1942, declared its firm intention to maintain the control price at Rs. 4|6. Nevertheless, it was a losing battle. In the upshot, it merely drove wheat underground and the Government was unable to lay hold of the stocks. So within five weeks of the declaration, the Government thought better of the question, and made a strategic retreat. The control price was raised to Rs. 5 at Lyallpur and Hapur and to Rs. 5-4 at Nawabshah and Mirpurkahs. At the Price Control Conference held on April 7, the Commerce Member admitted failure and could only hope that "with the fixation of new prices, it may be possible to avert the series of mischances that prevailed during the last two months" and suggested "a system of licensing of wholesale dealers by Provincial and State Governments."

With the new wheat starting to move into market, the U.P. and Sind Governments lifted the bans on export of wheat and wheat products, it being understood that all these bans would be replaced by a Central Regulation Order, banning inter-provincial movements with-

out the permit of the Wheat Commissioner. The Punjab Government also removed inter-district bans and fixed the maximum price at Rs. 5 at Lyallpur. The Punjab Government announced its "policy for the coming year" and proposed to build a stock to meet any emergency—a stock sufficient to last the entire urban population for a month. It was announced that in consultation with the Central Government the Punjab Government would decide on maximum amount of export to be allowed from the Punjab.

Meanwhile, it was becoming gradually clear to the Governments concerned, that without continuous control over supply and distribution, price control measures were doomed to failure. The Punjab Government declared its conviction about the necessity of keeping in close touch with the actual distribution of wheat and wheat products throughout the year. Dealers in foodgrains in the provinces were to be registered. But the central wheat control began to take some shape, however nebulous, only with the promulgation early in May, 1942 of the Wheat Control Order, contemplating a vague sort of regional rationing. The object was to institute a central system of regulation of interprovincial movements of wheat, co-ordinating the export surplus of surplus provinces and the estimated requirements of deficit provinces. Early in June, the Central Government constituted five Regional Price and Supply Boards for the purpose of co-ordinating the prices and supplies control policies of neighbouring provinces and states. And meanwhile, it fought hard to curb speculative activities. Future contracts in wheat and gram were prohibited and from time to time the Government issued warnings to "undisciplined and ill-conducted bodies indulging in speculation." The wheat position was extremely critical in some parts of India and there were threats of strikes in industrial areas and food riots. The Government announced in August, partly as a counter-move to the Congress threat, that the War Transport Department would give high priority arrangements to move wheat. But it was no more than a trivial stunt, quite unequal to the gravity of the situation.

The situation steadily deteriorated. It may be justifiably said that from June, 1942 onwards the price control of wheat remained all but nominal and the situation increasingly went out of control. The crux of the situation was that the Government had no adequate stocks of wheat with which it could operate. The belated "Grow More Food Campaign" initiated by the Government was largely frustrated by the restriction on the import of fertizers, the iron and steel control order which pushed up the prices of essential agricultural implements, absence of any irrigation policy, and so on. The increased yield of wheat last year was largely a windfall. In the prevailing atmosphere of uncertainty, everyone—grower, trader, consumer, speculator, employer—tended to ward and aggravate the situation.

Realising its desperate position, the Government at last approached the British Government for importation of Australian wheat, but the difficulty was shipping space. In July, 1942 the Supply Department asked for importation of wheat for military requirements and in September following, demand was also made for civil requirements. At last the Indian Government, alarmed by the increasing gravity of the situation, set up the Food Department—full one year after the impending food crisis had already become evident. In December, 1942, the Food Department made a request for omport of well over half a million tons of wheat for civil and military requirements. The British Government promised to supply less than half of the amount demanded, but in the end only about half of even the promised amount arrived, out of which barely 50,000 tons were probably available for civil consumption.

The situation at the beginning of 1943 was thus: Although control prices of wheat and *atta* were fixed at Rs. 6-8 and Rs. 8-12 per maund respectively in Calcutta, the actual price of *atta* in the bazar varied between Rs. 17-8 and Rs. 21. The Food Conference held in December, 1942 was, as usual, an innocuous affair. Speculators took heart and began to bid up the prices of wheat and competitive grains.

Towards the close of December, 1942, the Central Government in consultation with the Punjab Government set up a purchasing agency to buy on behalf of the Punjab Government as well as the deficit provinces and the army. But the Provincial Governments were not organized to take adequate action in time during the harvest period and the procurement operations were a dismal failure, especially in relation to the *Kharif* crops harvested in December|January. The greatest failures were in Bihar, Orissa and the Eastern States but even in the U.P. and the C.P. the position was hardly better.

The Government was greatly discouraged by the results of the procurement operations. Having begun with bare price control orders and moved to a nebulous form of regional rationing, the Government now veered round to the position that "the essence of the scheme is to control supplies and the price will look after itself and find its proper level." So on January 24, 1943, wheat was decontrolled with the object of making hoarders disgorge and securing physical control of stocks before they move on from surplus to deficit areas. The Government of India set up Purchasing Agencies in surplus provinces and co-operating States, prohibited the export of food grains beyond Provincial and State boundaries and took upon itself the task of distributing the purchases effected. Within a few hours of de-control the price shot up by 50 per cent. and soon the price was near about Rs. 12. It is reported that the Government was able to procure nearly 2 lakh tons of the old crop from the Punjab. But it is also strongly rumoured that on the basis of this "success," the Government of India at the special request of the Secretary of State for India, withdrew in April, 1943, its request for further import of wheat.

But the basic fact remained that the Central Government had not the power to enforce its schemes itself and the Provincial Governments refused to toe the line of a uniform policy and themselves did not know their own minds. The United Provinces and Sind decided on independent policies. The Sind Government raised the control price to Rs. 7 and prohibited private export of wheat products. It was announced in July, 1943 that the Sind Government has earned about Rs. one crore as a result of its policy of buying wheat at the control rate and selling the same to other Governments at market rates. The U.P. Government which in February, 1943 embarked on a comprehensive Food Control

Scheme with six Regional Controllers and a plan for internal distribution to "Regulated Towns," soon discovered that the plan would not work because the growers withheld stocks in spite of offer of good prices, laterly increased by Rs. 2 per maund. So the U.P. Government in April abolished price control, removed all restrictions on import by road and sale of foodgrain both in regulated towns and purchasing centres in the U.P. The fiasco in the U.P. had its repercussions in the Punjab where promulgation of the Foodgrains Control Order was postponed. The Hon'ble Sir Chhotu Ram, the Revenue Minister of the Punjab, was actively preaching that the Central Government should not "allow itself to be betrayed again into the coils of control." But the Bombay Government. unmoved by the U.P. or the Punjab trends proceeded with stricter control and plans for rationing in bigger cities. So too Madras. Thus while in some areas tightening of controls were being attempted, in others price control and rationing measures were discouraged on the plea of ensuring a fair price to farmers. The Governments alternately shed tears for the poor farmers and the poor consumers, and the middlemen and speculator were happy.

Meanwhile Major General Wood in April, 1943, outlined his famous, ill-fated basic plan with its "seven-point programme to feed India for the next twelve months." His was an unenviable task. He had no machinery. He had no statistics. He independently assessed the exportable surplus of the surplus provinces and the needs of the deficit provinces and got up some "target figures" which the provinces strenuously resisted. The provinces were at loggerheads with one another and with the Centre. Sir Chhotu Ram was touring his province, advising zamindars to hold back their foodgrains until prices demanded by them are paid. The Governments of the Punjab, the N.-W.F.P., Sind and other provinces had their own independent ideas about wheat control. The wheat market in the country was fragmented and in utter confusion.

Under such circumstances, the Third Food Conference met in July last, under the shadows of famine conditions reigning over large tracts in various parts of the country. The "basic plan" was blessed. Anti-hoarding drive and individual rationing in urban areas were decided upon. The provinces were given freedom within the limits of their basic quotas, to have direct access to surplus provinces and make direct transport arrangements for themselves. But no comprehensive and all-India scheme emerged. It is an amazing fact testifying to the resiliency of our Governmental machinery that even after four years of war and two years of continuous bungling, the Governments have been unable to gather adequate technical resources for effective control. Today wheat is quoted at Rs. 7-13 at Karachi, Rs. 13-14 at Hapur and Rs. 10-11 at Amritsar. The Food Department still exists but the second Food Member has abdicated and Major-General Wood has abdicated. It almost appears that the Government are by now convinced that they have nothing to do but to dally with short-term and long-term conferences and committees, until the improvement of the military situation in Europe and the re-occupation of Burma bring their own relief. It is to be devoutly hoped that the Government's machinery for facing the food crisis, will be in working order by the time the crisis has passed away independently of their fatuous efforts.

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Investments

BOMBAY, Sept. 1.

(From Our Own Correspondents)

The undertone of the market ruled from steady to firm during the week. Textiles were on the whole active but there was little improvement in prices. Centurys have been most active and the quotation has improved from Rs. 850 to Rs. 865; the company has declared an interim dividend of Rs. 13 per share against Rs. 12 last year. The market, however, understands that the company has made a tremendous profit during the first half of the year somewhere in the vicinity of Rs. one crore and 20 lakhs. These profits, if true, are excellent. The company's capital is Rs. 27 lakhs and thus the six monthly profits are over four times the capital when allowance is made for taxation and other charges. Still the company is growing in strength and strengthening its position for any future depression. Bombay dyeings and Kohinoors are slightly better. the closing quotation being Rs. 1,997-8 and Rs. 623. The event of the week is the transfer of the managing agency of the Enid Sassoon United Mills. It is reported that the present agents have sold their huge holdings of E|D Ordinaries of about 17,00,000 ordinary shares of Rs. 10 each and about 20,00,000 deferred shares of Re. 1 each. Purchase price is Rs. 17-8 for Ordinaries and Rs. 3-4 for Deferreds and the total deal amounts to around Rs. 4 crores. Several large parties have combined to purchase this block of shares. It remains to be seen whether a part of this block comes on the market for liquidation. It is more than probable that sooner or later prices of these shares should decline under the selling pressure of even a small portion of these shares. Market has already dropped from Rs. 20-4 to Rs. 19-4 after having at one time touched Rs. 18-12. The gilt edged section has been fairly quiet with little inquiry for short and medium dated loans. 3 per cent. 1946 loan has gone down to Rs. 102-6 while 3½ per cent. 1947-50 to Rs. 103-5. After heavy purchases in the recent past the market is now digesting its holdings and 3½ per cent. paper is ruling comparatively dull around Rs. 96-15 to Rs. 97. The war situation continues favourable. However the absorbtion by the market of Government loans cannot continue as heavily as in the past and can be expected that steady conditions would prevail for some time in the gilt edged market. There is also the report that new provincial loans might be floated, market has always shown interest in such loans particularly as they are available at a small discount.

MADRAS, Aug. 28.

The Government Securities market was very lively and a very large volume of investment buying was seen. Three and a half per cent. paper was very firm and transactions resulted up to Rs. 97-1. Three per cent. Loans 1963-65 came in for business at Rs. 97-2. Provincial Loans were a firm market and Madras Loans were taken at hardening rates. State Loans were not available and all the Mysore Loans were in good demand. There was none offering in Travancore Loans. The Cochin Government have given notice of repayment of the 5 per cent Loans, 1943-53 on October 1, 1943 at par. They have also announced the issue of a New Loan for Rs. 70 lakhs carrying interest at 3 per cent. and redeemable in 1953-55. The issue price has been fixed at Rs. 99-8 and conversion terms are offered to the holders of 5 per cent Loans 1943-53 which will be accepted at face value. The list will open on September 1 and its success in the present conditions of the money market is assured.

Ceiling prices for yarns and piecegoods have not proved to be the nightmare they threatened to be and operators take the view that they are not likely to make serious inroads into the profits of the mills so as to impair the dividend paying capacity. Therefore there has been a general buying of textile shares and the overbought position of the market is slowly getting liquidated. Though there has not been a sharp ascent, a smart recovery in prices has been seen. As usual, the Coimbatore group of shares was in the vanguard. There was a widespread turnover in the Planting section. Prices have advanced substantially in many cases and some of the new issues have moved up fractionally. Among Rubber shares, Cochin Malabars were taken up at Rs. 19-2. Tea-cum-Coffee shares were taken up freely Nilgiri Neerugundis were done at Rs. 13. United Nilgiris improved sharply from Rs. 250 to Rs. 257-8. Fringfords, Malankaras, O. Valleys, Peermades and Periakaramalais are some of the other shares that changed hands frequently during the week. In the miscellaneous section, sugars and breweries and chemicals had a small turnover and prices were generally firm. In the steels section, Indian Steel Rollings and Bruntons met with fair volume of business and hardened at the close. The Mysore Industrial group of shares was moderately active. Mysore Papers were absorbed at Rs. 23-12. In the Banks section, Reserves were again livelier and business transpired up to Rs. 117-8. There were good inquiries and a fair volume of business in Indians and Indo-Commercials.

NEW DELHI, Sept. 2.

Markets are very active. Recovery in prices is substantial and widespread. The highly encouraging war news coupled with the satisfactory nature of Government control over textiles trade continues to have a bullish effect over markets. Textiles have scored further gains on persistent buying, fresh speculative support and short covering. Though in Bombay, the gains were wiped off on profit-taking and absence of fresh support at higher levels, yet on balance over the week modest net gains have been recorded. In Calcutta and locally, the upsurge in values is not only maintained but supported. New Victorias continue to be active on reports of higher earnings during the current year and the price has moved to Rs. 9. Cawnpore Textiles are quoted at Rs. 12-12, while business has transpired in Raza Textiles at Rs. 65-8. Elgins find support at Rs. 75. Delhi Cloth Ordinaries are in demand at Rs. 114-8. Dunbar have announced a lower dividend at Rs. 6 as against Rs. 8 while Bowreah have maintained the dividend at Rs. 15 for the six months ending June. In the steel section, there was good activity, and prices moved up briskly in sympathy with textiles but later on met with some realizing. The tendency in this section is guided by the cast of mill shares and particularly by the war news from Indo-Burma front. Tata Steel Defds. and ordinaries moved up to Rs. 1920 and 390 from Rs. 1870 and Rs. 376 but later on eased off to Rs. 1,875 and Rs. 378 to close at Rs. 1,890 and 381. Indian Irons and Steel Corporations also registered minor gains. For Indian Irons, a final dividend of Rs. 1-4 is expected. Locally, the star event of the week was provided by Amrit Banaspati Share. Or report that the management has up their sleeves some very remunerative extension scheme, the price o: Ordinaries advanced from Rs. 19 to Rs. 28, of Deferrec from Rs. 5-4 to Rs. 10 and Preference from Rs. 13-12 t Rs. 15 with buyers over. Amrit Chemicals Ordinarie and Deferreds and Perfumeries Ordinaries and Defer reds also moved up in sympathy. Turnover has beer considerable and gains in prices substantial.

Commodity Markets

BOMBAY, Aug. 28.

The Ministry of Food has been a heavy buyer of groundnuts and is reported to have purchased about 25,000 tons at about pound 35 shillings 15 for forward and pound 35 shillings 7 pence 6 for ready. As a result of covering their sales to the Ministry of Food by many stockists, prices of groundnuts recorded appreciable recovery. Bombay Bold which fetched Rs. 88 per candy in the earlier part of the week has improved to Rs. 96. Khandesh quality has also increased to Rs. 99.

Regular forward trading has commenced in castor seed. New option delivery for May 1944 opened at Rs. 84-4 and after receding to Rs. 83-4 touched the high level of Rs. 91-14. Ready castor seed was sold at Rs. 18-11.

In the linseed section, odd transaction are reported to have been done at Rs. 14-10 and Rs. 14-11 per cwt.

Maximum prices of cocoanut oil and copra cake have been fixed by the Local Government, effective from August 22. Coccanut oil and copra cake cannot be sold within the limits of the city over the following rates:—

COCOANUT OIL (naked): Ex-works price Rs. 830 per ton; wholesale price Rs. 860 per ton; retail price Annas 6 and 6 pies per pound.

COPRA CAKE: Rs. 8-8 per bag of 6 quarters. Retail price Rs. 1-7 per quarter (naked).

CASTORSEED: May, 1944 delivery Rs. 91-8 per candy; Ready delivery Rs. 90 per candy.

GROUNDNUTS: Bold Rs. 95|96 per candy.

LINSEED: Rs. 16 per cwt.

COTTON: Jarilla 3|4 inches spot Rs. 475 per candy.

GREY LEOPARD: Rs. 2-7-6 a pound.

MADRAS, Aug. 28.

Piecegoods and Yarn Groundnuts

In the piecegoods market, dealers were anxious to dispose of their stocks and a fair volume of business was done with upcountry consuming centres. Merchants showed no interest in entering into forward contracts with the mills. It is gathered from reliable sources that stocks of piecegoods and yarn in India as on July 31, 1943 amounted to 15.7 crores of yards and 137.48 lakhs lbs. respectively, the Madras Presidency figures being 186.98 lakhs yards and 9.37 lakhs lbs. respectively. It would be interesting to note here that the estimated production of piecegoods in India is 468 crores yards. In order to avoid wasteful transport of standard lines of goods, it is understood that a zonal system of distribution will be introduced as follows: (1) Production area, Ahmedabad distributing to Gujerat, Kathiawar and up to Delhi, (2) Cawnpore distributing to U.P., (3) Calcutta to Bihar and Bengal, (4) Bombay to C.P. and Calcutta, (5) Madras to Madras, Mysore etc., (6) Delhi to Punjab and (7) Sholapur to Maharashtra and South. This scheme, it is stated, will not apply to special lines of goods produced in any zonal area.

The Yarn market was very active during the early part of the week and a fairly brisk turnover resulted. Prices showed a tendency to harden but at the close the market was dull. Arrivals from mill centres were fair but the merchants were not willing to enter into forward contracts. It is understood that the Yarn Commissioner, Madras has allowed the export of 19,300 bales of yarn from the Presidency during the month, of which 11,000 bales constituted 40's. It is stated that no further exports of 40's would be allowed but limited quantities of 60's would be allowed.

Groundnuts

With a sudden demand for groundnuts from Calcutta and feverish buying by those interests in the several centres in the Presidency, prices shot up from Rs. 83 to Rs. 90. It is reported that large sales have been effected. Due to the high local prices, the British Ministry of Food withdrew from the market and no business resulted on that account. Exporters were also not interested in the market. Small quantities of the new crop are moving from the Guntur District and this is expected to gain momentum in the next few weeks. The oil market was dull. Cake met with good demand from agriculturists but in view of the low position it takes in the Railway Priority List arrivals and supplies were difficult.

Skins and Hides

Local business continued to be fair. Skins were generally higher than the control basis. Inquiries from London were poor but there were small shipments of skins to America against old orders. About 600 bales were lifted on U.K. account during the week.

HAPUR, Aug. 30.

Juwar

Wide and violent were the fluctuations in juwar prices. The market started with a bullish sentiment consequent on gigantic purchases by up-country speculators and their optimistic ideas and later there was a reaction in prices following rumours that the delivery of juwar would be settled before due date. The staunch bull operators became nervous and lost their confidence and tried to harvest whatever profits they could by way of switching up their transactions. In view of the excellent weather and crop conditions, the future tendency of the juwar market appears to be easy. The *Poos* delivery for juwar opened at Rs. 7-12-6 and closed at Rs. 7-3-0¾. The highest and the lowest peaks touched during the week were Rs. 7-5-0 and Rs. 7-2-3¾ respectively.

Bardana

The Bardana market showed a quiet and dull atmosphere in the beginning with traders evincing little interest., but in the weekend turned fully steady following colourful Cawnpore advices and speculators' support. The local bardana prices for mangsir opened at Rs. 58 and closed at Rs. 58-12, touching the highest at Rs. 58-12 and the lowest at Rs. 57-12.

Wheat

The market was quiet with fluctuations confined to narrow ranges. Arrivals averaged 200 mds. daily. The local stock is placed at 211 khattis, out of which 200 belong to the Government.

Urd

The prices were firm in sympathy with the firmness of other pulses and good demand Traders are taking little interest in methi market. The undercurrent of the *gur* market is firm and cheerful.

The following are today's latest quotations against those quoted last week in brackets:

	This Week	Last Week
Wheat	14 1 6	13 14 6
Gram	11 13 0	11 4 0
Barley	10 0 0	10 5 0
Arhar	9 14 0	10 5 0
Gur	8 4 0	8 8 0
Juwar, Poos	7 3 0¾	7 0 10½
Bardana Mangsir ..	58 12 0	58 0 0

CURRENT STATISTICS

BANK OF ENGLAND

(000's omitted)

	Aug. 25 1943	Aug. 18 1943	Aug. 30 1939	Aug. 25 1942
Total Bullion	1,652	1,648	233,700	1,432
Public Deposits	7,200	6,800	31,100	7,300
Other Deposits	223,400	204,700	129,100	192,800
Of which Banker's Deposits..	166,800	149,500	90,100	146,000
Govt. Securities	202,000	187,100	113,100	139,700
Other Securities	16,300	15,900	31,000	18,700
Of which Discounts & Advances	3,400	1,800	6,400	6,700
Notes and coins	28,700	24,700	34,200	52,900
Notes in Circulation	974,900	977,000	529,500	823,600
Ratio of Reserve to Liabilities..	11.59%	11.66%	21.38%	26.43%

U.S. FEDERAL RESERVE BOARD

(000's omitted)

	Aug. 26, 1943. $	Aug. 19, 1943. $	Aug. 31, 1939. $	£ Aug. 27, 1942. $
Resources—				
Total Reserves ..	20,453,000	20,453,000	14,660,610	20,809,000
Total Bills Discounted	40,000	18,000	6,199	5,000
Bills bought in open market ..	..	..	550	..
Total U.S. Govt. Securities ..	8,777,000	8,155,000	2,425,190	3,389,000
Liabilities—				.....
Federal Reserve Notes in Circulation ..	14,710,000	14,625,000	4,609,280	10,031,000
Deposits — Member Bank Reserve Account ..	12,702,000	12,659,000	10,951,000	12,526,000
Ratio of total Reserve to Deposit and Federal Reserve Note—				.....
liabilities combined..	69.8%	71.1%	86.9%	96.4%

RESERVE BANK OF INDIA

WEEKLY STATEMENT OF ACCOUNT AS ON AUGUST 20, 1943.

ISSUE DEPARTMENT

Liabilities	Rs.	Rs.
Notes held in the Banking Dept. ..	10,58,52,000	
Notes in circulation	755,11,48,000	
Total Notes issued		765,70,00,000
Total Rs. ..		765,70,00,000

Assets	Rs.	Rs.
A. Gold Coin and Bullion—		
(a) Held in India	44,41,43,000	
(b) Held outside India	..	
Sterling Securities	613,83,48,000	
Total of A.		658,24,91,000
B. Rupee Coin		14,07,41,000
Govt. of India Rupee Securities: ..		93,37,68,000
Internal Bills of Exchange and other Commercial Paper		..
Total Rs. ..		765,70,00,000

Ratio of Total of A. to Liabilities: 85.967 per cent.

BANKING DEPARTMENT

Liabilities	Rs.
Capital paid up	5,00,00,000
Reserve Fund	5,00,00,000
Deposits—	
(a) Government—	
(1) Central Government of India ..	22,94,51,000
(2) Government of Burma	82,26,000
(3) Other Government Accounts	9,67,16,000
(b) Banks	62,67,74,000
(c) Others	3,79,17,000
Bills Payable	1,62,35,000
Other Liabilities	5,40,67,000
Total Rs. ..	116,94,83,000

Assets	Rs.
Notes	10,58,52,000
Rupee Coin	15,12,000
Subsidiary Coin	2,10,000
Bills Purchased and Discounted—	
(a) Internal	..
(b) External	..
(c) Government Treasury Bills	94,65,000
Balances held abroad*	94,33,51,000
Loans and Advances to Governments	38,00,000
Other Loans and Advances	10,00,000
Investments	7,67,42,000
Other Assets	2,75,56,000
Total Rs. ..	116,94,83,000

*Includes Cash and Short-term Securities.

ISSUE DEPARTMENT COMPARATIVE STATEMENT

(In thousand Rupees)

	Aug. 20, 1943.	Aug. 13, 1943.	Aug. 21, 1942.	Sept. 1, 1939.
Held in the Banking Department ..	10,53,52	10,78,00	11,57,47	35,04,49
In Circulation ..	7,53,11,43	7,54,61,16	4,70,77,40	1,82,13,17
Total Notes ..	7,67,70,00	7,65,39,16	4,82,34,87	2,17,17,66
A. Gold Coin & Bullion	44,41,43	44,41,43	44,41,43	44,41,43
Sterling securities ..	6,13,83,48	6,13,83,48	3,06,79,17	59,50,11
Total of A. ..	6,58,24,91	6,58,24,91	3,51,20,60	1,03,91,57
B. Silver Coin ..	14,07,41	13,76,82	28,74,89	75,87,11
Rupee securities ..	93,37,68	93,37,43	1,02,39,38	37,38,98
Silver Bullion under Coinage				
Percentage of Reserve to Liabilities ..	85.967	86.002	72.812	63.149

BANKING DEPARTMENT COMPARATIVE STATEMENT

(In thousand Rupees)

	Aug. 20, 1943.	Aug. 13, 1943.	Aug. 21, 1942.	Sept. 1, 1939.
Cash	10,75,74	10,93,43	11,72,76	35,15,27
Balances held abroad ..	94,33,51	85,41,33	76,89,15	10,08,33
Investments ..	7,67,42	7,67,42	6,61,92	6,81,34
Bills discounted—				
(a) Internal	..	..	..	..
(b) External	..	..	..	..
(c) Govt. of India Treasury Bills ..	94,65	94,65	21,23	1,15,57
Loans and Advances to the Government ..	38,00	83,00	1,09,00	31,00
Deposits—				
(a) Government ..	33,43,95	32,43,15	12,03,96	14,89,43
(b) Banks ..	62,67,74	55,95,21	66,95,83	23,91,43
(c) Others ..	3,79,17	3,84,33	2,35,49	1,24,37

STERLING PURCHASES

(000's of £

	Total Amount Purchased.	Average rate.
1943:—		
January	8,132	1sh. 6d.
February	11,070	1sh. 6d.
March	17,779	1sh. 6d.
April	9,219	1sh. 6d.
May	8,721	1sh. 6d.
June	6,338	1sh. 6d.
July	7,006	1sh. 6d.

IMPERIAL BANK OF INDIA

WEEK ENDED 20TH AUGUST, 1943.

Liabilities	Rs.	Rs.
Capital—		
Authorised—2,25,000 shares of Rs. 500 each	11,25,00,000	
Issued and Subscribed—2,25,000 shares of Rs. 500 each	11,25,00,000	
Called up—75,000 shares of Rs. 500 each, fully paid	3,75,00,000	
1,50,000 shares of Rs. 500 each, Rs. 125 paid	1,87,50,000	
		5,62,50,000
Reserve Liability of Shareholders— Rs. 375 per share on 1,50,000 shares	5,62,50,000	
Reserve Fund	..	5,75,00,000
Fixed Deposit, Savings Bank, Current and other Accounts..	..	196,47,56,000
Loans against Securities per contra ..	..	..
Acceptances for Constituents ..	..	..
Sundries	..	85,96,000
Total Rs. ..	..	208,71,06,000

Assets	Rs.	Rs.
Investments—		
Government Securities	133,06,70,000	
Other Authorised Investments ..	1,99,55,000	
		135,06,25,000
Advances—		
Loans	11,70,06,000	
Cash Credits and Overdrafts ..	22,12,18,000	
Bills Discounted and Purchased ..	3,60,29,000	
		37,42,53,000
Liability of Constituents for Acceptances per contra	..	..
Dead Stock	..	1,71,89,000
Sundries	..	65,99,000
Bullion	..	..
Cash—	.....	.....
In hand and with the Reserve Bank of India	32,38,86,000	
Balance with other Banks	1,45,54,000	
		33,84,40,000
Total Rs.		208,71,06,000

TENDERS FOR TREASURY BILLS

(In thousands of rupees)

Week Ending		Amount Tendered.	Amount Accepted.	Average Rate.	Intermediates	Sold in favour of Issue Dept.
June	4	11,88,00	8,00,00	1 1 0	3,90,25	6,57,75
,,	8	12,31,50	6,00,00	1 1 0	5,70,50	6,68,75
,,	15	12,80,25	8,00,00	1 1 0	3,74,25	3,57,00
,,	22	11,11,00	8,00,00	1 1 0	4,11,50	6,83,50
,,	29	9,07,00	8,00,00	1 1 0	1,20,75	7,82,00
July	6	4,81,25	3,12,25	1 0 0	40,50,00	3,15,50
,,	13	13,22,25	8,00,00	0 15 11	..	35,59,00
,,	20	15,93,76	8,00,00	0 15 9	..	10,64,25
,,	27	19,76,50	8,00,00	0 15 7	..	3,59,00
Aug.	3	13,83,00	8,00,00	0 15 0	..	3,47,00
,,	10	14,73,25	8,00,00	0 14 11	..	3,16,25
,,	17	12,36,75	8,00,00	0 14 10	..	9,50,00
,,	25	16,41,25	8,00,00	0 14 11	..	2,36,00

SCHEDULED BANKS

(In thousand Rupees)

	20-8-1943	13-8-1943	21-8-1942	1-9-1939
Demand Liabilities in India	438,80,50	433,79,87	296,22,03	134,36,49
Time Liabilities in India	136,53,21	136,36,64	96,88,33	102,24,34
Cash in India	19,28,92	18,65,42	11,64,06	6,69,92
Balances with Reserve Bank	62,02,63	54,36,01	66,41,21	25,17,19
Advances in India ..	143,87,76	143,12,49	82,81,46	101,52,16
Bills discounted in India	3,61,19	3,65,80	1,59,44	3,57,29

DATES OF MATURITY OF GOVERNMENT'S OUTSTANDING TREASURY BILLS

Date of Maturity.	Amount (000s of Rs.)	Date of Maturity.	Amount (000s of Rs.)
Bills maturing on or before 31st July, 1943, but not paid upto date—			
1st ..	2,00	10th ..	9,50
3rd ..	16,00	11th ..	7,95,25
5th ..	1,33,50	12th ..	3,17,50
6th ..	1,04,50	14th ..	30,00
7th ..	8,19,75	16th ..	62,50
8th ..	28,00	17th ..	2,34,25
10th ..	5,00	18th ..	8,90,50
12th ..	2,16,50	19th ..	3,00
13th ..	90,25	21st ..	21,25
14th ..	7,28,25	23rd ..	15,75
17th ..	40,50	24th ..	39,50
19th ..	1,14,25	25th ..	7,85,50
20th ..	7,39,25	26th ..	35,50
24th ..	36,50	28th ..	40,50
26th ..	2,69,25	30th ..	33,50
27th ..	1,15,00	October, 1943—	
28th ..	7,51,00	2nd ..	8,02,00
29th ..	50,00	3rd ..	5,00
31st ..	5,00	9th ..	3,12,25
September, 1943—		15th ..	1,25
2nd ..	2,57,25	16th ..	7,98,75
3rd ..	16,25	22nd ..	31,25
4th ..	8,42,00	23rd ..	7,68,75
5th ..	2,47,00	28th ..	4,50
7th ..	6,00	29th ..	5,00
9th ..	22,00	30th ..	7,90,50
		Total ..	125,44,25

SUGAR POSITION

1942-43

(Figures in Tons)

Producing Areas.	Production upto 15-8-43	Despatches during the period 8-8-43 to 15-8-43.	Progressive total of despatches from 1-12-42 to 15-8-43.	Percentage of progressive production.	Physical as on 15-8-43.
United Provs.	6,13,248	15,001	4,13,204	67.4	2,00,044
Bihar ..	2,37,671	3,367	1,46,788	61.8	90,883
Bombay ..	77,221	933	58,777	76.1	18,444
Madras ..	32,526	938	22,757	70.0	9,771
Punjab ..	6,879	2	5,715	83.9	864
Bengal ..	16,537	925	8,743	52.9	7,794
N.-W.F.P. ..	3,167	2	2,451	77.4	716
Orissa ..	2,092	5	1,669	79.8	423
Sind ..	2,008	62	1,112	55.4	686
Indian States	81,604	3,267	63,451	77.8	16,153
Total ..	10,72,655	24,501	7,24,667	67.6	3,47,988

N.B.—(1) Balance physical stock of 1941-42 season sugar as on 15-8-1943 was 594 tons.

(2) Information received from Indian States is not complete.

(3) Only one factory was still crushing on 15-8-1943.

STATISTICS OF STRIKES IN JUNE 1943

	Number of strikes.	Strikes in which wages were cause.	Workers involved.	Days lost.	Successful.	Partially successful	Unsuccessful.	Indefinite.	In progress.
Total for 1942—									
Provisional	654	381	8,20,495	52,93,027	84	164	303	5	98
June 1942 ..	41	25	21,727	1,53,587	7	9	16	..	9
January 1943 ..	103	51	1,00,271	4,41,813	14	45	37	..	7
February 1943	80	35	46,520	1,91,410	7	20	24	1	8
March 1943 ..	61	41	48,553	1,19,161	6	20	18	1	15
April 1943 ..	98	74	17,180	80,781	8	41	28	5	16
May 1943 ..	84	65	20,575	97,950	3	7	18	6	50
June 1943 ..	46	22	132,238	*1,12,531	7	13	19	2	5

*Do no include figures in respect of 3 strikes in Bengal.

WORKING CLASS COST OF LIVING IN INDIA SINCE AUGUST 1939.

(Base: August 1939 100)

	*Bombay				†Ahmedabad				‡S	**Jubbulpore			¶Lahore			¶¶Madras			holapur			Cawnpore			¶Nagpur			¶
	1939-40	1939-40	1939-40	1939-40	1939-40	1939-40	1939-40	1939-40	1940-41	1940-41	1940-41	1940-41	1940-41	1940-41	1940-41	1941-42	1941-42	1941-42	1941-42	1941-42	1941-42	1941-42	1942-43	1942-43	1942-43	1942-43	1942-43	1942-43	
Aug.	100	109	125	160	100	107	126	168	100	104	118	158	100	112	130	203	100	111	125	183	100	117	131	202	100	102	120	177	100	110	117	140
Sept.	101	107	123	162	104	108	126	160	100	103	119	162	105	113	133	202	100	111	125	183	107	124	138	202	103	108	125	183	105	110	117	149
Oct.	103	108	119	164	103	108	126	166	103	103	123	177	105	112	134	206	98	117	125	184	105	124	138	202	104	111	133	186	106	111	117	155
Nov.	104	108	120	170	111	111	129	168	108	103	130	196	105	112	143	224	105	114	131	190	107	124	141	214	123	115	143	191	107	112	120	159
Dec.	108	110	123	179	115	108	136	204	114	104	136	201	112	111	151	224	x116	113	136	208	x119	119	153	231	123	115	143	252	110	112	123	161
Jan.	109	111	130	193	111	108	130	237	110	105	132	201	114	110	145	225	111	111	138	212	112	119	148	228	109	113	143	264	109	110	119	164
Feb.	107	113	129	195	108	108	129	228	108	105	127	207	112	108	144	234	105	109	134	234	107	117	147	292	108	111	147	255	106	110	117	167
Mar.	105	113	130	198	107	108	132	237	103	108	132	219	109	106	150	246	105	108	133	262	109	121	155	278	110	109	145	254	107	110	117	173
April	105	115	131	214	107	111	136	256	101	107	136	226	110	107	149	268	106	113	138	291	110	124	155	279	110	120	148	267	108	111	121	176
May	106	116	135	227	105	112	141	..	103	107	142	..	109	108	155	299	111	113	145	317	112	122	156	309	101	113	155	..	109	110	123	177
June	106	116	145	232	110	114	152	..	104	111	149	..	108	114	175	336	109	116	160	361	116	126	178	317	100	109	162	..	109	111	131	183
July	108	120	160	..	108	121	160	..	104	115	153	..	109	126	190	341	108	120	181	..	119	134	199	..	102	114	166	..	109	115	136	..

* Base: Year ending June 1934. † Base: Year ending July 1927. ‡ Base: Year ending January 1928. ¶ Base: Year ending January 1927. ** Base 1931-35. ¶¶ Base: Year ending June 1936. x Revised figure.

INDEX NUMBERS OF WHOLESALE PRICES BY GROUPS OF ARTICLES

ALL-INDIA

(Prices for week ending 19th August 1939=100)

	Feb. 1943.	Jan. 1943.	Feb. 1942.
Food and tobacco ..	207.0	190.8	132.3
Other Agr. Com. ..	193.8	783.3	125.3
Raw Materials ..	172.0	171.5	158.0
Manufactured Articles ..	225.5	224.1	162.3
Primary Commodities ..	190.5	182.0	140.6
All Commodities ..	197.6	190.4	145.0
Chief Articles of Export ..	187.6	177.2	142.4

* Issued by the Economic Adviser, Govt. of India.

BOMBAY

(July 1914=100)

Commodities.	No. of Items.	Apl. '43.	Mar. '43.	Apl. '42.
Foodgrains	215	211	133	
Cereals	7	215	202	138
Pulses	2	273	244	117
Sugar	3	238	222	157
Other Food	3	259	253	141
All Food		228	222	138
Oilseeds	5	185	156	102
Textiles (Cotton)		176	174	103
Cotton, Raw ..	5	94	94	71
Cotton, Manufactures	6	313	307	156
Other Textiles ..	2	83	83	83
Hides and Skins ..	3	99	99	99
Metals	5	770	746	665
Other Raw Manufactured Articles	4	232	232	225
Non-food		264	274	228
General Index		264	256	196

CALCUTTA

(Prices in July 1914=100)

Commodities.	July 1943.	June 1943.	July 1942	Sept. 1939.
Cereals	498	447	153	88
Pulses	393	365	151	99
Tea	130	130	197	142
Other Food Articles	580	565	289	125
Oilseeds	284	272	162	106
Mustard Oil ..	207	192	95*	81
Jute, Raw ..	129	134	67	80
Cotton, Raw ..	183	199	104	75
Jute Manufactures	190	193	126	102
Other Textiles (Wool and Silk) ..	194	220	170	110
Hides and Skins ..	95	95	85	67
Metals	332	342	275	147
Other Raw & Manufactured Articles	207	199	248	95
All Commodities ..	332	319	198	106

* Average of 9 months.

BANGALORE*

(Base year 1914=100)

Particulars	April 1943.	March 1943.	April 1942.
Foodgrains and Pulses ..	247	239	142
Oil and Oilseeds ..	265	257	120
Other Food Articles ..	282	269	130
Textiles	341	313	133
Others	293	161	178
Gen. Index Numbers ..	282	264	144

* Compiled by the Department of Industries and Commerce, Mysore.

WHOLESALE PRICE AND COST OF LIVING*

IN FIRST QUARTER OF 1943

First half of 1939=100

	Wholesale Prices	Cost of Living
India	257	..
Finland	230†	182
Switzerland	205	148
Chile	194	162
Denmark	194	157
Paru	194	157
Argentine	191	113
Spain	182	166
Sweden	180	142
Norway	179	150
U. K.	166	129
Union of South Africa	150	121
New Zealand	139	115
Japan	135	127
Australia	135	122
U.S.A.	134	122
Canada	133	117
Mexico	125	136
Venezuela	118	106
Germany	109	107
Iran	..	347†
Bolivia	..	289
Iceland	..	263

* The League of Nations' monthly bulletin of Statics.
† For November, 1942.

WHOLESALE PRICES OF PRINCIPAL COMMODITIES

Commodities	Grade & Quality.	Market	Unit	This Week* Rs. a. p.	Last Week. Rs. a. p.	A Year ago. Rs. a. p.	Pre-war (1939) Rs. a. p.
Rice (not in husk)	Kalma	Calcutta.	per md..	37 0 0	33 8 0	8 12 0	4 14 0
	Basmati Sela	Amritsar	"	22 0 0	20 0 0	..	..
Wheat	Average qlty.	Karachi.	"	7 14 5	7 13 0	5 15 0	..
		Hapur.	"	14 0 0	13 14 6	..	..
		Lyallpur.	"	10 14 0	..	5 1 0	2 5 9
Sugar.	Marhowrah Crystal No. 1.	Cawnpore.	"	14 8 6	14 8 6	12 3 6	9 15 0
Sugar raw (Gur).	Chikna best qlty.	"	"	8 0 0	8 0 0	..	..
Tea.	For export.	Calcutta.	per lb.	0 15 0	0 15 0	0 14 7	0 10 5
"	For consumption in India.	Calcutta.	"	0 8 5	..	0 11 4	0 4 4
Groundnut oil	Average	Madras.	per candy of 500 lbs.	164 0 0	162 0 0	..	..
	"			190 0 0	185 0 0 to 190 0 0	..	..
Castor oil	"	"	"				
Linseed.	Bold.	Bombay.	per cwt.	14 2 4	..	11 7 0	7 2 6
"	Small Grain.	Calcutta.	per Ind. md.	..	13 0 0	7 1 0	6 13 6
Rape and Mustard.	Toria 9% admixture.	Karachi.	per candy of 656 lbs.	100 0 0	99 0 0	63 8 0	36 12 0
Cotton (raw).	**Fine M.G. 4-F (Punjab) R.G.	Karachi.	per candy of 784 lbs.	466 12 0	476 8 0	..	..
Cotton Piece-goods.	Grey Dhoti 44"×10 yds.	Bombay	"	7 12 9	7 12 9	..	..
	Markin 43"×38 yds.×11 lbs.			24 6 0	24 6 0	..	..
Cotton Yarn.	No. 10s.	Bombay.	per 10 lb.	13 10 6	13 10 6	7 2 2	2 12 2
	No. 20s.	"	"	17 8 9	17 8 9	10 5 10	3 12 10
Jute.	Raw Firsts.	Calcutta.	per bale of 400 lbs.	77 0 0	81 0 0	46 0 0	41 8 0
" Bags	B. Twills 2¼ lbs. 44×20½, 6X8.	"	"	..	65 12 0	41 14 0	28 13 0
Wool (raw)	Kandhar (cleaned) Indian qlty.	Karachi.	per md..	55 0 0	55 0 0	50 0 0	32 0 0
Hides and skin (raw).	Cow hides (Agras).	Calcutta.	per 20 lbs.	9 8 0 to 10 8 0	9 8 0 to 10 8 0	9 8 0 to 10 8 0	7 8 0 to 8 8 0
"	Goat skins (good quality).	"	per 100 pieces.	110 0 0 to 130 0 0	110 0 0 to 130 0 0	95 0 0 to 115 0 0	100 0 0 to 115 0 0
Hides and skin tanned.	Cow hides.	Madras.	per lb.	0 14 8 to 1 3 6	.. to ..	0 14 9 to 1 3 0	0 9 8 to 0 12 10
		"		1 14 0 to 2 2 6	.. to ..	1 6 6 to 1 10 6	1 7 6 to 1 12 0
	Goat skin.	"					
Shellac.	T.N.	Calcutta.	per B. md.	..	71 0 0	64 0 0	14 0 0
Kerosene Oil.	Superior.	"	per 4 gallons in in tin.	5 4 9	5 9 9	4 4 9	2 13 3
Coal.	Selected Jharia.	"	per ton into wagon.	9 12 0 to 10 8 0	9 12 0 to 10 8 0	4 12 0 to 6 8 0	4 0 0 to 4 12 0
		"					
Pig Iron.	Foundry No. 1.	"	per ton f.o.r.	94 00 0	94 0 0	94 0 0	89 0 0
Copra.	Fair average quality.	Cochin.	per candy of 500 lbs.	..	..	115 0 0	43 8 0
Cement.	Indian Swastika.	Calcutta.	per ton f.o.r.	60 0 0	62 0 0	44 0 0	..

STOCKS AND SHARES

	This week. Rs. a. p.	Previous week. Rs. a. p.
BOMBAY (Aug. 30.)—		
GOVT. SECURITIES—		
2¾% 1948-50	99 9 0	..
3% 1949-52	100 9 0	..
3% 1951-54	100 1 0	..
3% 1963-65	97 0 0	..
3½% G. P. Note	97 0 0	..
3½% 1947-50	103 9 0	..
4% 1943	100 2 0	..
4% 1960-70	111 4 0	..
4½% 1955-60	115 0 0	..
3% 1945-55	106 3 0	..
3% 1944 Defence Loan	102 9 0	..
TEXTILES—		
Ahmedabad	490 0 0	490 0 0
Bombay Dyeing	1,997 8 0	1,995 0 0
Central India	455 0 0	440 0 0
Century	865 0 0	850 0 0
Colaba Land	243 0 0	245 0 0
Indian Bleaching	209 0 0	208 0 0
Gokak	347 0 0	351 0 0
Kohinoor	623 0 0	618 0 0
Phoenix	651 5 0	651 4 0
Sholapur	8,700 0 0	7,575 0 0
Simplex	293 8 0	295 8 0
Swadeshi	558 0 0	560 0 0
Finlay	..	352 0 0
Vishnu	2,457 8 0	2,457 8 0
MISCELLANEOUS—		
Alcock	521 8 0	530 0 0
Bombay Burma	377 8 0	377 8 0
Bijapur Sugar	232 0 0	232 8 0
Bombay Burma New	133 12 0	131 14 0
Bombay Steam	565 0 0	560 0 0
Bombay Tramways	156 0 0	155 8 0
Burma Petrol	2 14 6	2 14 6
Scindia Steam	34 4 0	34 8 0
Shivrajpur	65 8 0	66 8 0
Tata Power	1,805 0 0	1,797 0 0
Andhra Valley	1,875 0 0	1,870 0 0
Tata Hydro	196 0 0	196 0 0
Tata Steel Ordy.	384 0 0	385 0 0
Tata Steel Defd.	1,905 0 0	1,910 0 0
Premier Construction	182 0 0	182 0 0
Indian Iron	35 2 0	34 5 0
Burma Corporation	3 12 0	3 10 0
Associated	213 12 0	216 8 0
Tata Steel 1st Pref.	217 8 0	208 0 0
Indian Copper	2 8 0	2 8 0
Tata Steel 2nd Pref.	155 4 0	154 0 0
New Indian	72 4 0	72 4 0
BANKS—		
Central	73 12 0	73 0 0
Imperial (F.P.)	1,845 0 0	1,820 0 0
Imperial (P.P.)	450 0 0	443 12 0
Reserve	124 0 0	121 0 0
CALCUTTA (Sept. 1)—		
JUTES—		
Champdany	210 8 0	204 0 0
Anglo-India	385 0 0	..
Belvedere	400 0 0	..
Howrah	61 2 0	..
Kamarhatty	531 0 0	..
New Central	375 0 0	..
Barnagore	149 0 0	147 0 0
STEELS—		
Bhartia Iron	14 2 0	14 0 0
Indian Iron	35 2 0	34 4 0
Kumardhubi	7 9 0	6 15 0
Steel Corporation	27 1 0	26 14 0
Britannia	14 2 0	..
Jessop	20 2 0	..
Kumardhubi	7 11 0	..
Kumardhubi Pref.	271 0 0	..
Saran	7 10 0	..
PAPER—		
Titagarh	25 0 0	24 14 0
Orient	27 14 0	..
TEXTILES—		
Elgin	76 8 0	74 12 0
Cawnpore Textiles	12 12 0	12 8 0
Dunbar	278 0 0	271 0 0
Kesoram	15 10 0	15 7 0
New Victoria	9 0 0	8 8 0
New Victoria (Pref.)	10 9 0	..
MINES—		
Burma Corporation	3 13 0	3 10 0
Consolidated Tin	2 3 0	1 15 0
Indian Copper	2 8 0	2 8 0
Dhemo Main	..	14 14 0
Burra Dhemo	..	6 14 0
Equitable	..	39 8 0
West Jamuria	..	35 8 0
SUGAR—		
Belsund	14 0 0	12 0 0
Darbhanga	26 3 0	..
Ramnagar Crane and Sugar	10 8 0	10 4 0
Samastipur	18 14 0	..
Carew	22 0 0	21 12 0
MISCELLANEOUS—		
Dalmia	18 6 0	..
Indian National Airways	..	17 2 0
Aluminium Corporation	..	17 14 0
TEAS—		
Bishnauth	38 12 0	..
Ethilbaria	21 0 0	..
Hasimarh	64 0 0	..
Loobah	11 12 0	..
Rohtas	29 12 0	..
MADRAS—		
SUGAR—		
Deccan Big	30 12 0	31 0 0
Deccan Small	69 9 0	69 8 0
Indian	17 6 0	17 0 0
Mysore	..	59 0 0
PLANTINGS—		
Cochin-Malabar	18 12 0	19 0 0
Chembra Peaks	13 4 0	13 12 0
Cochin	..	21 12 0
High Produce	41 12 0	41 8 0
Kalpetta	..	41 8 0
Vellamalai	26 0 0	27 12 0
TEXTILES—		
Bangalore Wool	400 0 0	400 0 0
Buckingham and Carnatic	..	310 0 0
Cambodia	..	39 0 0
Coimbatore Pioneer	..	410 0 0
Dhanaskshmi	515 0 0	475 0 0
Lakshmi	..	220 0 0
Mettur	313 0 0	307 0 0
Madura	..	61 12 0
MISCELLANEOUS—		
Cements	76 0 0	76 0 0
Mysore Chemicals and Fertilizers	29 12 0	30 0 0
Mettur Chemicals	25 0 0	24 10 0
Indian Steel Roll	..	7 10 0
Singareni	11 4 0	11 4 0
Spencer	10 2 0	10 2 0

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Provinces and Anti-inflationary Drive

ELATED at what they regard as the success which has attended their fiscal measures in recent months, Government have been egged on to further efforts. This time it is the small investor who has to be tackled, and it is the Provincial Governments which must set the machinery in working. A target of Rs. 100 crores has been fixed as the amount of small savings to be mobilized by the end of next March; in addition provincial tax measures are to be imposed to freeze surplus money. These include the amusement and sales taxes, court fees, stamp and excise duties and agricultural income-tax. The object of this second deflationary offensive is at once to set aside funds for post-war use by provinces and to provide the 'improvident' peasant with a 'nest egg' to lay hands on after the war. Even prior to this, some provinces, notably U.P. and Madras have taken certain steps with this end in view. Now that these form part of a co-ordinated and country-wide campaign, it is opportune to review the state of provincial finances in the last four years with a view to examining how far it would permit of these large-scale offensives and to lay bare the inherent limitations of provincial fiscal policy in this respect. The question naturally can be considered in two parts: (1) Do the rural economic conditions today lend any strength to the scheme of mopping up Rs. 100 crores from the small saver in six months? and (2) Are there any sources of equitable and feasible taxation within the provincial sphere which have not been adequately tapped in the last four years?

The striking feature of provincial finances has at all times been their exiguity and inelasticity. If in the last four years the sum total of their receipts has gone up, enabling them thereby to fulfil however inadequately functions of relief and measures of defence falling within their jurisdiction, it is due largely to accidental and temporary causes unlikely to survive the war, and very little due to their fiscal powers. Under the stimulus of rising agricultural prices, the receipts under land revenue have improved generally due to rapid collection of arrears and current dues, and to the reduced volume of remissions, except in cases of famine and flood. The yield from forests has recorded striking rise in almost all cases, due exclusively to the war orders for timber and other products met out of the forest reserves. There has been an increase in the excise revenue because of the large demand for Indian-made

foreign liquor, higher bids at auctions and larger consumption, though the increase was held in check by the difficulty of distillers in getting coal, molasses and other raw materials. Stamps and registration have in many cases yielded more as the result of the execution of a large number of conveyance deeds due to the increase in the sale of land and other immovable property. Irrigation and industry have also been generally more fruitful. But by far the biggest addition to the provincial revenues comes from the increase in the divisible pool of the income-tax under the present abnormal conditions. The following figures illustrate the increase in total provincial revenues and their share of income tax:—

(In lakhs of rupees)

	Total Receipts	Income-tax	Total Expenditure
1939-40 ..	9083	279	8922
1940-41 ..	9748	416	9518
1941-42 ..	10741	739	10348
1942-43 (revised)	11751	1089	11855
1943-44 (Budget)	11665	1210	11715

The above figures do not reveal the particular fortunes of individual provinces. But broadly speaking, Bengal has recorded heavy deficits and Sind in a lesser degree, due to damage from floods, while other provinces have balanced their budget, or accumulated surpluses.

It does not by any means follow from the above that Provincial Governments have not imposed any fresh taxes in the last four years. Quite the contrary. Under the stress of irreducible and mounting expenditure, many rates have been raised and many new ones imposed. This is very important to remember, because it is virtually impossible now for many provinces still further to enhance the rates or levy new imposts. A rapid survey of recent tax measures taken by the provinces will abundantly bear this out. In the Punjab, for instance, a Resources Committee considered the scope for further taxation, and on the basis of the inquiry new taxes were imposed. The Sales Tax was imposed by the Budget of 1941-42 and was expected to yield 7 lakhs. The Urban Immovable Property Tax which was passed in 1940 was raised from 3¾ per cent. to 7½ per cent. in 1942-43 and was expected to yield Rs. 17 lakhs. These two taxes, together with the entertainment duty and the petrol tax, are expected to yield Rs. 36 lakhs and Rs. 55 lakhs respectively in 1942-43 and 1943-44.

In Bengal, the sales tax was levied in 1941, though later it was reduced from 2 to 1.9|16 per cent., the yield estimated being Rs. 25 lakhs in 1941-42 and Rs. 1 crore in 1942-43. Besides the Raw Jute Taxation Act, 1941, was estimated to give Rs. 37 lakhs to be used for the purpose of helping revenues which had fallen due to the decline in jute exports and jute prices which tended to be depressed. Further increases in the rates of taxation on entertainments and the sale of electrical energy were also provided for in the 1943-44 Budget. Due to urgent need of revenues to relieve the present province-wide distress due to flood and famine, the Bengal Government have most recently published a bill for the levy of a tax on all agricultural incomes above the minimum exemption limit of Rs. 2,000, and at rates slightly lower and less progressive than the tax on other incomes. There is to be no super-tax. It is levied to secure revenue and also because it is equitable to levy it. The yield is estimated to be very low in many quarters and is therefore unlikely to make much difference to Bengal's finances, quite apart from other merits and demerits of the proposal.

In Madras, the Congress Ministry had adopted a bold policy of taxation by introducing the Sales Tax, Tobacco and Electricity Duties and so there was not much scope left for further taxation by the present Government. Actually the Madras Government in 1940 reduced the rate on Sales Tax from 1|2 per cent. to 1|4 per cent. In the Budget for 1943-44 however, they have suspended the land revenue concessions which have been enjoyed since 1932-33 on the plea of rising agricultural prices. The effect of this is to bring in Rs. 27.53 lakhs in 1943-44 and Rs. 70 lakhs in the next year when the suspension will have been in force for full one year. In reality, this measure is tantamount to the levy of an additional percentage on land tax and in productivity more than a match for the number of minor taxes imposed in other provinces, yielding trifling sums.

In Bombay, the relaxation of prohibition was equivalent to getting a new source of revenue, and so the Urban Immovable Property Tax passed to finance the cost of prohibition was reduced by 20 per cent. to 3-5|6 per cent. with effect from April, 1943. Bihar most recently abolished prohibition, gaining a revenue of Rs. 16 to Rs. 20 lakhs and has already an agricultural income-tax yielding about Rs. 30 lakhs. In Assam agricultural incomes are already taxed, as also petrol sales and amusements, though their total yield is disappointing. In the latest Budget, all land revenue remissions were withdrawn from July, 1943, and in the financial year 1944-45 the gain in revenue will accrue. Sind in its Budget for 1943-44 increased the Entertainment Duty by providing for payment to the Government of 20 per cent. of the gross takings on all entertainments other than on admission to the race-course where 50 per cent. would continue to be levied. The yield was expected to rise by Rs. 2 lakhs. Again, the electricity duty was raised to 1 anna per unit, one pice per unit was imposed on all industrial consumption, and most exemptions from duty were removed, with an expected gain of Rs. 4½ lakhs to the revenue. Duties on the transfer of property and stamp duties were also raised so as to give Rs. 1¼ lakhs more. The Governor's action in bringing into operation Section 52 of the Lloyd Barrage System, which is his special responsibility, enforces the sliding scale of land revenue assessment in wheat, cotton and rice from August 1, 1943, in the barrage as well as the non-barrage area, and this is bound to result in some gain to revenues. In U.P. recently power was taken to double the entertainment tax and a proposal was made to increase judicial stamp prices. Most provinces have made use of their power to tax betting also.

This tedious narration of recent tax measures must clearly show that their total yield is negligible both in relation to their own permanent social obligations, and what is more important in the present context, to the magnitude of the task of tackling inflation. Can it for a moment be contended that the excise duties, entertainment tax, sales tax, court and registration fees are susceptible of further enhancement, and that even if enhanced, their yield can make any impression on the present price-level or expansion of currency?

Even apart from this, what will be the effect of such increased levies just now? For the provinces to impose sales taxes just now if they have not done so already or to increase the rate of the existing levy is to accentuate the very soaring of the prices which it is their object to prevent. The inflationary effect of the consequent rise in prices will be greater than the deflationay effect of taking off some lakhs of rupees. In fact the Madras Government chose to suspend the land revenue concessions rather than raise the sales tax from ¼ to

½ per cent. on the ground that the latter would raise prices to consumers. Likewise, a tax on entertainment may simply divert the money of the poor consumer to the commodity market with a bad effect, for the poor man's demand for entertainment is not inelastic. An increase in the stamp duties has no particular merit. Perhaps it will worsen the burden on the poor litigant seeking justice. Again an increase in the excise duties suffers from the defects of being regressive and tending to raise the price of the commodities, not to mention the undesirability of reverting to the futile policy of maximum revenue with minimum consumption for the sake of a paltry revenue.

Even the case for levying an agricultural income tax is much less strong under present conditions than in peace time. If the prices of agricultural commodities have gone up, the prices of industrial goods have gone up considerably more. So if before the war the exemption limit of Rs. 2,000 were deemed equitable, now equity demands the exemption of all incomes upto Rs. 6,000. It is no answer to this to say that the small incomes from other sources also are liable to the same reduction in real income, because the urban earners like Government servants and industrial employees, especially the latter have been receiving substantial bonuses exempt from taxation, and all sorts of consumers' goods at control or concession prices to an extent to which the agriculturist can never hope to get. Moreover, the experience of Bihar does not raise high expectations as to the productivity of the tax.

Only the extreme zealots of deflation have suggested the levy of death duties at this juncture. Even the popular Governments fought shy of it in the past, and Sir Manohar Lal, the Finance Minister of the Punjab declared last year that though the question had been examined repeatedly in the previous three years, the practical difficulties appeared insuperable and no province would favour it. We are thus led to the conclusion that the scope for further taxation in the provincial sphere is extremely limited, having regard to the measure already taken in the last three years and to the probable yield, which on a very liberal estimate can amount only to about Rs. 10 crores—a figure trifling in relation to the soaring prices and expanding currency, apart from their defeating the anti-inflationary purpose. Provinces under bureaucratic civilian rule may impose the taxes indiscriminately and commit their Governments to obligations and expenditures they think necessary, because there is no controlling voice of public opinion. So far as autonomous provinces are concerned, they are not likely to impose fresh tax burdens. In the Punjab, perhaps the only province today where a prosperous peasantry can bear increased taxes, the limits of the expansion of revenues are said to have been reached, according to the Finance Minister. The Punjab has been able to build up a Special Development Fund of Rs. 118 lakhs, and a Peasant Welfare Fund of Rs. 90 lakhs after financing all current expenditure, because of exceptionally favourable conditions. Yet even the Punjab now intends not to impose fresh taxation to fight inflation, but to float a loan in the market for use after the war. To what extent this overlaps the open market borrowing of the Central Government is however another matter. But that illustrates the poverty of provincial fiscal measures.

To answer the second question, viz., whether conditions in the rural areas permit the collection of Rs. 100 crores in six months, no detailed factual analysis is necessary. The paramount aim of all Government efforts should now be to prevent the terrible deaths from starvation which have become so common today. Vast tracts of the country are in the grip of virulent pestilence and recurring famine. The greater part of Bengal is now starving. In Madras, the Ceded Districts and Malabar have been famine-stricken for so many months, while the rest of the province is still feeling the pinch of scarcity. In Orissa, scarcity and floods have wrought great havoc. In Bombay, general hardship exists alongside acute famine in Bijapur. In Ajmer and Mewar, natural catastrophe has added to man-made troubles. Tales of malnutrition and privation are now pouring in in such a great volume that the sensibilities of men have become numb.

This is the scene on which the Government propose to wage their deflationary battles. The Government speak of the Rs. 200 crores likely to accrue to the peasant, in the next few months, and of his tendency to 'spend lavishly,' if he is not advised to save in time. Have Government any evidence that the smaller peasantry have funds in excess of their needs of subsistence? For our part we are inclined to the view that the rise in prices has not benefited the mass of peasantry in a real sense. The big landlords have no doubt gained much and may be induced to subscribe to the savings loans without demur. As for the smaller land-owning and rural labouring classes, inflation has been an unmixed curse, and they have all lost much by way of real income. The stimulus to employment which inflation has given is not all commensurate with the reduction in real wages involved. To attempt, in such a context, to mop up Rs. 100 crores from them is to snatch the bread from the hungry.

The methods proposed are also open to abuse. Officials and non-officials with Government backing and patronage are unlikely to keep within the limits of persuasion. As a matter of brute fact we know that voluntary methods often tend to degenerate in a short while into coercion of the weak and the poor, and in the present state of bureaucratic mentality, no adequate safeguards are possible. Defeat of inflation is no doubt desirable. Defeat of death-causing want is more desirable. Let the Government come forward with a production drive, guarantee a minimum of subsistence to all, ration out the basic necessities on a standard necessary if not for efficiency, at least for non-impairment of health for the entire population and then conscript the rest of the resources for the war, as all Allied countries have done. Let the Government carry out, at least, a speedy sample survey and see for themselves whether, as they believe, rural prosperity is real.

Economic Disarmament

The experience of adjustment of inter-allied war debts and exaction of reparations from Germany after the last war was certainly a bitter one. There was, undoubtedly, also an element of economic contradiction in the efforts. Thus, the countries which were in the position of creditors or beneficiaries of the reparations were eager enough to get paid but were unwilling to allow import of goods which was the only method of getting paid. In the upshot, there were such grave economic repercussions that the victor and the vanquished, the creditor and the debtor were alike adversely affected. The lesson to be drawn from this bitter experience was that economic prosperity is indivisible. To the extent the entire world constituted an economic integer, we could not inflict economic punishment on any substantial and important section of it, without grave consequences recoiling on the rest of the world. This elementary truth sobers us in determining the economic penalties which we may choose to impose on a defeated Germany and also on a defeated Japan. This new sense of economic realism is faithfully reflected in the formulation of the Atlantic Charter itself. It is realized that international peace essentially leans on an expanding system of economic prosperity in which all countries, great and small, may participate on an equal basis.

Nevertheless, the Atlantic Charter also contemplates the unilateral disarmament of Germany and this raises the question how far military disarmament could be made effective without a simultaneous imposition of what has been called "economic disarmament." The crux of the position is this. As modern war has become more and more mechanized and totalitarian, the capacity of a country for rearmament has come to be measured by its economic potential, and especially by the capacity of its heavy industries including the steel industry, the engineering industry and the machine tool industry. A disproportionately large sector of the German economy is occupied by these key industries and this would give Germany an undoubted advantage in any rearmament drive. It has therefore been argued that the military disarmament of Germany must be accompanied by an economic disarmament, i.e., the dismantling or substantial reduction of these key industries. It is argued that in the absence of such a thorough-going economic disarmament, military disarmament would be largely precarious, for it would require only the rise of another Hitler for Germany again to build up rapidly a mighty military machine. Thus, it is argued, it is not enough to dismantle the factories actually engaged in the production of armaments, but the "dangerous" key industries also have to be dismantled.

The dilemma arises because the key industries which are vital for an effective rearmament programme, are also in the same measure essential for a rapidly expanding peace economy. In fact it is not feasible to determine a clear-cut border-line between civilian industries and war industries. The factories which cater to peacetime needs can also be largely converted to subserve the demands of war. It is not possible to fix the specifications of machine tools with a view to their being prevented from being used for war purposes. In other words, industrial capacity is neutral and can be used for either peaceful or war-like purposes. If we were truly bent on making it impossible for Germany from rearming again, the logical step would be either the complete de-industrialization of Germany or her political fracture into a number of States so that they cannot act jointly as a formidable industrial nation of 80 millions situated in the centre of Europe.

Either of these extreme courses would be politically impracticable and economically disastrous. The political unification of Germany has proceeded so far that even if Germay could be cut up into a number of States, these States could not for long be prevented from coalescing again. On the contrary, such dismemberment would certainly create innumerable economic difficulties and act like a powerful brake on the revival of the economic prosperity of continental Europe. Although continental Europe is by no means a self-sufficient area, it nevertheless forms an integrated economic *bloc*, with Germany as the industrial heart. The danger in political cartography is that it tends to lose contact with economic realities and sunder the bonds of natural economic interdependence. Germany has been knit into an economic and political unity by seven decades of continuous evolution, and although she can possibly adapt herself to marginal dismemberment, extreme measures could only have painful repercussions for herself as well as the whole of the European continent. Similar strenuous process of adjustment would be indicated in case of a complete de-industrialization of Germany, were it a practicable proposition.

But the prosposals for the economic disarmament of Germany do not go so far. They contemplate in the main merely to take out the fangs of German industrial power, so that it cannot be easily bent again for aggressive purposes. The proposals take varied shapes and include stamping out of the arms industry, dismantling of the German machine tool industry, synthetic raw materials industry and the oil refinery industry as well as effective allied participation in the management of German industries for the purpose of strict supervision. It has further even been suggested that the oil deposits mainly in Rumania and Poland which would be within the reach of an aggressive Germany should be exhausted by forced exploitation. It has also been proposed that Germany, and preferably also the smaller European countries should be prevented from building up in continental Europe a reserve stock of key raw materials which would be vital in any rearmament drive.

Such a set of proposals, if effectively carried out, would undoubtedly blunt the edge of German industrial power. It has been claimed that these set of proposals do not imply any reduction in the standard of living in Germany. To the extent Germany is freed from the burden of armaments, there is certainly a relief. But economic disarmament is additional to military disarmament. The dismantling of the machine tool industry may not reduce the existing standard of living but to suggest that an economy which is dependent on import of vital machine tools can improve the standard of living at the same rate as an economy with a powerful machine tool industry is nothing but economic sophistry. In the same manner, the dismantling of the synthetic raw materials industry may or may not be advantageous to Germany in terms of a peacetime economy. It is quite true that synthetic raw materials are, generally speaking, much costlier than natural products. It does not necessarily follow from this, however, that the use of synthetic raw materials cannot be of advantage to the national economy under certain circumstances. For at any moment the amount of foreign exchanges at the disposal of a country is limited and there is a limit to the amount of raw materials, etc., which a country can import. Thus if the production of any volume of goods and services ordinarily requires importation of raw materials, etc., to the extent of one quarter of the value of goods and services to be produced, then if we have foreign exchange resources to the extent of Rs. 200 crores, we can produce goods and services worth Rs. 800 crores. If by using domestically produced synthetic products instead of imported natural products, we can reduce the proportion of external finance from ¼ to 1/6, we shall be enabled to produce a national income of Rs. 1,200 crores, *i.e.*, an extra Rs. 400 crores. Under such circumstances it would pay to use synthetic products instead of natural products as long as the cost of synthetic products is less than Rs. 200 crores *plus* Rs. 400 crores, *i.e.*, less than three times the cost of natural products.

The conclusion is irresistible that any proposal for economic disarmament is bound to react adversely if not on the existing standard of living, at any rate on the rate of possible economic development. Moreover, it creates more than a lurking suspicion that this measure of economic disarmament to be imposed on Germany, is not just philosophical Vansittartism in the economic field. It is a round-about move by vested interests to cripple permanently a powerful competitor in world trade. Further, if the German machine tool industry and other factories have to be dismantled and stamped out, is it contemplated that we should destroy them, just as we burn our 'surplus' stocks of coffee? Nothing could be more criminal in a world where the average standard of living is immeasurably below the civilized minimum. Nothing would be more certain to put us back in the old sequence of restrictionism and world crisis.

There is no question of a "soft peace." That Germany and Japan must pay heavily for the holocaust into which they have plunged the world, can be readily accepted. But two broad principles must be recognized. Firstly, international peace in the long run can be maintained only in an expanding system of economic prosperity in which every nation can participate on fairly equal terms. Secondly, it would not be practicable for the allied nation to coerce Germany and Japan permanently and prevent their access to economic opportunities. In any case, the twentieth century conscience of the world would not tolerate permanent coercion of such large masses of humanity.

If we look into the question intently, it would appear that the root cause of the trouble is the uneven economic development of the various countries and the consequent rupture of the international balance of economic and military power. Thus Germany is a gigantic industrial power situated in the centre of Europe and surrounded by comparatively minor economic powers. The economic power of even France is not comparable with Germany. In the east, in the Danubian basin and in the Balkans are a chain of backward countries with insignificant economic power and military potential. Similarly, Japan is a considerable industrial power surrounded by a chain of comparatively backward countries. The spectacular growth of the economic power of the Soviet Union is, of course, a new factor in the international balance of power. Nevertheless, the backwardness of these European and Asiatic countries constitutes an unbalance of power and ever a potential menace to international peace.

It would certainly be more rational to secure the international balance of power by the industrialization and levelling up of the economic standard of these countries rather than by the complete or partial de-industrialization of Germany and Japan. And in this task as well as in the task of reconstruction of the countries overrun and devastated by Germany and Japan, surely the capital goods industries of Germany and Japan—and especially, the gigantic machine tool industry of Germany, could be made to play their legitimate part. International long-term lending to the backward countries would also play their part, but the difficulty may be that the volume of lending would tend to be unduly limited by nice calculations of the immediate financial capacity to repay of these countries. Hence many are feeling the need of outright help or gift to these backward countries in order to impart the initial impetus of industrialization. Thus, an international body could take over the capital goods industries of Germany and Japan for, say, ten or fifteen years, after which the industries would revert back to the owning countries, possibly in a few instalments. The international body could, then, make available the products of these industries to the various countries in accordance with a calculation of their respective needs. In the case of the Soviet Union where industries are owned by the State, there would be no difficulty in the transfer of these products. But in the case of countries in which industries are privately owned, it is necessary that we learn to avoid the fiasco we experienced after the last war. The countries could embark on an expansionist policy and it would be possible to set up internal financial devices whereby the products could be distributed through the economy and thus help the reconstruction and industrialization of these countries.

The Currency Plans which have been published by the American and British Governments are pre-occupied with the problem of ensuring the stability of the exchange system. But these plans, on their own admission, do not deal with the basic problem of levelling the economic standards of the various countries. For this we need an institution not only for arranging long-term international lending to the backward countries, but also a system of outright help to impart the initial impetus for industrialization in these countries. The gigantic German machine tool industry instead of being dismantled as proposed should be made to play its part in the post-war reconstruction of the world. It is certainly more rational and progressive to try to ensure the international balance of power by industrialization and levelling up of the backward countries rather than by de-industrialization in Germany and Japan under the camouflage of economic disarmament.

The Week's Notes

FINANCIAL IMPACT OF QUEBEC DECISIONS

At Quebec great decisions are reported to have been taken affecting the military strategy throughout the world. The Pacific theatre of war is said to have received more than the usual amount of attention. The creation of the East Asia Command and the appointment of Lord Louis Mountbatten lead to the expectation that operations for the reconquest of Burma and South-Eastern Asia would be undertaken at the earliest opportunity. At the other end, military operations in the Balkans may also be undertaken either along with or after the military operations in the Italian mainland. Both these operations will undoubtedly pivot on India as the main supply base. This raises important financial questions. The Government of India has so long successfully resisted suggestions from the British Government that the financial cost of the reconquest of Burma and operations in the Middle East should be borne by India either in full or in part on the ground that these constitute really the strategic frontiers of India. In a shrinking world and a totalitarian war which is at the same time indivisible, such allocation of strategic frontiers is futile, because the interests of all countries are hopelessly intertwined. If Burma and Singapore are the strategic frontiers of India, so are they of Australia, the United States and Great Britain. The only sensible criterion is the financial capacity of the country concerned and judged by the privations. stalking accross the country, there can be no doubt that the financial capacity of India has long been reached and overstrained. There are disturbing reports that behind the scene a tussle is going on between the British Government and the Indian Government for a revision of the financial settlement to the detriment of Indian interests and it is even suggested that much of our sterling balances may be written off as a result of such revision. The Indian public is greatly exercised over such reports and the Government of India owe a duty to the public to reassure them on this point.

PROBLEMS OF SUPPLY

But quite apart from the question of revision of the financial settlement, the operations of the East Asia campaigns are bound to result in vast rupee expenditure in India which would further accelerate the inflationary spiral, unless the Allied authorities take upon themselves the task of supplying these great armies. A week or two back, Mr. Richard Casey, the Minister of State at Cairo, referred to some of these supply problems. Whatever the financial settlement, if the Allied Command have to depend for the supply of commodities mainly on India, it will mean further addition to the crushing "real" burden on India. The result of the recent Government loan operations give no solid ground for facile optimism. Further, if the Burma operations are undertaken, there will be a great increase in rupee expenditure in Bengal,—precisely the region where privations are greatest today. Some part of the high prices in Bengal are, of course, due to the activities of speculators and hoarders, and when Lord Mountbatten's Burma campaign progresses well, even the psychological effect (apart from the actual arrival of Burmese rice) will undoubtedly help to bring down the price of rice from its present untenable, fantastic level. But such factors in themselves do not alter the basic factor of a shortage of goods and this again underlines the urgency of a concerted production drive. Mr. Casey through experts of the Middle East supply centre, has also been reported to have stressed the importance of a production drive in the textiles and other industries. These additional textile fabrics and consumers' goods, he said, will be able to bring out from the innumerable hoards of scattered peasants, "those little surpluses of grain which neither money, wheedling nor threats will ever search out."

SIR M. VISVESVARAYA SPEAKS

Sir M. Visvesvaraya, President of the All-India Manufacturers' Conference addressing the quarterly meeting of the Central Committee, spoke on "Post-war Reconstruction in India" and again stressed the urgency of putting through without delay a five-year plan involving a capital expenditure of at least Rs. 1,000 crores on industries. There was a time when such a figure would have frightened the economist, the public and the Government alike who would have regarded an expenditure of Rs. 200 crores per annum as fantastically high. But today, thanks to our war experience, we are used to handling much bigger figures and in the light of the rate of capital investment envisaged in a recent series of articles in the *Eastern Economist*, Sir M. Visvesvarayya's scheme is a comparatively modest one. Sir M. Visvesvaraya complained that on the whole, Government assurances notwithstanding, the country has not been able to utilize the opportunity presented by the war to advance its industrial position to any material extent. There has undoubtedly been some progress. For example, India can now produce many kinds of special steels which she requires for tool steel, taps, dies and small tools. The machine tool industry and the chemical industry have also made some progress. But there can be no doubt that the progress so far attained has not been commensurate with the possibilities and is far behind that attained in other countries like Canada and Australia. If the Government of India had been bent on a really energetic production drive with a view to maximizing our industrial war-effort, we could also have emerged from the war with a firm basis for an increasing standard of living. As it is, we today run an opposite risk. The Government which was for long denying the existence of any inflation, has now veered round to the view that inflation exists and in a serious form. But there is now the grave risk that the Government, with all the zeal of a new convert, may as soon as the war situation permits, push the country to a disastrous deflationary crisis. There is, therefore, need to ensure that the Government is not led astray by its new-found knowledge of economic theory. The Government should formulate and execute without delay a great production plan as an integral part of war-effort, which, nevertheless, would be so flexible as to allow a smooth transition to an expanding peace economy. Sir M. Visvesvaraya has not been too early in advocating again the urgency of planning immediately, and in a big way, a great production drive.

GOVERNMENT PROFITEERS

India enjoys the unenviable reputation of adding another category to the classified list of war profiteers. The Government of Sind started the game of making enormous profit on the sale of rice to other parts of India and accumulating a reserve fund. Bengal followed the example with tragic irony. The Punjab too was said to have played the same game, but it has been vehemently denied. It has not been left to the U.P. Government to join the group of war profiteers unabashedly and almost brazenly. The U.P. Government at first put a ban on the export of *gur* of which the province had a large export surplus. The result on the ban was that not only prices went down to an unjustifiable level but that *gur* was wasted and flowed into a sweet stream. The loss in wastage has been estimated to be 8 to 10 per cent. Government offered to purchase *gur* but would release it for export only if it was re-purchased from them at a high margin of profit. They demanded Rs. 3-2-0 a maund as licence fee for export if the merchants bought *gur* privately. We may cite a reported instance of *gur* merchant whose stocks at Sitapur were purchased by the Government for Rs. 7-12 and offered to him back for transportation to Bihar for Rs. 12 including railway freight. The profits thus obtained would constitute another "nest egg" of which we now hear so much; only in this case there is no pretence that it is being hatched in the interests of the cultivators.

SUGAR CONTROL

To the demand that the price of cane should be raised the Sugar Controller has given an emphatic "No". There would be nothing wrong in his refusal, if the case was considered in all its bearing and the decision arrived at. What oppresses us is that in the guise of anti-inflation measures a number of economic faresis is being perpetrated by ignorant or enthusiatic Government officials. Our U.P. correspondent writes that the cane grower does not get a margin which taking into account all the present circumstances can be regarded as fair and reasonable. But Government are not willing to increase the present rate of 10 annas a maund. It is feared that unless the price is raised, there would be a definite decline in the acreage under cane. But Government apparently think that far from that being a cause for anxiety it should be regarded as a matter for satisfaction; for the increase in foodgrain is precisely what the Government want. But this is a serious error. Sugar is food and more valuable food than rice. It is true that rice is more essential than sugar in the sense that we may do without sugar if driven by necessity. But it is no reason why Government should deliberately create a new scarcity by their price policy. The results will be deplorable, as already estimated production is falling short of the needs of consumption.

The Sugar Controller's satisfaction of the efficiency of his Control Scheme does not take note of the grave faults that still exist in distribution. Sugar either is not available at all or available only *in black markets with abound everywhere*, and not merely in Bengal. Larger quantities for consumption are available only at Rs. 30 to 40 a maund. How can control be regarded as successful if at the distribution end it is so ineffective and inoperative? the tragedy is that one suffering want of sugar is wholly unnecessary. Our capacity for meeting the full needs of consumption is ample. In the circumstances the continued existence of black markets is a blot on the ontrol scheme, and indeed is regarded by many as the result of control. While we cannot support this view in its entirety, we feel that the duty of the Controller should not stop with despatching sugar to the various centres. Either he should hold himself responsible for distribution or give up control.

ECONOMIC PROBLEMS OF PEACE

As the prospects of victory are brightening and end of the war is approaching, we shall have to face up to the equally difficult problems of the peace to follow. In our leading article we have touched upon one aspect. But the more crucial factor is the ability of the United Nations to harmonize their own economic interests on the one hand and on the other to promote those of the rest of the world. Otherwise we shall have fought the war in vain. The Federation of British Industries in a recent report submitted to the President of the Board of Trade in response to his invitation to do so has dealt with some fundamental issues of international economic policy. (Incidentally, it may be remarked how conditions are radically different in India where the Government do not choose to invite the Federation to help in framing their policies). Pointed attention is drawn to the serious differences in trade policies between Great Britain and U.S.A. in the post-war period, arising from their different economic circumstances. The relevant passages may be quoted:—

"We must at any rate for some considerable period rely upon a policy of directive imports, on the assumption that we only import from overseas countries those essential commodities for which such overseas countries are prepared to accept payment by the *export of our own products and such services as we can render*. In effect, almost a system of barter or, at any rate a system of bilateral trade which will regulate our imports by our capacity to pay for them. This involves import and export controls, preferential treatment of those countries which are prepared to assure us of the means of paying for them, and exchange control. . . . Contrast this situation with the ideas underlying the policy of U.S.A. or world trade. That, as defined by the statements of members of the U.S.A. Government and by responsible leaders seems to envisage a post-war world in which trade barriers, exchange controls, directive systems of exports and imports, discriminatory agreements to facilitate trade between individual countries should be swept away. Inter-Imperial preferences with all the advantages they have brought to Empire trade should be given up. . . . But for this country this problem of financing our imports so necessary for a small highly industrialised country such as U.K. is not a matter of economic theory but one of economic life or death." The issues are clearly joined, and the gap between British interests and American views is as wide as it can be. It will require much greater ability and statesmanship to solve the economic problems of the peace than those required even to win the war.

EXIT A FOOD EXPERT

Mr. Vigor, the British food expert who came to India at the request of the Government of India to set right the food muddle, is now on his way back home. At the time of his appointment, the question was raised why the Government sought the help of expensive British experts who had no knowledge of Indian conditions. It was suggested that the Government could send their own officers to Great Britain to study the operation of food control there. The record left by Mr Vigor is certainly not the best possible. His food policy was nearly do-nothing and free trade. It was mainly under his inspiration that the Government of India oscillated to the policy of free trade and "liberated" three-quarters of India, before the policy was definitely reversed. This change in policy had the result of discounting his services and ill-health prevented him even from acting as chairman of the Food Policy Committee. Sir Theodore Gregory became the Chairman of the Committee. The recommendations of the Gregory Committee have not been yet published, but it is reported that the Committee has proposed that some first class administrators should be invited from England to help in planning out the future policy and putting it into operation. We can only hope that before these new first class experts are imported to put the food muddle right, the situation will improve, for there can be no assurance that our problems can be handled with success by inexperienced experts from abroad.

THE TECHNIQUE OF CURRENCY EXPANSION

Describing the technique of currency expansion in India at a recent meeting, Mr. C. D. Deshmukh, Governor, Reserve Bank of India, stated that the link between the growth of foreign assets and monetary inflation in the country was optional; and that inflation might and generally did, develop without any growth of foreign balances, and foreign balances might grow without a corresponding degree of inflation. Theoretically this is quite correct.

Foreign balances can grow without currency inflation if the monetary authority balances every purchase of foreign exchange by an equivalent sale of domestic security and deflates the amount. But to say that this holds true of India is to fly in face of facts and overlook both the *technical* difficulties of accumulating foreign balances without expanding currency and the compelling and inescapable character of rupee finance in India. The primary impulse to currency expansion in India has been and is the growth of sterling assets. Since the removal of the upper limit on the volume of rupee securities that can be held as backing for the note issue in February, 1941, and the issue of one rupee notes equivalent to silver coin subsequently, the Reserve Bank is now free to issue notes of the volume of Rs. 60 for every 100 rupees. The Reserve Bank, however, has used this power only to legalise the holding of rupee securities created in connection with the repatriation schemes against notes already issued against sterling, and not for outright inflation. But what are the limitations to the ability of the Bank to receive sterling without issuing fresh money? It can within limits distribute its assets between rupee securities or 'B' proportion and sterling assets or 'A' proportion. The total backing being 100 per cent. an increase of 'A' must mean a fall of 'B' and *vice versa*. The Reserve Bank has in fact cancelled or sold the rupee securities to the public, whenever it got sterling and thereby avoided issue of new money. The maximum can only be 100 per cent., and already the proportion of 'A' is 96.55. There is also the minimum amount of silver coin to be held. Technically, therefore, the Reserve Bank cannot go on accumulating sterling without the issue of currency. It would be a different thing, however, if Government do not hand over their sterling to the Bank's Issue Department and demand rupee finance, but keep it as their cash balances. But that hardly is likely to arise, and is part of the banking and not note-issuing function of the Reserve Bank.

SOCIAL SECURITY

The plenary session of the Labour Conference which met on Monday last broke up after discussing a number of questions concerning labour's welfare. It will be recalled that the Plenary Labour Conference was the outcome of the deliberations of the Tripartite Labour Conference which was held in August last year. Although the conference itself had its genesis in the exigencies of the war, we are assured that it will last beyond the war, and this is as it should be. For the value of these regular conference lies in the opportunity which it affords to enable the Government, employees and workers to understand one another's point of view and to find the greatest common measure of agreement. Too often in the past industrial conflicts arose as a result of the unwillingness of one side to meet and discuss with the other outstanding differences. It is, therefore, gratifying to be told by Dr. Ambedkar, the Labour Member, that the conference has brought about a fundamental change in the outlook of employees, workers and the Government.

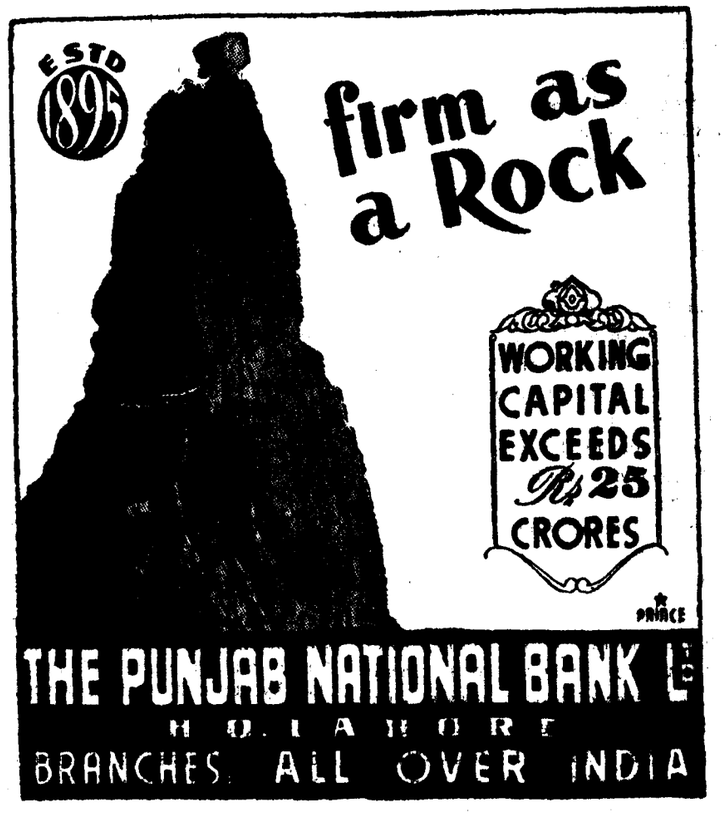
Of the seven or eight subjects discussed at the meeting, undoubtedly the most significant is that of Social Security and this, not merely because of its inherent importance but also because of the inspiration of the Beveridge report. The conference has resolved upon setting up a machinery to investigate questions of wages and earnings with a view to obtaining materials on which to plan a policy of social security. This is a wise decision for before any comprehensive scheme of social security can be accepted, much ground has to be prepared. There is something to be said for speeding up the present evolutionary methods of advancing social insurance schemes. Already we have a Workmen's Compensation scheme of a fairly widescope; the sickness insurance scheme is being forged, and a start may be made on a provincial basis in regard to unemployment insurance. No scheme of social security can really be regarded as satisfactory which by its very nature can cover only workers in organized industry. We, therefore, need to plan on a national basis and provide a minimum of security to all. But it is right that organized industry which has the financial means to provide social insurance to its workers should not wait till the Government embark upon its scheme of a National Minimum for all which will be one of the most pressing of the post-war social problems.

CLOTH CONTROL SCHEME IN BRAZIL

Now that we have our own cloth control scheme in India, the following details of the cloth control scheme in Brazil will be of interest. Brazil has been up to now dependent upon the foreign markets for the disposal of its cotton crop. During the last decade, there has been a great expansion in Brazil's raw cotton production. The war developments have largely affected Brazil's export outlets, the most important of which was Japan, and Brazil has now thought it fit to maintain the prices of its cotton by giving loans as is being done in the U.S.A. The solution of the problem, however, has been exports to England as well as the utilization of the raw material in the country itself. An agreement is reported between the Brazil Government and the textile industry and quotas for production at fixed prices are allotted to mills. The minimum quota of 100 million metres has been fixed for production of 9 "utility" (a counterpart of "standard cloth") cotton goods which will be retailed at prices equally about 6½d. per metre for shirtings to about 11½d. for drills. "Utility" types will apparently absorb 10|12 per cent. of the total cloth output and prices will be 50 per cent. cheaper than "non-utility". The authorities expect the industry to lose an equivalent of 1½ million sterling on the "utility" programme, but will recoup this loss from exports. The latter highlights the war-time reversal in the world cotton trade. The pre-war tendency was for home trade prices to subsidize exports but today with strong overseas demand, exports can subsidize home trade prices. It is not known whether Brazil's textile industry will consider that the loss on the "utility" trade justifies a further increase in export prices. wheat-flour and gradually imposed bans on inter-dis-

A GESTURE TO INDIAN SHIPPING

By the appointment of Mr. J. P. Mehta of the Scindia Steam Navigation Company as the Joint Controller of Indian shipping, the Government of India has made for the first time a significant gesture to Indian shipping interests. Ever since the outbreak of the war, the Government of India has taken the most unhelpful attitude in the matter of protecting Indian interests and the British Ministry of War Transport has had a free hand even in Indian waters. For four years, Indian shipping interests have been fighting back to the wall, sandwiched between the encroachment of powerful British interests backed by the British Ministry on the one hand and on the other the indifference, if not apathy of the Government of India. During the pendency of the war, naturally, the British Ministry will still have much to say in the matter of control of shipping in India. But, nevertheless the appointment marks a change in the policy the Government of India and probably also of the British Government. However, the appointment is no more than a gesture which, we hope, the Government will follow up by actively advancing the cause of Indian shipping and shipbuilding industry.



Special Article

Investment Trusts

By M. V. Bhatawdekar

THE individual investor as he decides to turn his small saving into investment and goes to the Stock Exchange market is faced with a number of difficulties. There is almost a confusing variety of the different securities. All of them appear to him to be good as well as risky. The technique of investment also is not too simple for any average man to understand it well and go without counsel. The technical character of modern investment not only demands money to invest, but sound judgment to select the proper channel and a very careful watching and supervision afterwards. The big investor can always overcome these difficulties. He can play for safety by distributing his capital over a long list of securities. His capital is big enough to make it his life's business and can devote attention and care which the small investor can never afford.

Investment Trusts are organizations which solve this dilemma of the small investor. They are 'Corporations, common law trusts or trusted funds set up to provide investors with the advantages of diversification and supervision of their investments.' The principle, at the bottom, is that of co-operation. What is difficult for one investor is quite easy if many come together and co-operate. When these sums are pooled together all the advantages that acrue to the big investor can be secured by forming a union. Investment Trusts are just such unions or companies with the functions of collecting such capital, investing it in proper channels and supervising it later on to secure the best possible returns to their members.

Although very akin to savings banks or Investment counsels, Investment Trusts must be distinguished from them. From the view point of the participant, the difference is this, while he is a *creditor* of the bank for the given sum, in the case of an investment trust he is a *part-owner* of a fund of securities and cash. His immediate and ultimate returns depend upon the management of trust. Compared with investment counsels, investment trusts turn out to be all beneficial to their members. Services of the investment counsel are expensive and many a time limited to the wealthier classes. Investment counsels have not sufficient power in all cases to give due effect to their recommendations. The managers of investment trusts have sufficiently wide powers. Their powers are limited only by the fact that the members have voting power. Besides investment counsels are bound to administer every fund separately in case of private estates. There is no such binding on investment trusts. Investment Trusts are thus financial organizations set up to provide all the advantages to the ordinary *small* investor. They spread their investment over a long list of securities and the risk is consequently reduced. They can command the best possible counsel and constantly supervise the investments by maintaining a staff.

A Trust and Its Members

The total investment which a trust makes is called a "Unit," which is divided into many sub-units sold in a fixed number by way of certificates. These certificates of the Trust are available through the banks or brokers. The special advantage which the certificate holder gets is that he has a claim to a proportional yield on all the returns of the various securities which the trust might purchase. Thus he gets the advantage of spreading his small sum in effect, over a number of securities which he otherwise could never have got *The method of raising the capital of a trust*: Investment trusts raise their capital by debentures, preferred shares, and common shares, borrowing rarely exceeds the amount of paid in share capital; debentures are protected by cash and security assets equivalent at cost to at least 200 per cent. of their outstanding face value. Share capital is raised as a rule in the proportion of £60 at par value of preferred stocks for every £40 at par value of common. Thus a paid-in-capital of £2,000 is divided as follows:

Pound 700 to 1,000 are debentures; £600 to 800 in preferred stocks and £400 to 500 in common stocks:

Debentures	.. ..	£700 to 1,000
Preferred Stock	..	£800 to 600
Common Stock	..	£500 to 400

All trusts are not alike in their organization and functions. But the differences become marked when one comes to the management of the trusts and their policies of investment. One of the types is known as a "Fixed" or a "Contractual" trust where not only the total amount but the different stocks in which the funds are invested are fixed and are not subject to change unless under specific conditions. The trusts of this type hand over the charge to some bank which acts as a legal trustee for the Investment trust, in all matters of investing the funds, collecting the returns and keeping the securities safe in their custody. The other type of trusts differs from the fixed trust in that, they have their own organization and continually change their investment with a view to increase their return.

In the case of fixed trusts, investments are *not* changed from time to time and there is no intention to gain from fluctuations of the market. The theory underlying a fixed trust is that a well-selected and sufficiently diversified group of common stocks will tend to enhance in value over years, and afford in the long run a safer and more profitable investment than bonds; and that by elliminating the personal equation the investor is protected against the possibilities of dishonesty or of error in judgment in shifting investment positions. Certain conditions must however, be fulfilled if the fixed trust is to succeed. First, there must be capital large enough to permit of representation of several industries and a considerable number of different issuers (companies issuing capital) in the portfolio. Secondly a continuous supervision is necessary for the purpose of readjusting the common stock holdings from time to time.

Policies Among the Supervised Trusts

In case of such trusts (*i.e.* trusts other than fixed trusts) different policies of investment are followed. Some aim at profiting from an increase in equity values. A limited number of stock securities are owned and adequate distribution of risk is attained by purchasing more than 20 common stocks. There are other trusts which aim at securing income from active supervision. No doubt, there is risk involved in this procedure. But it can be eliminated, or at least minimized, if a wide distribution is achieved. If the trust securities representing many issuers and the diversification, contain no less than hundred securities the above purpose would be fulfilled. Many issuers, private and governmental, a great variety of different industrial bonds and securities; and generally a selection from more than one country are methods adopted for the proper management of such a trust.

Some investment trusts confine their investments to the boundaries of the nation or country. The British and American trusts deal in shares all over the world. The wide scope of their activity is of great importance since it increases their prospects of return. All the markets in the world are not depressed at one and the same time. The trust has many departments to collect and interpret such information about different markets, and they can invest and make suitable changes in the invested funds in the best possible way. Generally, there are statistical and economic departments which aid and assist in taking decisions. The trusts also have banking connections all over the world whereby it becomes easier for them to give due effect to their decision in proper time.

Investment securities and cash constitute the entire assets of the investment trust. In the case of fixed trusts the entire securities are handed over to trustees (generally banks) and the trust deed mentions the specific responsibilities of the trustees. Generally speaking the trustees are not only responsible for the custody but also for accepting genuine securities in good form accompanied by the required coupons, warrants, or whatever else may be attached to it. They are also responsible for the prompt notification and delivery to the managers of all proxies, notices of meetings, of reorganization plans, and any other official announcement received with respect to securities in order that action may be taken without delay. In case of trusts other than fixed trusts they set up their own organization to carry out all functions and responsibility. The office itself is, therefore, completely responsible to certificate holders. Banks are chosen as trustees because they have an organization suitable for the purpose. They have their own cash and documents to be protected, so that they can, without much more expense, protect the securities of the trusts. Besides they have branches and business connections in different countries and the business of the trust outside the country is thus greatly facilitated.

The investment trust is a financial organization whose business is to invest, of course, the advantages of satisfaction are bound to arise and in this case they become manifest in the form a *greater return, greater safety* and *greater security.*

From the short description of investment trusts that is given above two points emerge. Firstly, because of this organization investment need not be confined to wealthier classes only. All the advantages of the big investor can be secured by small investor through this organization. Secondly, because of this advantage in the form of safety and greater return, investment trusts can be looked upon as social and economic institutions that promote thrift.

This is particularly of interest and importance from the Indian point of view. In India the habit of investment in shares and securities has not reached the middle class. Small saving of the middle class are invested only in gold or deposited with the banks (in current accounts mostly) or they appear as postal savings. They are not invested in stocks or shares, probably because these small investors of the middle class cannot afford to bear the risk. If such investment trust are established in India a new channel will be made available for these *small* savings; both industry and investors will be benefited because they will get a higher return on their savings. The new addition that possibly can be made to our investment can be roughly estimated as follows: On the basis of an estimated income of Rs. 100 crores from the professional classes, a saving of 2 per cent on the average means roughly, that about two crores of rupees will be available for capital requirements and investment purposes. This figure does not take into account the incomes of many other people who are engaged in transport and retail trade who also belong to the class of small investors. Besides, these figures belong to the year 1931-32 when there was a severe depression. The calculation therefore, suggests that capital worth two crores of rupees can be further added every year. This is not to say that immediately all this capital will be available the moment investment trusts are started. It only suggests what a great possibility there is and how India is suffering at present because there are no such organizations.

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A Fourteenth Century Expetiment in Price-Control

By Sh. Ataullah, M.A.

IT is of interest to compare the objects and methods of our present day measures of price control with those imposed by Allaud Din Khilji, six centuries ago. Most of the reign of this ambitious Sultan was a long struggle for the extension of his territory towards the South and for the preservation of his empire against Mongol hoardes and native revolts. The manner in which his unwilling subjects were forced to bear the real burden of his warlike disposition by means of a rigid discipline of economic life, is very analogous to our wartime shackles on economic freedom today.

Allaud Din Khilji decided upon organizing an army the mere numerical strength of which should be staggering. Such a huge and well-equipped army, as he contemplated to raise, naturally involved very high initial and maintenance charges. The Royal Treasury with all its gold and silver, it was calculated, would not suffice to support the army of his ambition for more than five years.

Allaud Din, after the manner of Changaizi and Turkestani Kings thought of a permanent reduction in the pay of the army. The Councillors respectfully submitted that the Sultan's object could only be achieved when all necessaries of life as well as equipment for war—horses and weapons—could be had at reduced prices. In modern language the Sultan's Councillors by increasing the purchasing power of money sought to augment real wages of the army. The Councillors submitted that with the cheapening of the necessaries of life any reduction in the pay of the army would provoke no discontent.

The Councillors' suggestion met with the Royal approval and the Sultan instituted certain regulations which brought about a reduction in the prices of necessaries of life and this enabled him to create the army of his dreams.

I. Prices of Foodstuffs

The forces of supply and demand which constitute the economists' trusted stock in trade became subject to the Sultan's command. The Sultan personally fixed prices of all foodstuffs and the Delhi rates were in force throughout the kingdom. The rates were as follows:

Wheat	.. ..	7½ Jitals per maund
Barley	.. ..	4 „ „ „
Gram	.. ..	5 „ „ „
Rice	.. ..	5 „ „ „
Mash	.. ..	5 „ „ „
Moth	.. ..	3 „ „ „

The Jital was 1|64th of a silver tankah and has been estimated to correspond in value to 1½ farthing. The maund referred to, it has been estimated, weighed slightly more than 28 lbs. These estimates, however, for various reasons may not be accepted as final but the rates as given above are genuine. There never occurred the slightest variation in the control rates during the life time of the Sultan even when the monsoon failed for the State granaries held enormous stocks and easily made up all deficiency in produce.

Control Regulations

The Sultan issued the following regulations for enforcing the control rates:—

Malik Qabul was appointed Shahna-i-Mandi or Controller of Markets and was charged with enforcing the control. The Control rates were not to show the slightest variation. He was granted a considerable Jagir and allowed a large retinue of horse and foot as a mark of position and influence.

A wise and experienced Assistant was placed at his disposal and the markets were well provided with supervisors too. This implies the creation of an honest, well-paid, reliable and adequate agency to enforce price-control.

Revenue from Crown lands in the Doab was decreed to be realized in kind and the grain thus received was to be accumulated in State granaries. In the New City and its districts the State's share amounting to one half of the produce was ordered to be realized in kind and was to be stocked at the granaries of Jhain and at other towns of the province. The grain thus collected was to be sold to the grain-dealers in case of need. Huge stores of grain were thus collected in the city and there was no quarter of the city which had not at least two or three well-stocked granaries. Whenever for any reason the corn-dealers failed to bring to the market adequate quantities of grain the State granaries came to their rescue and there never was a shortage of supplies in the market.

A large number of corn-dealers were forced to settle in the villages along the bank of the Jumna and were made to execute an agreement accepting all control regulations concerning rates and supplies. This considerable army of grain-dealers assured such regular and adequate flow of supplies into the market that under normal conditions the State granaries had not to be tapped for supplies.

Hoarding of grain for private sale and profit was prohibited by the State. The prohibition order was so rigidly enforced under severe penalties that none of the fraternity of merchants, headmen in villages and shopkeepers in cities could store or sell on private account even half a maund of grain for benefit or profit. Unauthorized stocks of corn wherever found were confiscated and the stockists subjected to severe punishments. The Nawabs and officials of the Doab were directed to put an end to regration on private account within their territories. They were personally answerable to the throne if ever private stocks were discovered within their respective jurisdictions.

The officers of the State were directed to help the grain-dealers to buy corn at fixed prices from the cultivators direct at the grain heap. The Sultan had commanded the State officials of the territory within the two rivers to demand revenue from the cultivators with that promptness and severity which would render the transfer of grain from the field to the grower's home and its consequent regration a sheer impossibility. This enabled the corn-dealers to maintain a continuous flow of supplies to the market. The cultivators too as far as possible personally brought supplies for sale in the market.

The Sultan received from three independent sources, the Controller, the Supervisors and the C.I.D. intimation concerning the operation of control and for any breach of control-regulations the controller was held responsible.

When a scarcity occurred the shop-keepers of every quarter were daily given quantities of grain enough to support the population they served. Half a maund was allowed for each purchaser in the market and likewise for such men of rank who owned no villages or land. The supervisors in the market were severely handled by the king if any purchaser failed to receive his appointed ration without inconvenience.

II. Prices of Cloth

A spacious market named the Serai-Adl was specified as cloth market. The Sultan commanded that all cloth whether from the State Factories or brought by merchants from the city or outsiders must find its way for sale to Serai-Adl where alone all transactions in cloth must take place. Buying and selling of cloth outside the cloth market was prohibited under severe punishments besides confiscation of stocks.

Rates—

The rates of cloths of various descriptions were fixed for specified quantities and lengths as follows:—

Delhi silk	16 Tankahs
Inferior silk	6 „
Mixed silk and cotton ..	3 „
Fine stripped cloth with red border	6 Jitals
Rough stripped cloth ..	3½ „
Red Nagouri for inside lining	24 „
Rough inside lining ..	12 „
Shareen Bafat Ist class ..	5 Tankahs
Shareen Bafat 2nd class ..	3 „
Shareen Bafat inferior ..	2 „
Salahat fine quality ..	6 „
Salahat ordinary quality ..	4 „
Salahat inferior ..	2 „
Linen sheet	10 Jitals

Business in Serai-Adl was transacted during stated hours every day. The Serai-Adl opened early in the morning and closed at the time of the first afternoon prayers. Under orders from the Sultan, the names of all cloth merchants, local and outsiders were to be registered with the Dewan-i-Riyasat and the merchants were made to execute an agreement undertaking to bring specified quantities of a variety of cloth for sale in Serai-Adl. The merchants brought such an abundance of cloth in the market that the products of the State Factories fell in demand. The Sultan ordered an advance of twenty lakhs of tankahs to well-known Multani merchants who were given certain offices in the market and who undertook to supply requisite quantities of merchandise of every description for sale at the Serai-Adl at fixed prices.

There was quite a large variety of precious cloth used by the nobles alone. Varieties of this type of cloth included Tasbeeh, Tabraizee, Zarbuft, Zarnigar, Kimkhab, Shustari, Hareeri, Cheeni, Bherum and Devgari. The purchase of these precious varieties of cloth could only be made on the basis of a permit granted by the Controller of Markets who in granting such permits took into consideration the position and means of the purchasers. This precaution was adopted with a view to frustrating the designs of merchants and purchasers who could easily sell in distant parts of the kingdom at such higher prices such varieties of cloth bought at control prices in the Central Market of the Kingdom.

Horeses, Cattle & Slaves

For military and other purposes there always existed a keen demand for horses and horse-dealers were well-known for their rapacity. Horses were graded and prices were fixed in relation to qualities within a grade. The following scale of prices was fixed:—

	Tankahs
Horses of the 1st quality	100 to 120
„ „ 2nd „	80 to 90
„ „ 3rd „	50 to 70
Ponies for non-military use	10 to 25
Bullocks (for carrying burden)	4 to 5
Cows for milk	3 to 4
Buffalos for milk	10 to 12
	Jitals
Goats	10 to 14

Horses for the army were purchased through Government agency. Horse-dealers, capitalists and brokers were prohibited from carrying on their reckless trade and since the prospects of huge gains did not easily reconcile them to honouring the State regulations of their exploitation of the buyer and seller alike, they were prohibited from carrying on this business and some of them had even to be deported to and detained in distant fortresses. The Sultan now and then personally looked into such transactions and summoned expert horse-brokers to satisfy himself that the State regulations in regard to classification of horses and range of prices were being duly honoured.

Detailed regulations concerning the purchase and sale of slaves were framed and enforced. The prices of slaves were fixed with due regard to their age, sex, experience and qualifications. As the slave-market seems to have been another source so highly exploited by the Keesahdars and the brokers, these functionaries of the slave market were severely handled by the State like their counter-parts in the horse market.

The Range of Control

It is recorded that considerable difficulties were experienced in enforcing control regulations embracing commodities particularly of every description. But determined efforts at enforcing the regulations enabled the State to fix and control prices of commodities of all descriptions including loaves, sweets, vegetables, combs, needles, sugar-cane, fish and even beetle-leaves.

The Sultan ruthlessly controlled the sharp practices of the shop-keepers and severely punished the use of short weights and faulty scales and measures. He would send his boy-servants to buy things in the open market and in case the seller proved guilty of tricking the purchaser and giving short-weight the deficiency had to be made good, let us hope in case of hardened offenders only, by their own flesh. For dealing with normal cases of market offences special officers with powers to award severe punishments to offenders were appointed.

This experiment in price-control made over six centuries ago has its own lessons for the war-time administration of any country today. The Sultan did raise the well-equipped army of his dreams which enabled him to fortify his kingdom against the Mongols in the North while he extended his dominions in the South.

The World Abroad

U. S. Plans for Italian Rehabilitation

(From Our Washington Correspondent)

WASHINGTON, Sept. 7 (By Cable).

ITALY when conquered by the Allies will be both an economic asset and a liability but at least temporarily it will require substantially more material contributions than the returns in kind from her. The chief economic value will be of cutting off supplies of such Italian commodities as silk for parachutes, quicksilver, bauxite, lead and zinc to Germany. The Sicilian sulphur is already lost to the Axis, depriving enemy of the most important source of plastics, fertilizers and explosives. Even more serious will be the loss of food supplies from Italy which furnished products supplementing German diet, due to earlier Italian harvest, while Italian citrus fruits are reported to have constituted only semi-luxury among foodstuffs in Germany.

But the first task of the United Nations will be the feeding of conquered Italy and the second will be the rehabilitation of Italian industry; both matters having been referred to in my previous correspondence. The huge supplies that will be poured into Italy by the Allies would be mostly from the United States which will necessarily assume the chief burden of meeting Italian needs, as she has the greatest available resources among the Allies.

The United States took formal steps last week, to create economic framework for administration of the first large European territory scheduled for Allied conquest, when the State Department announced the appointment of Baldwin, who is the head of the domestic farm security administration, as director of American relief and other economic operations in Italy, "whenever United States civilian agencies enter the country to assist in connection with its supplies and other economic problems." The State Department further added: "Plans are well under way toward organization of trained staff of experts to accompany Baldwin and definite programme of operations is in preparation."

Interesting sidelight of this announcement is that the State Department which has recently been under attack from all sides as being hidebound and ultra-conservative will supervise activities of Baldwin, whom Congressional critics frequently termed as radical. Many farm bloc Congressmen even accused Baldwin of attempting to communize American agriculture. He is the protege of Vice-President Wallace and regardless of State Department sponsorship, is expected to carry New Deal ideas into the new trusteeship as far as possible.

Feeding conquered Italy will be primarily a problem of transporting enough wheat to meet the needs of Italian population for several months. It is believed here that the United States would not have to prolong such task, since it is considered likely that if the Allies occupy all Italy south of the Po river this winter, the nation will be self-sufficient by spring. The survey of the Department of Commerce recently remarked that Italy is "among the more nearly self-supporting in foodstuffs among industrialized countries in Europe." The Department of Commerce has estimated Italy to be 94 per cent. independent in foodstuffs and it is pointed that 18 million of its population of 45 millions are normally engaged in agriculture.

Nevertheless many Italian peasants cultivate such small plots that even in peace-time they are unable to make a decent living, while the breakdown of Italian transportation, hoarding resulting from war and the loss of pre-war sources have disrupted Italian food supplies. In normal times Italian deficiencies include wheat, rye, corn, oats, meat and poultry, eggs, fish, tea and cocoa. Her surpluses include cheese, rice, potatoes, citrus fruits, nuts, fresh fruits, and wines. There is an approximate balance between demand and supply in milk, butter, sugar, tobacco, and dried legumes.

Next commodity in line for shipment to Italy after foodstuffs is coal and the cotton machine tools. Germany has been sending Italy million tons of coal monthly. The Allies must compensate for loss of this source. Italy will also need petroleum, iron and steel, copper, nickel, tin, magnesium and rubber.

In the last pre-war year 1938, all imports from the United States totalled 70,405,000 dollars while Italy exported 41,152,000 to the country. The principal United States pre-war exports to Italy were cotton, mineral oil, scrap iron, steel, copper, lumber, and wheat. The Italian unfavourable balance of trade was offset by immigrant remittances and tourist expenditures. The tourist expenditure alone approximated 50 millions annually just before the war.

The officials of the State Department of Commerce believe that Italy's chief hope of rehabilitation lies in textile industry. The American machine tool manufacturers have already made plans for shipment of many million dollars of machine tools to Italy when the Allies assume sovereignty. It is hoped that these supplies will revitalize the once flourishing textile manufacturing of Italy, so that clothing and other finished products may be sent from Italy to other conquered areas, thus saving shipping both from England and the U.S.A. Before war Italy was primarily dependent on the United States for supplies of raw cotton. If the Allied invasion continues successfully, It is planned to export raw cotton from North Africa. Meanwhile, it is confidently predicted that Italian silk and hemp industries will regain some measure of pre-war vigour under the stimulus of the demands of the United Nations.

Commodity Controls Section II

Control in the Rice Trade

I

RICE is by far the largest single crop grown in India and also the most important article of food. Yet even in wartime there has been no control in the rice trade in the sense there is control of wheat or sugar or cloth. The reasons are not far to seek. In the first place, the production and distribution of rice are far too widespread to be amenable to comprehensive control, unlike in sugar where the cultivation of cane and the location of factories are concentrated in two provinces, or in cotton, where despite the diffused production of the raw material the existence of organized manufacture and marketing assists control. But the second and the more important explanation is that the necessity of rice control was not felt or rather not visualized by Government until after the food crisis had deepened and assumed an alarming aspect in December, 1942.

In fact, if we view recent incidents against the background of the last decade in regard to India's rice position, we see that not only is no definite policy discernible, but Government have shown a lamentable lack of imagination. The total area under rice amounted in the decennium 1927-28 to 1936-37 to an annual average of 76.26 million acres, with an annual outturn of about 29 million tons. In the same decade, no consistent trend of expansion or contraction in acreage or production is perceptible. Imports averaged from about one and a half to over two and a half million tons of rice every year, the bulk from it coming from Burma. India exported a certain quantity of rice mainly to Ceylon, Mauritius and East Africa, though the amount was less than 1 per cent. of her total production. There was thus, even in normal times, a hard core of dependence on external supplies, a margin which the experience of the last two years has proved to be precarious. If we take a still longer range of view, there is reason to think that there has been some definite lag between rice production and population in the last three decades.

In the first year of war when the hostilities were mainly confined to the Continent of Europe, there was perhaps some justification for Government to feel complacent about the food position. When the continental markets were closed to India's commercial crops, Government desired and attempted a switch over of acreage from commercial to food crops. When the Far Eastern crisis gathered momentum in the latter part of 1940 and early in 1941, Government should have had a little imagination to see that the precarious margin of rice supply was in danger of being cut off or curtailed and that widespread hostilities in the east warranted, at the least, a drive towards self-sufficiency. It was not until after Burma had fallen, and seasons in many parts of the country had failed and un-co-ordinated and unilateral inter-provincial bans and restrictions had been imposed that the Central Government awoke to the parlous state of affairs. All the while paltry inducements and perfunctory propaganda constituted the sum of their policy towards a food drive.

It is impossible with the extremely unsatisfactory statistical data at our disposal to assess, with any pretension to usefulness, the outturn of rice in the main producing areas in the last four years and arrive at any definite or acceptable estimates of deficits and surpluses in the different provinces. The Department of Food attempted and adopted it as the foundation of their 'Basic Plan' with results with which we are only too painfully familiar. All the same, the following figures of acreage and yield for recent years are given for what they are worth:—

	Area (mill. acres)	Outturn (mill. tons)
Average of five years from 1935 to 1940 ..	73.657	25.956
1940-41	73.059	22.150
1941-42	73.579	25.351
1942-43 (Estimated) ..	74.919	24.533

In 1940-41 there was a decline in acreage of about 600,000 from the average of the preceding quinquennium and in yield a decline of about 3.8 million tons. In the year 1941-42 the average showed an increase of about 500,000 and yield of over 3 mill. tons. The estimates for 1942-43 reveal an increase in area of 1.34 mill. acres. but the yield was expected to be nearly one million tons less. More recently, the Food Member gave out the figure of 2 million tons as the estimated shortage of rice in 1943 and stated that Bengal alone had a deficit of 1½ mill. tons against the normal average but surplus of 1 mill. tons compared with the crop of 1940; and that against this deficit should be set the surplus in 1941 crop of about 1½ mill. tons. As for the rest of the country, the deficits and surpluses of the other areas are supposed to have cancelled each other.

The forecasts of rice issued by the Department of Commercial Intelligence and Statistics do not take into account several important rice-growing areas in the Punjab and in the Madras States of Travancore and Cochin, in the Bihar and Orissa Feudatory States and other minor states. They leave out roughly 6.07 mill. acres or 8 per cent. of the area actually seeded. It is impossible in face of this, and of other defects of the figures of other areas, all admitted by official spokesmen, to attach much value to them. In any case one thing is clear. The food production drive,-if any, has totally failed, and the prevailing scarcity of rice which is universal and countrywide is inexplicable on any other terms. The stoppage of imports and the increased demand due to the influx of allied armies and refugees and the inflation of currency easily explain the relative deficiency. Recent curtailment of exports has not helped much. Casuistry alone can contend that all is

well on the side of production, and that the debacle is due to bad distribution.

Can we discern any delineations of policy on the side of control of prices and movements of rice? We may say at once that at no stage of policy in the last four years was there any *statutory* control over the prices of rice. Only two weeks back did the Government of Bengal decide upon the enforcement of prices which they announced; and Orissa is likely to follow suit. But the policy was generally not to control the price of rice in the primary markets. The provinces might or might not have exercised the powers delegated to them to fix the prices of foodgrains in respect of rice in the cities. Some provinces, notably Madras, attempted what may be regarded as indirect price control through control over transport. The movement of rice or other grains from one region to another could not be effected without a permit and railways would not supply transport unless permitted by Government. This had a double effect. In the first place all the stocks in the growing areas could not be sold immediately the growers wanted to sell them off. On the other hand the merchants who came to the districts to buy grain could get permits only if they bought at prices fixed by the Government Grain Purchasing Officers, who saw to it that the prices were not unduly high. A further stage in indirect price control was reached when Government fixed retail prices in certain cities on basis of transport and other costs. In the city of Madras, this together with Government grain shops and co-operative societies prevented rice prices soaring to inflationary heights as in Bengal and other places. But no clear-cut control of rice prices is otherwise visible. The first real step in the regulation of the movements of rice may be said to have been taken with the enactment of the Foodgrains Control Order. Prior to that, restrictions were designed to meet temporary local difficulties and not as all-India policy.

At the first Price Control Conference held in October, 1939, and at the second conference in June, 1940, it was decided not to impose any check on agricultural prices, as a rise in them was deemed desirable. At the Third Price Control Conference which met in October, 1941, under conditions of nervous rising prices, some representatives were not only against any control of rice prices, but were for a further rise in them and even objected to any import of rice from Burma. Soon after, war with Japan broke out, and some Provincial Governments imposed restrictions on the movement of grains outside their boundaries. The Fourth Price Control Conference which met in February, 1942, after stressing the need for free inter-provincial trade, definitely reaffirmed that price control should be left to the provinces; that the prices of rice should not be controlled and that should control become necessary, it should be done after consultation with the provinces. In order, however, that the Central Government might be ready for any emergency, the main rice producing provinces were asked to give the names of the common varieties of paddy in the locality and the prices that should be fixed. No data were forthcoming.

A common rice policy was sought to be evolved at a conference of the representatives of the Government of Bengal, C.P., Bihar, Orissa and Assam; but no agreement was reached. Meanwhile provincial reserves were being built and conflicting policies pursued.

Even the fifth Price Control Conference which met early in April, 1942, came to the conclusion that a control price for rice was not necessary and licensing of wholesalers and retailers would do.

The Foodgrains Control Order promulgated on the 21st May, 1942, was the first definite measure of control of the movements of rice. By providing for the licensing of dealers in foodgrains and requiring them to submit periodical reports of stocks and further relevant information, it sought to empower Provincial Governments to check and regulate the flow of stocks. But the Provincial Governments had neither the ability nor the administrative machinery to use them to proper purpose. Then ensued the uniform and unilateral inter-district and inter-provincial regulations, and the building up of stocks which choked the channels of trade and flow of goods.

The rice position was again discussed at the First Food Conference in December, 1942, and Government once more failed to enforce an all-India policy. Bengal desired to shift for itself, if assured that it was not being called upon to supply any rice. Madras, C.P., Assam, Bombay and U.P. opposed the fixation of any price for rice.

As regards the procurement operations, the proposal of the Government of India to set up their own purchasing organization, *i.e.*, merchants buying on behalf of the Central Government on a commission basis on a large-scale was not acceptable to the provinces, which, being primarily responsible for the food question, insisted on their own purchasing organization. Ultimately towards the end of January the "Basic Plan" came to be adopted. Its underlying idea was so to distribute the deficiencies on an all-India basis that the surplus provinces may also share the deficiency without leaving the deficit provinces to shift for themselves unrelieved. In principle this was sound. But in giving effect to it, the first and most formidable difficulty was how to determine the deficits and surpluses and how much each surplus province would supply and how much each deficit province would receive. At the Second Food Conference towards the end of February there was no unanimity as to who should determine the deficits and surpluses. Bombay, Madras, U.P., Sind and N.-W.F.P. recognized the all-India character of the problem and agreed to the Central Government determining them. But the Punjab, C.P. and Bihar insisted on their own rights, and ultimately the Central Government determined and communicated their estimates of surpluses and deficits to the provinces and states, with the proviso that these figures were inevitably conjectural and with the request that the provinces should gain control over their local food

resources by means of their own organization and try to implement the plan.

We do not have the details of the "Basic Plan." But we know as a matter of brute fact that the plan failed miserably, and that as against the expected supply of 14½ lakhs tons of grains in April, May and June only 5.7 lakh tons could be obtained. The estimates were found to be too wide of the mark, and the deficit provinces exaggerated their deficits without having mobilized their own resources, while the surplus provinces provided for full domestic consumption and wrote down their surpluses. For its success, the "Basic Plan" had the compelling force neither of a central policy imposed from above, nor of free economic forces operating under the impulsion of profits. The Central Government invited the breakdown of the scheme, when having fixed the deficits and surpluses they left it to the provinces to decide in effect what quantities they would supply. The imperfections of statistics and the weakness of the Central Government in admitting that the figures were "neither binding obligations nor contracts but represented a level of endeavour" reinforced the provinces in their separatist tendencies. The Central Government was placed in the unenviable position of having to satisfy the claims for doles of the deficit provinces out of the supplies which the surplus provinces chose to give as a matter of charity. It had agreed to give what it had not at its command; and whatever it could command, it could not move out quickly due to transport bottlenecks.

In the meanwhile, the serious crisis in Bengal could brook no delay. The 'Basic Plan" having obviously failed and there being no hope of grain moving from surplus to deficit provinces, it was felt that the only way of relieving distress was to declare the North-Eastern Region (comprising Bengal, Bihar, Orissa and Assam) an absolutely free trade area. Whether this step was wise or not there was no question, but that supplies did move though at inflated prices. Food now became available while previously it was not. The temporary success which this measure brought about prompted Government to think of widening the free trade area and Government had almost announced it. But they counted without the host. The supplying areas like Bihar and Orissa could not idly watch the situation which was sure to result in scarcity in their own areas. They resorted, therefore, to undisguised obstruction. Their opposition gained further momentum by their being backed up by other provinces which also felt that without restrictions on free movement there was absolutely no guarantee that grains would move out to the regions of scarcity.

It was in this situation that the Third Food Conference was held early in July, 1943, which reverted to the original "Basic Plan" with arithmetical adjustment in regard to deficits and surpluses, and to the scheme of purchase organizations under provincial auspices. The Central Government is there only to move out the supplies when the provinces place them at their disposal. The idea of restoring free trade was abandoned in toto, and the long-range Foodgrains Policy Committee which was appointed was asked to consider the question, but within the ambit of the modified "Basic Plan". The provinces are now called upon to carry out procuring and anti-hoarding operations with greater vigour. In the last four months, the rice position has deteriorated beyond all measure. Famine and deaths are prevailing in large areas of Bengal, Madras, Orissa and other parts of the country. Neither the production drive nor the distribution agency has been equal to the occasion.

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FROM THE PROVINCIAL ANGLE

Madras Letter

RATIONING OF RICE IN THE CITY—ESTATES LAND ACT AMENDMENT—CRISIS IN HANLOOM CLOTH MARKET

(From Our Correspondent)

MADRAS, Sept. 5.

RATIONING of rice in the city has come into force today and the authorities expect its complete success. The Triplicane Urban Co-operative Society and the Provincial Marketing Society and the branches attached to the two organizations are bound to play a great part, as a very large number of citizens have registered themselves with these institutions for their supplies of rice. The wholesale merchants who have been eliminated from the rice trade in the city waited in deputation on Mr. S. V. Ramamurthy, I.C.S., Adviser to H.E. the Governor and represented, among other services when there was need for it gave no hope of establishing their business and once the business stopped, it was difficult to recover large outstanding sums. The Adviser beyond promising to make use of their services when there was need for it gave no hope of resolving their difficulties. Apparently the Government are of the view that the merchants have been eliminated only from a small area and possibly for a limited period. Further, the merchants engaged solely in rice trade are very few and therefore the Government seem to be of the opinion that at the present extraordinary times when the Government is buying up foodgrains, arranging the transport and doing the work of distribution also, there is no place for this class of merchants in the trade of the province.

Estate Lands and Food

In the meantime, the Madras Government are vigorously pushing forward their schemes to encourage the growing of more foodgrains in the Presidency. A Bill temporarily to amend the Madras Estates Land Act, 1908, to enable an increase in the production of food crops in estates in the province has been published for eliciting public opinion. It is stated that a very large extent of land is lying waste in the estates and difficulty has been felt in bringing much of this under cultivation, owing to the fact that under the Act as it now stands, when a person is admitted into possession of any kyeti land, he immediately acquires a permanent right of occupancy therein. This is now sought to be remedied. Temporary assignments of waste lands for periods ranging from three to five years, subject to raising only food crops, is provided in the Bill. As the Bill will protect the legitimate rights of the landholders and will also confer an additional advantage in that the waste land is converted into tilled land, the landholders may be expected to support this measure. The results would, however, depend upon the extent of irrigation facilities provided.

Reports from the southern producing districts indicate a bumper *kuruvai* crop, also known as the short crop, the harvesting of which will commence in a few days. The peculiarity of this crop is that the paddy is generally boiled and milled into rice immediately after the harvest, as the crop does not keep long in paddy form. The machinery for such a process is not available at all the centres and therefore a relaxation of the Grain Control Order so as to allow free inter-district movements would be necessary.

Supply Member's Visit

"Industries started during the war at the instance of the Government would not be allowed to fade or swamped by competition at the end of the war and the Government would see that they are supported, provided they keep up their efficiency. This is the consistent and considered policy of the Government of India," thus declared Sir A. Ramaswami Mudaliar, Supply Member, Government of India, at a reception held in his honour during his recent visit to Madras this week. Sir Ramaswami saw a very glorious future for India in the industrial and economic spheres and urged that the standard of living of the masses should be raised through economic progress. Replying to a complaint that the Government of India have not even drawn up the outline of the post-war reconstruction plans, the Supply Member said that the Government of India, constituted as it was with the traditions of the Civil Service, suffered from want of publicity, that great things were in progress and that they will be published very soon. Sir Ramaswami Mudaliar also adverted to the food problem and gave the hope that there may be imports of food from abroad from October when the bottleneck of shipping was likely to ease.

Handloom Standard Cloth

The sale of mill-made standard cloth has been a success in this Presidency, whatever may be its fate elsewhere. The quota allotted to Madras City has been sold out and some quantities allotted to Salem, an important handloom weaving centre, have been diverted to the city. It is only in handloom weaving centres that small stocks still remain to be sold. The first consignments of cloth allotted for the half year ending January, 1944, are reported to be on the way. The cloth famine in the past few months has been so acute that the standard cloth found a ready market. The authorities do not expect such remarkable sales in the next few months as the immediate needs of the public have largely been satisfied and as the prices in the piece-goods market have come down to some extent. While such is the case with the mill-made standard cloth, the handloom standard cloth has suffered very badly. Huge stocks have accumulated and despite a reduction in the prices by 12½ per cent., there has been practically no change in the sales position. This has been due to poor quality and absence of calendering. The Provincial Handloom Weavers' Co-operative Society and the Provincial Government are now faced with a very difficult problem.

Bombay Letter

RAW COTTON PRICES—COTTON COMMITTEE'S DECISIONS—REOPENING OF HEDGES.

(From Our Correspondent)

BOMBAY, Sept. 4.

COTTON problems have been in the forefront of discussions. The Cotton Sub-Committee of the Textile Control Board have unanimously recommended that there should be definite "floors" and "ceilings" for cotton and that the Hedge Contract be reopened. It is reported that the "floor" and the "ceiling" recommended are: "floor" Rs. 500 per candy of 784 lbs. basis Jarilla 3|4" cotton as per the Indian Cotton Contract and the "ceiling" to be Rs. 650. This price is to be understood as Bombay delivery price. The Hedge Contract if reopened will move within these limits fixed. The "floors" and the "ceilings" will be made effective by the Government being called upon to purchase new crop at the 'floor" levels. When the market touches the "ceiling" levels, the Government have been asked to take over powers to requisition the cotton, if necessary, for supply to the textile industry. As regards the various other cottons that are tenderable under the Indian Cotton Contract, the premia have been laid down and these premia are to be the same as per the Government Press Note dated May 27, in which they recommended maximum levels which the Government considered fair prices for cotton. The Government's table of differences was worked out on basis Jarilla at Rs. 550.

On this Sub-Committee there were representatives of the growers, the East India Cotton Association, the merchants and the Millowners. The fact that the Sub-Committee consisting of such divergent interests have been unanimous is of great significance. As regards the "floors," it is understood that if the market prices for the varieties other than Jarilla are lower than the "floor" laid down, the Government are to buy at the market prices.

The consensus of Bombay opinion on the above recommendations is unanimous approval as regards the basic principles involved, *viz.*,

(a) that the Hedge Contract should be reported;
(b) that the Government must support the prices at certain levels;

(c) that the market must work within certain definite limits to obtain stability within a certain range; so that the growers would be guaranteed a certain minimum price of the "floor" levels and the textile industry should be assured of its supplies not beyond certain maximum limits, as that industry is under control.

The criticism that is forthcoming centres only around the "floors" and the "ceilings" named by the Sub-Committee. In any such matter, no mathematical precision can be arrived at and there is always room for criticism about the correctness of the "floors" and the "ceilings." From the point of view of the growers' representatives, the "floors" are too low and they are more concerned with the "floors" mean a more or less effective guarantee to them of a certain minimum price for their produce. They argue that in view of the sharp rise in prices of goods which the farmers have to buy the "floor" level should be higher. Further, over a decade of depression the farmers have maintained themselves on a bare margin of subsistence and have sometimes sold their capital in the form of gold, silver or even land. Since the War began and till last year, their returns were low enough and so in the controlled economy now they should have a share in the prosperity which the mills are enjoying.

As against this, certain quarters express the apprehension that as the "floor" level is very near to, if not slightly above, the actual market rates, the Government would come in for having to buy large quantities of cotton especially during the movement of the crop. They fear that the next crop may be about 55 lakhs of bales, and plead that the "floor" should, therefore, be lower so as to permit the free movement of the crop with as little Government interference as possible. If the "floor"level is kept at a sufficiently low level, it would be unlikely that the market would go down to that level, especially with the facilities of the Hedge Contract to be available. They say that the aim of the control should be stabilization within a certain range and so to fix the "floors" and the "ceilings" as to reduce to a minimum Government interference. The growers' reply to this has been that, to begin with, the whole crop is not eligible for the "floors" and the "ceilings;" secondly, that the crop, thanks to the "Grow More Food" campaign, is not likely to be more than 50 lakhs of bales, as was the case this year; thirdly, that with the possible mill consumption of 43 lakhs of bales and 5 lakhs bales of exports to U. K., the balance left would be small enough. Then again, even if the prices go down at the beginning of the season, the statistical position would assert itself as the season advances and that even if the Government have to buy cotton in the beginning, this would again flow into consumption as the season advances. Thus Government purchases at the crucial marketing period enabling the flow of cotton to be distributed evenly over the whole season, and also enabling the growers to realise fair prices. As against the other argument that the present Jarilla prices are very near the "floor" levels, it is pointed out that the present depression in the prices is an artificial one and has been brought about by Government interference in the most precipitate and unprecedented manner.

Between these two points of view, the Committee have struck a *via media* and it is hoped that the Government will accept the unanimous recommendation of this Sub-Committee.

The market reaction to the above recommendations is not very sharp. In fact the market has been lethargic awaiting Government's reaction to the proposals. The new crop prices however have firmed up and Berar Jarilla new crop has been sold at Rs. 510 for December January delivery.

Cloth Market

In spite of the restricted demand from consuming centres and the export trade, the steady tone of the market reported last week was maintained. There has been some retail inquiry and though local clearances have kept the market busy, the trade on the whole was limited. By the close of the week business in general has become very slow. Bazar rates have ruled steady or even a little firmer in certain lines. Leopard cloth 41" and 43" by 38 yds. has been on the market at about Rs. 2-6-6 to Rs. 2-7 per lb.

Bullion

During the week the bullion market ruled steady. As regards gold, the daily arrivals were 25,000|30,000 tolas from various sources so that gold prices remained steady. As the offerings were absorbed readily, some by Punjab merchants, prices have not gone down. The fluctuations of gold during the week were within very narrow range. The latest prices are as under:

Ready mint gold	..	..	Rs. 70-10
Ready Guinea	..	..	Rs. 51

As regards silver, the market has sharply firmed up. Demand for silver was greater than the upcountry offerings. Further, prices in Kathiawar have been above the Bombay parity so that there has not been the usual flow from that source which has been in evidence for several weeks. The last day of trading during the week was Thursday. There has been a scarcity of the white metal felt in ready market. Ready prices remained 'squeezed' up and the latest quotation for ready silver is Rs. 116-14.

Anti-inflation Drive

Attention has been drawn to the "save and lend" campaign in U.P. started in April last by Sir Maurice Hallett to combat the inflationary position which a New Delhi correspondent of a Bombay paper describes as "successful beyond expectations," and to the suggestion that similar measures of borrowing and taxation should be adopted in other provinces. There is little doubt that public opinion in this province will strongly frown on any steps which will subject the famine-stricken peasantry to persecution by petty officials.

Bengal Letter

COUNTRY-WIDE SYMPATHY—WHERE IS FOOD? VILLAGES PROVINCIALIZED—SUPPLY OF YARN—A SCHOOL OF ARCHITECTURE

(From Our Correspondent)

CALCUTTA, Sept. 6.

Bengal must feel particularly grateful for the great upsurge of sympathy which has been evoked from all corners of India in the trials and tribulations through which our province is now passing.This spontaneous country-wide evidence of sympathy in our distress is not in the least mitigated, and is indeed enhanced, by the recent wooden remark by Mr. Conran Smith, Home Secretary, Government of India that there is a tendency in some quarters "to over-dramatize the situation" or "to exploit the situation for purely political or sectional ends." Literally from one end of India to another has come help in cash and kind. The Scindia Steam Navigation Company has berthed one special steamer to carry from Karachi to Calcutta foodgrains for relief work in Bengal. Cash donations are also pouring and are very welcome, although there is the lurking danger that sudden influx of a large volume of easy money may conceivably complicate the situation. What is needed is food. But where is the food?

Where is the Food?

The Minister for Civil Supplies confessed that although there was stock on August 27, the stocks disappeared on August 28 when the Government price control orders came into force. It is said that food has been pouring into Calcutta at the rate of 1,000 tons a day for several weeks. Mr. N. M. Buch, Director of Food Supplies, Punjab, declared that more food grains had been sent to Bengal than to the rest of India combined. Has all this food been going down a "bottomless pit."?

The public is the more mystified when it is given the most contradictory picture of the transport factor in the situation. On the one hand, Sir Edward Benthall, the Member for War Transport, Central Government, speaks in a cavalier fashion and says that more foodgrains could have been sent from the Punjab "if arrangements could have been made to receive it, but it was no use consigning grains to terminal stations if it could not be handled." The Bengal Government has replied to this charge. On the other hand, an examination of the Punjab statistics shows that in August 60,000 tons of wheat alone were lying at several railway station yards in the Punjab without being moved for want of transport facilities. No one seems to know whether the consignment of 10,000 tons of millet imported recently have been distributed or not. All these merely emphasize what has been already repeated threadbare that without adequate resources and machinery, the Government cannot hope to cope with the situation, however much they may thunder and threaten.

Villages Proletarianized?

Meanwhile the Government is carrying on with its scheme for the repatriation of destitutes and the organization of relief centres and gruel kitchens. In the task, certain interesting social facts are coming to light, whose generality can only be verified by a more comprehensive social survey. For example, it has been officially estimated that about 36 per cent. of the destitutes now in Calcutta belong to the city proper and the rest have come from various districts in eastern and western Bengal. Again it is found that the city's problem has been aggravated mainly by the influx of villagers in search of food. We have often imagined the villages as the depository of food hoards and why in the land of the Permanent Settlement, villagers, except from definite scarcity areas should flock to the towns in search of food, seems a paradox. It appears that the inflation has impinged on the social structure even in the villages. With the abnormal rise in prices of foodgrains, labourers on the land are in many cases being paid not, as customarily, in grains, but in cash which is unrelated to the rise in prices. Village labourers have thus been in some measure proletarianized, so to say, and in off-season they form a fluid, reasourceless mass which tends to gravitate to the urban centres, big and small. This completely reverses the picture we previously had of our industrial labour, periodically returning to the villages.

Supply of Yarn

That the cottage handloom weaving industry should have been properly organized long back to tackle the present crisis in the textiles production goes without saying. Unfortunately, the weavers have been unable to be sure of a steady supply of yarn. It has been predicted by Mr. Richard Casey, the British Minister of State at Cairo, that there would soon be further demand on the Indian textiles industry. It is therefore extremely welcome to learn that the Government of Bengal is contemplating to take measures soon for the purpose of controlling supply of yarn so that weavers may get the same at concessicnal rates. The Government has already appointed a Textiles Control Adviser who has outlined a scheme in this connection and who is proceeding to Bombay tomorrow to discuss the scheme with the Textile Commissioner for India. It is to be hoped that as a result of the scheme the handloom weavers will be ensured a steady and cheap supply of yarns and our cottage industry will be fully mobilized for the production drive.

The Proposed School of Architecture

It is a happy augury of the times that the University of Calcutta has taken up consideration of the scheme for the proposed school of Indian Architecture and Regional Planning. The Syndicate of the University has already approved the scheme and the Senate is now actively studying it. There can be no doubt that town planning must form an integral part of any post-war reconstruction. Recently in Calcutta one or two building societies have grown up and one insurance company, in particular, has devoted considerable part of its resources to town-development. But only the fringe of the housing problem in Calcutta has been touched. In any case, there is urgent need of an institution for the dissemination of modern ideas in architecture and town-planning and especially in the broader aspect of regional planning. The growth of urbanization in Bengal has been extremely lopsided and unbalanced. In Calcutta, we have a shapeless, great metropolis while in the rest of this big province there is only one town with a population over 1 lakh and that one a dirty, century-old town. The scheme was unanimously endorsed in a recent meeting in which the Premier as also the Minister for Post-War Reconstruction were present. The consensus in the meeting was that the school could be established at a very early date and made into an all-India institution.

U.P. Letter

GOVT. PROFITEERING IN GUR—NO EXODUS FOR SUGAR FACTORIES—WORKMEN'S QUARTERS —EMPLOYERS' ASSOCIATION

(From Our Correspondent)

CAWNPORE, Sept. 4.

The Provincial Marketing Officer who recently visited the *gur* markets in Muzaffarnagar has notified the rates at which *gur* will be purchased by the U.P. Government for export outside the province. They are: *Gur*—Rs. 8 per maund; *Chaku*—Rs. 9 *Gur* Sugar—Rs. 9-8; and *Dana Minga*—Rs. 11. Over and above these prices the buyers will have to deposit in the Government treasury an additional Rs. 3-2 per maund for every maund of *gur* intended to be exported. All the purchases for export will be done by the U.P. Government. After meeting the necessary commission and other expenses in the purchase of *gur* there will be a saving to the U.P. Government of Rs. 2-6 on every maund. As a result of the monopoly of this export the Provincial Government would earn a large sum. The U.P. generally has 3½ lakh tons *gur* surplus which is exported to other provinces. A good deal of the last season's production has already gone out, but even then sufficient still remains to yield to the Government a handsome profit. As ruling *gur* prices in other provinces are high and as imports in these areas are to be made through the different Provincial Governments, the Government of U.P. have thought it only fair that not all the benefit as a result of the difference in prices should accrue to others.

No Exodus For Sugar Factories

Under D.I.R. the emigration of sugar factories from the United Provinces to places considered more favourable by the mill-owners has been stopped. The action follows the recommendation of the Sugar Controller, Mr. N. C. Mehta, who, among other reasons, thought that the migration of sugar factories was undesirable as it is estimated that for transporting a single factory at least 100 wagons are needed. This would mean a considerable strain on the transport of the country. While from the point of view of availability of raw material the conditions for sugar factories in the U.P. and Bihar might have been optimum, the manufacturers have found the many restrictions in the shape of cane and sugar control acts imposed by the Provincial Governments rather irksome. Lately the Indian States anxious to develop industries too had been offering special advantages to the manufacturers prepared to remove their plant from the British India. Over a year ago two factories, Campierganj and Khandke, were removed from the province. The removal of the factory at Japaha which commenced about a year ago for the Kashmir State has not yet been completed. If regular cane supply could be available in Bombay Province many of the factories in the U.P. might find it advantageous to shift to that area. Bombay imports about 30 to 40 per cent. of the U.P.'s production. The migration of factories from the U.P., however, has been checked for the time being.

Textile Control

Textile mills and markets in Cawnpore had a record busy season this August. In fact for many years in the past the August used to be the dullest month from the point of view of the sales. But August, 1943, was very different. Most of the sales, however, were directed towards Calcutta. Special facilities were given by all concerned for moving goods to Bengal. *Dhotees* and *Sarees* were very much in demand for every Hindu in Bengal must have at least a new pair of these on the *Durga Puja*. How everyone wished that foodgrains were moving towards Bengal instead of the cotton textiles, but perhaps the textile manufacturers and dealers all over the country were too busy meeting the demand for textiles in Bengal to notice anything was strange in what was happening. About 50,000 bales stock was declared by the dealers in Cawnpore market. Of this only 8,000 bales were yarn. The flight of sarees from the market was on such a scale that now for the time being it is difficult to obtain any varieties in Cawnpore. The dealers were successful in raising prices twice in the month, helped by heavy Bengal demand and liberally high ceiling prices. The mills didn't raise their cloth prices but immediately the ceiling prices were announced gave up all anxiety regarding the clearance of unstamped goods and August stamped goods which they had been offering at reduced rates. Of course in the case of yarn where the ruling prices were found to be Rs. 5 lower than the ceiling prices an increase of one rupee was made by the mills.

The experience of sales in August has removed depression from the textile market. It is true that dealers who had acquired stocks recently have lost heavily, but all hope that in future reasonable profits are assured. Many believe in Cawnpore that over 47,000

bales stocks declared by the dealers here didn't represent all the stocks in Cawnpore. The mills are stated to have declared about 1½ lakh bales. It is estimated that half of the total stocks declared have been cleared in one month alone.

Workmen's Quarters

Some idea of the war-time expansion of industries in Cawnpore can be got from the report of the Cawnpore Improvement Trust during the year 1942-43. In addition to a big chunk of the developed area, namely 124 acres, which was sold to the Government of India for setting up their Ordnance Factories, another 2,02,603.30 sqr. yards was sold at concession rates for war factories, etc. The commercial value of land shot up, and the average sale price in the year 1942-43 was Rs. 13-2 sqr. yard as against only Rs. 5-4 last year. To meet the need of housing the increasing labour population, 2,400 workmen's quarters at a cost of Rs. 30,30,000 are being built. The sum has been lent to the Improvement Trust by the U.P. Government without any interest, and the quarters will house the labour of Ordnance Factories, etc. A hospital at an estimated cost of Rs. 12 lakhs for this area is also being built up by the U.P. Government.

Employers' Association

The membership of the Employers' Association of Northern India, the first organization of Employers set up in this region in 1937 under the stress of labour strikes instigated by the Cawnpore Mazdoor Sabha, continues to expand. Fortyone industrial concerns were enrolled members of the Association at the annual general meeting held under the chairmanship of Sir Padampat Singhania. Mr. J. Tinker has succeeded Sir Singhania as the Association's Chairman. Out of a total 90,237 workers engaged in Cawnpore's mills factories now 66,674 work in concerns that are members of the Employers' Association. The labour force employed by member concerns outside Cawnpore was now 11,779 as against 7,974 last year. The Association's Labour Bureau registered 22,125 applications for employment during the year, and jobs were found for 19,034. There was a great demand for labour in the leather industry.

Civil Production in Commerce

The Cooper Allens who are the biggest boot making unit in the British Empire, and who were exclusively engaged in the manufacture of boots and equipment for the Army since the outbreak of the war might divert some of their production for the civilian consumption in the near future. The meeting of the Federation of Woollen Manufacturers in India is also coming off in Bombay and it is likely that the Federation might also ask the Government to release a portion of the plant's production for the civilian markets.

Sind Letter

HELP FOR BENGAL—RATIONING IN KARACHI —SAVE AND LEND CAMPAIGN—COTTON FUTURES MARKET

(From Our Correspondent)

KARACHI, Sept. 6.

All Sind is at the moment deeply stirred by news of Bengal distress. Indian merchants and business men in the city have generously responded to the call of the Central Distress Relief Committee by announcing donations in cash and in kind. The biggest single individual donation so far announced is by Rao Bahadur Shivrattan Mohatta, who has given Rs. 10,000 to the Bengal fund, and a similar sum for relief of distress caused by floods in Ajmer. Besides, he has also undertaken to rebuild a few villages which have been devastated. From the mercantile bodies it is expected that Rs. 3 lakhs would be collected within a week. The money is to be converted into foodgrains, and the Government of Sind have come forward with a generous gesture by permitting the export of foodgrains to Calcutta at the actual controlled prices in Karachi, without commission and profit. At the same time, they have also relaxed, as an exception in the case of foodgrains for Bengal, the Foodgrains Export Order, by which no private exports can take place except by the Government or through their accredited trade syndicates. The Government have also under consideration a suggestion made by a majority of the Ministers that they should themselves directly help distressed Bengal by exporting one lakh maunds of wheat at the controlled rate. In order that this quantity does not get into the blackmarket in Calcutta but becomes directly useful for the poorer classes, it is proposed that the wheat should be placed at the disposal of charitable institutions in Calcutta, with the clear stipulation that the Government of Bengal would see that the wheat is not sold at a price higher than that charged by Sind Government. In this connection, Mr. M. H. Gazdar, Home Minister, has suggested that the Government of Bengal should adopt most stringent measures against hoarders throughout Calcutta as well as in important rice-growing areas and towns in the Province, as, in his opinion, the scarcity of food in Bengal at the moment was largely artificial, caused by "hoarding on the part of capitalists and rich people." He further advocated compulsory requisitioning of stocks wherever found, and redistribution to all in Calcutta and elsewhere throughout Government agencies.

Rationing in Karachi

Meanwhile, plans for rationing in Karachi are proceeding quickly. The preliminary enumeration of households has been completed, and it is revealed that 96,000 houses will have to be provided when the scheme takes effect. An I.C.S. officer has been appointed as rationing authority. The Director of Civil Supplies, Mr. J. C. Bolton, I.C.S., and the Controller of A.R.P, services, Dr. D. Shroff have just returned after a week's preliminary training in the methods of rationing organized in Bombay.

"Save and Lend" Campaign

The question of how best to carry out the Central Government's "Save and Lend" campaign, as part of the general anti-inflationary drive, was informally discussed during the week at a conference of all District Collectors, and an officer has been specially entrusted with the work of formulating plans. The conference also discussed the food situation and the extent to which Sind could help deficit provinces without cutting into the standards of self-sufficiency within the province itself.

Cotton 'Futures' Market

Reviewing the operation of the Government ban on hedge contracts, the Karachi Cotton Association have adopted a resolution urging the Government to take an early decision for permitting resumption of 'futures' trading in raw cotton. The Association apprehend that if there is no 'futures' trading, a grave crisis will result with the new crop coming to the market within three or four months, and support the resolution passed in July last by the Indian Central Cotton Committee. They add that safeguards can easily be considered in consultation with the Bombay and Karachi Associations without in any way jeopardizing the Cloth and Yarn Control Order, regret that, whereas maximum prices for raw cotton were arbitrarily fixed as early as May, the Government have not yet indicated what a 'fair' level would be, at which they would come forward to buy up cotton. They demand that in fairness to the cotton grower and the raw cotton trade, an announcement, in consultation with the two controlling bodies in this connection should be made immediately. Karachi cotton interests, however, look forward anxiously to the forthcoming tripartite conference at Cairo for the allocation of Egyptian cotton between India, Egypt and the U.S.A. For, according to information available here, the demand for Egyptian cotton in Britain and the U.S.A. has increased lately, and the mill interests are apprehensive that unless a favourable quota is fixed for India, the cotton mill industry would suffer in respect of long staple cotton. It is expected that Seth Kasturbhai Lalbhai who has proceeded to Cairo as millowners' representative at the talks, would secure for the trade a favourable deal.

The Eastern Economist

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CONNAUGHT CIRCUS,

NEW DELHI.

A DELHI DIARY

NEW DELHI, Sept. 9.

NO clear statement of policy on the food question has yet emerged from the Government of India. The Viceroy who was to have gone this week to Simla, has decided to stay on in New Delhi for a few days more. This last minute decision to postpone the tour, may, according to New Delhi talks, be due to important changes in the military situation as a result of Italy's surrender, for there are already reports that the arrival of Lord Mountbatten in India may be hastened. Elaborate preparations are already on way for an all-out offensive against Japan with India as one of the main bases. As the only difficulty hitherto has been the lack of sufficient naval and air power for a big offensive, there seems to be every hope that the next few weeks may see a big change in this respect. Already a party of important American Senators have been here in New Delhi this week for personal study and consultations. And if as is believed Lord Mountbatten will also be in New Delhi earlier than originally anticipated, speedy developments may soon be expected. And there is the other reason that the Viceroy's presence at headquarters is necessary for giving final shape to the Government of India's food plans. Throughout the week there have been prolonged conferences—both here and in Lahore—between the Food Member and representatives of Provincial Governments, but so far as one can see these conferences have only left an uneasy feeling in the public mind. It is evident that the Bengal Ministry is not able to control the situation. It is not also clear whether the Viceroy's Council is moving with one mind in the matter and is in a position to resolve on a courageous policy and enforce it. Though appeals and complaints have been coming from all parts of the country, there are still two questions which remain unanswered. Why is it that though foodgrains have been rushed to Bengal in enormous quantities during the last few days, the situation has not materially improved? If it means that radical changes in Bengal's internal arrangements are necessary, that aspect of the question can no longer be neglected. Secondly, why is it that the Central Government is still hesitating to step in directly and courageously and use the powers which it undoubtedly possesses for stopping the rot? Help from the public is coming in abundant measure, but at every stage one finds vacillation and lack of co-ordination on the part of the Governments, both Central and Provincial. When the Food Conference meets early next month there is bound to be a good deal of plain-speaking. As several allegations have been made against food administration in Bengal the question of instituting an inquiry appears to be under consideration.

The first plenary session of the Labour Conference was remarkable for two reasons. Dr. Ambedkar is a man of strong views—and he fully utilized the opportunity offered by the conference to bring in certain large issues upon which he is known to be somewhat keen as Labour Member—questions like social security and the rights of the common man. I understand that the discussion at the conference covered very wide ground and as was only to be expected, yielded a variety of views. In the end it was decided to set up machinery to investigate questions of wages and earnings with a view to provide adequate materials on which to plan a policy of social security for labour. After the necessary statistics have been collected by the Department, a representative committee will be set up to formulate proposals. But though these questions have been actively taken up for consideration, what is not yet clear is the Government's policy regarding industrial development now and after the war. What is to be the future of the technical training scheme on which crores are being spent in order to train technicians for war industries? And what about these thousands of war technicians themselves who will be demobilized after the war? And there is also the question of switching these war industries themselves to civilian production to meet post-war needs. Other countries have actively taken up the question of planning post-war industrial development, but in India there has been little sign of activity on the part of the Government of India to plan out a programme of industrial development after the war in consultation with the interests concerned. The Labour Member's speech did not throw any light on this aspect of the question though without industrial development on the same lines as other countries, labour in India cannot look forward to those conditions of social security which he himself emphasized. Why should not the Government of India appoint a representative committee to plan out a post-war industrial programme also in the light of post-war conditions?

A decision of first-rate importance has been taken by the Overseas Department of the Government of India. In order to have full statistical information regarding evacuees in India it has been decided to take a census of Indian Burman and other Asiatic British evacuees at present in India, during November next. A *communiqué* issued by the Government of India in this connection says: "In the administration of financial and other relief to the large number of evacuees who are now in India and in dealing with many other problems connected with them considerable difficulty is being experienced through the lack of accurate statistical information relating to the evacuees. This handicap causes particular difficulty in making plans for absorbing the evacuees into the economic life of the country." According to the information now available, the number of evacuees may be about half a million at the moment. In respect of European British and foreign evacuees full information is already available.

A number of inquiries appear to have been addressed to the Government of India regarding the exact financial and economic implications of the creation of the East Asia Command in India. The committee of the Federation of Indian Chambers of Commerce and Industry which met in New Delhi this week discussed this question in detail and resolved to address the Government of India on the subject of the financial commitments involved. At the moment India's war bill comes to about a crore per day. Apart from this expenditure which directly falls on Indian revenues, India has to find rupee finance for the expenses of war establishments in India and the cost of supplies to them though this expenditure goes ultimately to the account of His Majesty's Government. Certain definite assurances were given during the last session of the Central Legislature by the Finance Member, but there are again rumours that the whole question of the allocation of war expenditure may have to be reconsidered in connection with the ensuing campaign against Japan for the retaking of Burma. Even otherwise there is the question of the effect of further expansion of currency which is bound to take place owing to the large additional expenditure which these new military campaigns involve.

ARGUS.

NEWS PAGE

The death occurred in London on September 6 of Mr. Reginald Mckenna, who was for some time Chancellor of the Exchequer and Chairman of the Midland Bank since 1919. He was aged 80.

* * * * * *

On September 14, the Governments of Madras, Bombay, the Punjab, and C.P. and Berar will be floating loans to the aggregate value of 7.75 crores. All the loans will bear interest at 3 per cent. and will be repayable in 1956, but the issue prices vary between Rs. 99 and par.

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Since the war savings campaign opened on November 22, 1939, the British people have saved some £6,138 million, of which £2,302 million was small savings.

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A resolution calling for the setting up of machinery to investigate questions of wages and earnings with a view to planning a policy of social security for labour was adopted at the plenary session of the Labour Conference which concluded its session in New Delhi recently.

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Estimating that a third of the Ruhr industrial plants were demolished and Nazi war production brought down by over ten per cent. as a result of air raids, Mr. Harry Hopkins, the U.S. Lend-Lease Administrator, emphasized recently that there are tremendous industries which are yet virtually untouched in other parts of Germany and Europe.

* * * * * *

A Chinese Government spokesman recently revealed that steps are being taken to guarantee protection for foreign capital in post-war China, in view of the fears that have grown among foreigners since the abolition of extra-territoriality and the great need which China will have for the aid of foreign capital and technical assistance after the war.

* * * * * *

A warning that the ceiling prices of yarn and cloth at present fixed by the Government will be revised, if it is found necessary, was given by Mr. M. K. Vellodi, I.C.S., Textile Commissioner, Government of India, in a statement to the *Associated Press*.

* * * * * *

The U.S. Secretary for the Interior, Mr. Harold Ickes, announcing the return of 369 more coal mines to private companies, said recently that the coal mines administration had now terminated the Government position and control of mines representing more than 23 per cent. of the nation's total coal production.

* * * * * *

Rice rationing came into force in Madras City on September 5. A week's supply is given to all except those who prefer daily ration, at the rate of two and a half *ollocks* for persons above 12 years of age and half that quantity for children between 2 and 12 years of age, the cost being two measures and three *ollocks* of raw rice per rupee.

* * * * * *

Facing a serious shortage in man-power for the production of commodities in Japan, the Japanese authorities in Shanghai are reported to be forcibly purchasing all available stocks in the metropolis, especially cotton goods and silverware. About 600 cotton yarn shops, representing 80 per cent. of the cotton trade in that port city, have suspended business.

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On an average of the five year ending 1941-42, the area under sugarcane and cotton in the United Provinces has represented some 50.9 and 2.2 per cent. respectively of the total area under these crops in India. The prospects of sugarcane harvest are, on the whole, favourable. The outturn, on the basis of the reports received from crop reporters, is estimated at 88 per cent. of the normal, the average for the preceding 10 years, as reported in the final forecast, being 81 per cent.

* * * * * *

A message of congratulation from President Roosevelt was read at a luncheon in London on September 2 to celebrate the centenary of the weekly review, *Economist*. Sir Walter Layton presided. "In the great task of economic enlightenment the *Economist* can play a significant part," said President Roosevelt in the message.

* * * * * *

According to the final review of the jute crop for the season 1942-43, issued by the Department of Agriculture, Bengal, the yield for the season totalled 9,061,565 bales in Bengal, Bihar, Orissa, Assam and the two Indian States of Cooch-Behar and Tripura. This showed an increase of 47,435 bales over the final forecast figures of 1942.

* * * * * *

The Government of India have issued a notification prohibiting futures trading in castor seed, cotton seed and sesamum (*til* or *jinjili*). The prohibition will come into effect after the close of business on September 6, 1943, by which time operators may voluntarily liquidate their contracts. All contracts outstanding on that date will be closed at a rate to be fixed by the Government.

Letter to the Editor

Prohibition of Forward Business

Sir,—In his article on the above subject appearing in the *Eastern Economist* of August 20, Mr. P. C. Jain has made certain remarks concerning the Bombay Stock Exchange which cannot be allowed to go unnoticed.

Mr. Jain's statement that the undertaking given by the Bombay Stock Exchange to the Bombay Government to suspend forward trading for the duration of the war was violated in its letter and spirit when business was permitted on a fortnightly basis is far from correct. The fact of the matter is that such fortnightly trading is entirely in conformity with the Ready Delivery Rules which have been in force on the Bombay Stock Exchange long before the war. This has been clearly pointed out by the Stock Exchange in para 3 of its letter to the Bombay Government dated the 16th July, 1943, copies of which are available to the public. There is, therefore, no question of the Stock Exchange violating the agreement relating to the suspension of forward business. It is deplorable that instead of studying the position with an unbiassed mind, Mr. Jain should have thought it proper to indulge in unjustified aspersions against the Stock Exchange.

Mr. Jain's plea as to the policy to be followed by Government is based on the assumption that forward trading, though it has useful functions to perform in peace time, is undesirable in the abnormal circumstances of war. So far as goods necessary for carrying on the war and civilian life of the country are concerned, this plea may for a moment be accepted although here also there is considerable difference of opinion. However, as recognized in the last para of the article itself, the application of this policy to dealings in stocks and shares is of doubtful utility, firstly because speculative activity on the Stock Exchange "is detached from the daily life of the consumer and changes in share prices do not affect him" and secondly because it "attracts many an investor who would otherwise not invest his funds in industrial shares." The article admits that "the consumer is not affected directly by changes in share prices" but proceeds to argue that "these changes have vital effects on public confidence and the panic is likely to travel from the Stock Exchange to the genuine investor who also happens to be the consumer." The weakness of this line of reasoning is apparent. To hold that all price changes produce a panic is an indefensible proposition. No doubt some price changes do lead to panic, but they occur in a market where gambling takes the place of speculation. Mr. Jain has failed to adduce any evidence to show that is the state of affairs on the Bombay Stock Exchange at present. On the contrary the Stock Exchange has conclusively shown by means of facts and figures that actual scrips to the tune of crores of rupees are changing hands and that in the present conditions there is nothing to be surprised at, in the activity on the Stock Exchange. The writer suggests that "some prices in the share market have been out of touch with reality during the past two months." I do not know whether Mr. Jain is an authority on share prices. Anyway, the suggestion is too vague to be of any value.

Although Mr. Jain has conceded that speculation encourages investment in industrial shares, surprisingly enough this aspect of the matter has been dismissed on the ground that "we have to view the total situation." The contention that since all other markets are under the Government control why not the Bombay Stock Exchange is on a par with the analogy that since all other animals walk on four feet so must man, a curious but not a very useful conclusion.

There are other aspects of the question into which I should have liked to go but in view of the fact that the space at your disposal must be limited, I feel, I must reserve further remarks.

Bombay, Aug. 27.

Yours faithfully,

Jagmohandas J. Kapadia.

With reference to the above, Mr. P. C. Jain, the writer of the article, makes the following comments:—Ed.

Mr. Kapadia raises two chief points. I still maintain my position that the Bombay Stock Exchange authorities violated their Agreement with the Bombay Government. They had prohibited forward trading as from the middle of October 1942, but forward business has continued to be transacted under the guise of ready contracts and in the beginning *badlas* took place unofficially and settlements were effected outside the ring by the operators through mutual arrangements on a 15 days *vaida*. The Bombay Stock Exchange authorities were fully aware of it. Subsequently, in March, 1943, the "cash deals" were officially permitted to be settled on a fortnightly basis on the excuse that postal delays and heavy pressure on the Clearing House justified this latitude. The net result has been that spot trading serves the purpose of forward trading on a fortnightly basis. Therefore, although it is true that the Stock Exchange authorities have not permitted forward business *as such* they have secured the same result by putting a "liberal" interpretation on cash deals.

Mr. Kapadia has expressed doubts about the validity of my arguments in support of prohibition of forward business on the Stock Exchange. Unfortunately he has missed my point. In the first place, when speculation has been prohibited elsewhere it has also to be prohibited on Stock Exchange because otherwise the speculators ousted from the other markets are bound to turn their attention to this market, as they have actually done, and upset its working. Secondly, though speculation up to a certain limit serves a useful purpose beyond that limit, in addition to the danger of causing panic in the public, it inflicts serious losses on the speculators themselves. They have to be saved from the results of their own folly. Of course it is very much a matter of opinion whether such a danger point has yet been reached, but I have come to a clear conclusion on the basis of (share) price movements during the last three months that the situation is full of danger and quick action is called for.

Gleanings

U.K.'S WAR-TIME FINANCE

In the fourth year of the war just closed Britain spent £6,000,000,000 compared with £5,100,000,000 in the third year, £4,500,000,000 in the second year and £2,700,000,000 in the first year, making the four-year total £16,300,000,000, writes *Reuter's* City Correspondent.

A few weeks hence this war will have cost Britain twice as much as the last war.

Borrowings have increased proportionately less (about £10 milliard compared with £7 milliard in the whole of the last war) because Britain is covering a substantially larger proportion by taxation, which so far is about 41% compared with below 30% in the last war. The tax percentage is tending to increase. It was 45% in the past year, 42.5% in the third year of the war and 36% in the second year of the war.

This is partly because expenditure abroad (which was covered by sales of dollar securities, etc., until the latter were exhausted) has dwindled and has been replaced by Lend-Lease. Nevertheless, this achievement and the general conduct of Britain's war-time finances can be considered creditable.

INDIAN SILK IN WAR

Interesting remarks about the role of silk in war were made by the Minister for Revenue on the occasion of the opening of the Mysore Branch of the Mysore Silk Filature:—

As a short-range war measure, it is an activity of vital importance as it supplies the silk required for the manufacture of parachutes. You are aware of the many-sided nature of the operations undertaken by the Air Forces in this war. For fighting, for transport of troops, for reconnaissance, for supply of munitions and other war material, aeroplanes have come into use to an extent undreamt of before. The usual sources of supply of silk, China, Japan and Italy have failed. India is the only country which can supply this important war material. All those who are engaged in the production of cocoons and in the reeling of high grade silk are doing war-work of great importance.

Sericulture in the Mysore State is practised as a cottage industry in villages and quite a large number of people are engaged in it. There are great possibilities of expansion which has hitherto been chiefly limited by the small return to the Sericulturist. With the adoption of improved reeling in filatures, Mysore silk is likely to realize better prices—"Our georgettes and crepes," said the Minister, "are in great demand from quality buyers in all markets, which is really encouraging."

U.S. DIRECTOR FOR ITALY

The Secretary of State, Mr. Cordell Hull, has appointed Mr. Alvin Benham Baldwin as Area Director of Economic Operations for Italy, in accordance with the plan for the co-ordination of all United States economic activities abroad as established by the President's letter of June 3 last. Mr. Baldwin will deal with economic affairs in Italy whenever United States civilian agencies enter the country to assist in connection with its supply and other economic problems.

Announcing the above, the State Department revealed that plans are well under way towards organization of a trained staff of experts to accompany Mr. Baldwin and a definite programme of operations is in preparation. Mr. Baldwin will assume his duties in the Office of Foreign Economic Co-ordination in the near future. Since October, 1940, he has been the administrator of the farm security administration. Expert on housing, he was a delegate to the first Pan-American Housing Conference held at Buenos Aires in 1939.

A TAX ANOMALY

An instance of an assessee being required to pay Government a sum in excess of his total income is furnished by Messrs. Frazer & Ross, Chartered Accountants of Madras, in the course of the following letter addressed to *Capital*:—

Sir,—It must be something new in the annals of fiscal policy for a tax-payer to be liable to pay Government something more than his total income. The figures given below are based on a case which we are now handling and they relate to the sole proprietor of a business:

	Rs.
Standard Profit	50,000
Adjusted Profit—Chargeable Accounting Period	15,50,000
Excess Profits Tax payable at 66-2/3%	10,00,000
Income-Tax on Rs. 5,50,000	54,773
Do. Surcharge ..	56,516
Super Tax on Rs. 5,25,000	2,50,156
Excess Profits Tax compulsory deposit 20% of Rs. 10,00,000	2,00,000
Total amount payable Rs. ..	15,91,445

These figures show that out of a profit of Rs. 15,50,000 made last year the assessee will be called upon to pay Government Rs. 15,91,445 or Rs. 41,445 in excess of his total income.

TEXTILE SUPPLIES

Questioned by the *Times of India* correspondent recently concerning India's future supply problems, the Minister of State, Mr. Richard Casey, replied through experts of the Middle East supply centre.

The ever increasing scale of operations based on India will bring in their wake unlimited supply headaches, but the most formidable will be the difficulty of maintaining grain stocks in areas where there are large troop concentrations with only most limited transport facilities.

Thanks to rigid price control, which will under no circumstances be relaxed, there is today under Allied control sufficient grain for the present and immediate future needs of all interdependents countries. It is barely sufficient and no more. But spread among these countries there is a small surplus that for various economic reasons does not come under Allied control or

reach any open market. These surpluses are not for sale. They are bargaining countries for exchange and will only be placed in the general kitty against a promise of repayment in goods and not money.

It is pointed out that the greatest general need among Allied nations today is textiles, with a total estimated shortage next year of 2,000 million yards. It is here that India can give a lead to the world and at the same time improve the lot of her own people.

If the great textile mills of India can grind out just a few more yards, those yards can instantly be placed in the general pool and would unquestionably make available to India those little surpluses of grain which neither money, wheedling, nor threats will ever search out.

MIRACLES OF PRODUCTION

"Since the outbreak of the war in September, 1939, veritable miracles of production have been performed in the factories and workshops of Australia. Amazing feat of production has followed amazing feat in almost endless procession. All manner of weapons of war of the most highly complex type have, in many instances for the first time been produced in this country—and produced with the maximum of skill and within the minimum of time. Machine tools, mighty presses, tanks, guns, aeroplanes, ships, all have flowed—and are flowing—off the production lines in a mighty torrent.

In many fields of production entirely new ground has been broken and Australian research workers have solved problems whose solution may, without exaggeration, be described as spelling the difference between victory and defeat."—*The Australian. Manufacturer* (May 23).

A SOURCE OF VEGETABLE RUBBER

Cryptostegia Grandiflora as a possible source of rubber in war-time has for sometime been figuring in Indian news, and the supplement to the Journal of Scientific and Industrial Research for July, 1943 is devoted to an exhaustive treatment of the subject by the Director of the Pusa Agricultural Research Institute. The plant is no newcomer; it has been known to occur in different parts of the country for more than a century. Its stem, leaves and fruits exude a milky latex which contains, besides rubber, gums, resins and other related substances. In the tapping process there are obtained the so-called "plugs" formed from a coagulation of the latex, and these make an excellent source of rubber. The paper goes on to say:

"It will be interesting and instructive to calculate the yield of pure rubber per acre from plugs alone. On the basis of 4,000 plants per acre (planted 3 to 4 feet apart) and 25 tapable shoots per plant a yield of 247 ·2lbs. of pure rubber per annum appears possible according to the calculation below, assuming only 50 tappings during the whole year, 2.343 gms. of pure rubber can be obtained from 100 shoots per day by the ounce-in-3 days tapping conducted at Muttra. Assuming that 25 tapable shoots are available per plant and assuming that 4,000 plants can be raised in 1 acre, 1 plant would yield 0.58 gms. of rubber per day of tapping. Four thousand plants would therefore yield 2.243 gms. per day of tapping.

This would work up to 4.94 lbs. per day of tapping. Assuming that 50 tappings are made in a year 247.2 lbs. of pure rubber can be obtained from 1 acre per annum."

A recent survey showed that there is an extensive wild growth of this plant at Okhla, near Delhi. Detailed botanical studies relating to it are in progress at Pusa and elsewhere.

FREEDOM OF INDUSTRY AND TRADE

The Annual Conference of the Associated Chambers of Commerce held at Sydney in May last adopted the following as one of its resolutions:—

"That this Conference, while recognizing the need for some degree of control of industry under war conditions ,desires at the same time (a) to record its implacable opposition to the extension of nationalisation or socialisation of industry in directions in which the needs of the community are at present adequately covered by private enterprise, and (b) is satisfied that any serious attempt to adopt considerable modifications of the system of private enterprise would intensify the grave difficulties certain to be encountered in the course of reconstruction, and would end in chaos; and (c) the Associated Chambers of Commerce will cooperate with the Government to the fullest extent in recognising the obligation of promoting stability of employment to provide for involuntary unemployment and to recognise the principles of industrial justice and co-operation between all sections engaged in production and commerce."

LEND-LEASE SHIPMENTS TO INDIA AND CHINA

One section of the Lend-Lease report regarding China and India combined said that approximately 70 per cent. of the shipments to China and India were munitions, reports Central News from Washington.

The report said that those to China included airplanes and tools and materials to keep planes flying, communications equipments and spare parts for trucks. It said that the airplanes lend-leased to China played a part in the June victory on the Ichang front.

The amount of supplies to China has been restricted by transportation difficulties and since the closing of the Burma Road, shipments have been made principally by air. Constant efforts are being made in collaboration with the British for the time when the routes are opened.

It said that new equipment available by Lend-Lease has been issued to the Chinese troops who retreated to India after the fall of Burma and that these troops are being trained by United States army officers in the use of this equipment. The programme of training Chinese pilots, mechanics and technicians in India and the United States launched previously is constantly expanding.

Further steps have been taken to make a great supply base for operations against the Japanese and stockpiles of materials for China are being established in India in increasing quantities as transportation facilities become available.—C.I.B.

GOLD OND FOREIGN ASSETS

Central Bank Reserves of gold and foreign assets have increased considerably in countries producing primary commodities, largely as a result of heavy exports at enhanced prices and reduced facilities for importing manufactured goods. The expansion was particularly marked in Latin American countries where, between the end of 1941 and the first quarter of 1943, large percentage increases in gold holdings occurred in Mexico (135 per cent.), in Peru (gold valued at purchase price only: 126 per cent.), Venezuela (78 per cent.) and Colombia (67 per cent.); no change occurred in the Argentine nor in the Peruvian gold stocks valued at the legal parity. During the same period, foreign assets reserves increased by as much as 656 per cent in Peru, 553 per cent. in Colombia, 418 per cent. in Mexico, 148 per cent. in the Argentine and 89 per cent. in Chile, and among the smaller Central American States by 626 per cent. in Costa Rica and 356 per cent in Salvador. There was a drop, however, of 32 per cent. in Venezuela's relatively small holding of foreign exchange. In India, foreign assets were 74 per cent. larger in the beginning ten times greater than the accompanying fall in silver stocks (58 per cent.) while gold stocks remained unchanged. Corresponding increases in Turkey were 35 per cent. for gold stocks and 62 per cent. for foreign assets, in New Zealand 141 per cent. for foreign assets (gold unchanged) and in Australia 26 per cent. for gold stocks and foreign assets combined.

By February, 1943, Switzerland had converted nearly all her holdings of foreign assets into gold.

WAR EXPENDITURE

Total Governmental expenditure is now nearly ten times as great in the United States as it was in 1938-39, more than five times as great in the United Kingdom, more than six times as great in Canada and Australia, almost five times as great in New Zealand and twice as great in the Union of South Africa. In the year 1943-44, it will probably be at least fourteen times as great in the United States and ten times as great in Canada as it was in the last pre-war year. In neutral Switzerland, expenditure in France and the Netherlands appears to be at least three times as great as in the year preceding the war. For Germany, no precise data are available, but tax receipts and borrowing in 1941-42 suggest that expenditure had then increased at least threefold since 1938-39 when it was already at a very high level and had to be met largely by loans.

War expenditure in 1942-43 represented over 90 per cent. of total expenditure in the U.S.A. and the U.K., over 80 per cent. in Canada and Australia, nearly 80 per cent. in New Zealand and about 55 per cent. in the Union of South Africa. Expenditure for defence accounted for 72 per cent. of neutral Switzerland's total expenditure in Belgium and to 36 per cent. in the Netherlands, and in 1942 to some 46 per cent. in France.

Everywhere taxation has been greatly increased. Receipts cover about 50 per cent. of expenditure in the United Kingdom, 55 per cent. in Canada, 46 per cent. in New Zealand, nearly 40 per cent. in Australia, 64 per cent. in the Union of South Africa and somewhat under 30 per cent. in the United States. In Switzerland, receipts in 1942 were estimated to meet less than 40 per cent. of that year's expenditure, and in France about 30 per cent.

Kesoram Cotton Mills, Limited.

NOTICE is hereby given that an Extraordinary General Meeting of the above Company will be held at the registered office of the Company at No. 8, Royal Exchange Place, Calcutta, on Tuesday, the 28th day of September, 1943, at 2-30 p.m. to consider and, if thought fit, to pass, with or without modification, the following resolution, which will be proposed as a Special Resolution:—

That the Articles of Association of the Company be altered in manner following:—

That in Article 10, in line three, the words "or by the Managing Agents" be inserted after word "Directors."

That in Article 99, in line 9, "(h)," be inserted after "(g)" and "(n)" be inserted after "(m)."

That in Article 105, in line 3, the words "or by the Managing Agents" be inserted after the word "Directors."

That in Article 87, in line one, the words "a majority of" be substituted in place of the word "all."

That in Article 108, the words "in accordance with the provisions of the Indian Companies' Act" be substituted in place of the words "not more than three months before the meeting from the time when the last preceding account and balance sheet were made up or in the case of the first such account and balance sheet from the date of incorporation of the Company."

By order of the Board,
BIRLA BROTHERS, LTD.,
B. KUMAR,
Managing Agents.

8, Royal Exchange Place,
Calcutta, 31st August, 1943.

Investments

BOMBAY, Sept. 9.

(From Our Correspondents)

The week under review had opened very firm. Leading textile shares were in good demand. Century rose up to Rs. 885, Kohinoors to Rs. 641; and Bombay Dyeing to Rs. 2,017—2,017-8. Following the report of change in agency of the E. D. Sassoon United Mills, E. D. Sassoon Ordinary shot up from Rs. 19-2 to Rs. 21-2. E. D. Deferred also went up to Rs. 4-3 and consequently the entire E. D. Group was stirred up. Meyer Sassoon went up from Rs. 203 to Rs. 215 and Edward Sassoon shares were also in good demand up to Rs. 750. The steel section was featureless and Tata deferreds were quiet at around Rs. 1,885. Then came the news of the invasion of Italy; the long awaited second front had at last opened up. The market was, however, closed for three days and on the 6th September when the market reopened, the immediate reaction was a note of caution. Bulls began to liquidate their stocks. People talked about the imminence of peace with Italy and what would happen if peace actually came.

Bullion was quietly steady. The prospects for export of Indian textiles are bright and there seems to be a feeling of subdued optimism about it in the market circles.

MADRAS, Sept. 5.

There were only four sessions of the Stock Exchange during the week owing to local holidays and a fair volume of business passed in which many of the leading shares participated. There was selective buying in textiles and plantings and the method of absorption indicated the great discretion shown by the operators. The recovery in textile shares was small but the market was firm, as the shares were passing into stronger hands. Buckingham Carnatics rose to Rs. 312-8. Coimbatore Cottons, Coimbatore Spinnings, Pankajas and Sri Saradas were all higher by about six to ten points at Rs. 337, Rs. 296, Rs. 338-12 and Rs. 276 respectively. Kaleeswarars which were last done at Rs. 600 rose sharply by twenty points. With the textile section in a cheerful mood, planting shares came in for good buying but price variations were narrow. Once again investors and operators preferred the older shares. On the announcement of dividends, the A. V. Thomas group of shares attracted attention. Coorg Rubbers have declared a dividend of 50 per cent., taking the second place amongst the companies paying the highest dividend in the planting section. The shares were quoted at Rs. 72 cum the dividend. Cochin Malabars changed hands up to Rs. 18-13. Rajagiris had a steady turnover at Rs. 18.4. In the tea cum coffee group, Be Be Rubbers, Cottanad Plantations, Kalasa Teas and Ouchterlony Valleys were done at Rs. 14, Rs. 16, Rs. 15-4 and Rs. 15-2, respectively. Amongst Bank shares, Indians Big came in for business at Rs. 257. Reserves improved to Rs. 119. There was only a moderate turnover in the Public Utilities. In the Miscellaneous section, chemicals continued to rule strong and quotations have recorded fractional gains. Mysore Papers met with a large volume of business with the quotation rising to Rs. 25-8. Spencers were firm at Rs. 10-2.

The Government Securities market was steady and quotations were unchanged. 3½ per cent. Paper and 3 Per cent. Loans 1963-65 were dealt with at Rs. 97.2. Three per cent. Defence Bonds were taken up to Rs. 102-14. Madras Loans firmed up on good inquiries and 3 per cent. Loans 1959 were particularly active and the quotation rose to Rs. 98-9. There was only a small turnover in State Loans due to shortage of scrip. 3 per cent. Mysores 1956-61 changed hands at Rs. 111-8.

Company Report

Kesoram Cotton Mills Ltd.

The report of the Directors of the Kesoram Cotton Mills, Ltd., for the half year ended March 31, 1943, records the cheerful position of the company's finances under the able guidance of its managing agents, Messrs. Birla Bros., Ltd. The audited Profit and Loss Account for the half year under review shows a gross profit of Rs. 33,70,648-8-6. A sum of Rs. 7,45,985-8-10, representing managing agents' commission, directors' fees, interest, insurance and audit fees, general charges and workers' welfare has to be deducted from this, as well as a sum of Rs. 3,13,299-1-0 provided for depreciation. To the balance a sum of Rs. 71,782-10-4 representing sundry adjustments and dividends on shares has been added which gives a sum of Rs. 23,83,146-9-0 as the profit for the half year under review. To this has to be added Rs. 11,82,071-3-1 being the balance of the last half year's profit and loss account after paying dividend on the preference shares. Out of the resulting total of Rs. 35,65,217-12-1, a sum of Rs. 29,00,385-9-0 has been provided for taxation for the year ended 31st March, 1943. This leaves a balance of Rs. 6,64,832-3-1 to the credit of the profit and loss account.

The proposal of the Directors on the utilization of this balance is marked by a sound caution. Rs. 70,000 will be used to pay dividend on 20,000 preference shares at 7 per cent. per annum, free of income tax, or Rs. 3-8 per share, and a sum of Rs. 4,00,000 to pay dividend on 8,00,000 ordinary shares at As. 8 per share. The balance of Rs. 1,94,832-3-1, is proposed to be carried forward to the current half year's account.

Commodity Markets

BOMBAY, Sept. 4.

The seeds market displayed a remarkably steady tendency throughout the week. Upcountry markets are also steady to firm. The rates in India have been so firm that the Food Ministry was not able to buy groundnut in any part of India during this week as it was not prepared to increase its rates. Its previous buying rate for groundnut was £35-15 per ton. Bombay Bold on bazaar terms was sold at Rs. 98 and Khandesh quality on delivery terms at Rs. 19-7. Madras Marmagao November 15 delivery, has been sold at Rs. 18-10. In the castorseeds lively trading has been witnessed and there has been an improvement in the prices. Against Wednesday's closing of Rs. 97-12, the Thursday opening was Rs. 99. Short covering send the market up to Rs. 100-12, wherefrom the market declined on heavy profit-taking and finally closed at Rs. 96-10. The linseed market was rather stagnant and the rates for Bombay Bold are Rs. 15 to Rs. 15-2 with the condition that the buyers have to supply wagons. On the whole, quotations are as under:

Groundnut oil, Rs. 11-5; Copra oil Rs. 10-6; Linseed oil Rs. 11-2; Castorseed oil Rs. 11-12.

Oil Seeds Control

The recent notifications of some of the Provincial Governments indicate that each one of them has begun to adopt a unilateral control policy regarding oilseeds. In Bengal, the Government has already imposed control with regard to mustard oil without any effective control on the seed. The Bihar Government has recently put an embargo on export of mustard seed and oil from its territory. The U.P. Government have followed suit and issued an oilseeds Control Order which imposes a ban on export to places outside the province of rape, mustard, linseed and their products including oil and oilcake. All these restrictions will naturally increase the prices of oil and oilseeds in deficit provinces to a great extent and it is unfortunate that there is no co-ordinated policy of control at the Centre.

Sugar

Price control and rationing have curtailed all speculative activity and nothing noteworthy has happened in the Bombay sugar market. Arrivals continue to be moderate at 10,000 bags a day and the offtake is reckoned at the same figure. Stocks are estimated at about 90,000 bags.

MADRAS, Sept. 5.

Piecegoods and Yarns

The piecegoods market was very steady during the period under report. On September 1, merchants opened up their bales of such goods as are saleable before the end of next month and as regards the rest, they have intimated their willingness to tender them to the Government but official forms have not been available. Business done during the week with upcountry centres was moderate as purchases have been made to meet only the immediate requirements. A hesitant feeling seems to prevail in the consuming markets. Railway bookings during the week were not free and on most days, only particular stations were open to booking. Arrivals from the North Indian markets were fair. As the wholesale merchants have also resorted to retail sales there has been a tendency for prices to ease in the retail market. A small error crept into my last week's report with regard to the figures relating to stocks of piecegoods and yarn as on the 31st July, 1943. The figures represent the stocks of Madras Presidency and Madras City and not India and Madras Presidency as stated therein. In the Yarn market, there was moderate demand from weavers and a fair turnover resulted. Merchants have opened up the bales as required by the Textile Control Ordinance but large stocks have been earmarked for sales to the Government as the merchants think it profitable to do so. Arrivals from the South Indian producing centres were meagre, but there were fair arrivals of lower counts of yarn from the North. Prices on the week's trading were slightly lower than the past week.

Groundnuts

With poor arrivals and continued heavy buying by Calcutta interests, the price of groundnuts for ready advanced sharply to Rs. 93. Fairly large purchases have been effected during the week. The British Ministry of Food was interested in buying ready stocks but was not prepared to pay more than £36-5-0, which was unworkable, compared with local prices. Therefore, no business resulted. Firms were buyers up to Rs. 87, but not much stock was forthcoming. The crop from Guntur area has not moved freely for want of more rain. The movement of crop from the Pollachi area is expected to be delayed owing to the plague situation there. The oil market was firm and the quotation improved to Rs. 167. There was good demand for cake mainly for agricultural operations and the price has improved to Rs. 140.

HAPUR, September 6.

Juwar

For the most part of the week under review the local Juwar market maintained an upward sentiment but towards the close it suddenly declined and finished at lower rates. The early bullishness in prices was mainly attributable to speculators' optimistic ideas and higher advices from upcountry markets, while in the later days, the easiness was caused following tired long liquidations instigated by reported favourable crop conditions. The undercurrent of the market appears to be quite easy, although some bull operators are dreaming of higher rates. The Juwar Poos prices opened at Rs. 7-3-10½ and closed at Rs. 6-15-6 touching the highest and the lowest at Rs. 7-4-9¾ and Rs. 6-13-3¾, respectively.

Urad

After displaying a firm tendency in initial stages the Urad market presented a reactionary sentiment during the week. In view of the excellent crop conditions and lower spot values, the upcountry speculators are expecting further easiness in prices. Urad Magh opened at Rs. 14-3-0 and closed at Rs. 13-12-0. The highest and the lowest peaks touched during the week were Rs. 14-12-0 and Rs. 13-11-0, respectively.

Traders are evincing little interest in the Bardana market.

Gur

The *Gur* market ruled quiet and dull early but on the closing day became firm and active following encouraging export demand. The *Gur* is being exported outside U.P. Permits are being issued easily. The Government charges Rs. 3 per maund on exports of *Gur*. The arrivals from the villages are in small parcels due to rainy weather. The arrivals of new *Gur* will commence after a month. The old *Gur* is lying in good quantity at Hapur.

There were heavy rains during the week. Slight damages are reported to have been caused to Maize and Kapas crops. Other crops are faring well and a good outturn is expected.

Wheat

The wheat market remained easy but quiet. Arrivals averaged 400 maunds daily. The local stock is put at 210 Khattis. One Khatti was exported from here.

The following are today's quotations against those quoted last week:—

	This week	Last week
	Rs. a. p.	Rs. a. p.
Wheat	13 14 6	14 1 6
Stock	210 Khattis	211 Khattis
Gram	10 15 0	11 13 0
Stock	3 Khattis	3 Khattis
Barley	10 0 0	10 0 0
Peas	10 9 0	10 13 0
Arhar	10 3 0	9 14 0
Gur	9 0 0	8 12 0
Juwar Poos ..	6 15 6	7 3 0¾
Urad Magh ..	13 12 0	14 1 0

CAWNPORE, Sept. 4.

Hides and Skins

Considerable official efforts are afoot to stabilize the market in Raw Hides at the Government's controlled price. Comparative inactivity, of late, is mainly due to the unwillingness of the dealers to transact business at the Government's specified rate. The average difference between Government's rate and the rate at which business is carried on is about 4 to 6 ounces per rupee. There is a regular campaign to put off the outside tanners from the market in order to make adequate supplies to local tanners possible. The supply position, however, is threatening partly on account of the handicaps due to the season and partly due to the non-availability of wagons. Some relaxation during the recent weeks can also be ascribed to the absence of any orders for Harness leather which was by far a profitable project for the local tanners. Complete absence of orders in cow hides has set free an uncontrolled business in this section which due to fair demand is fetching good price. The gloomy prospects in the trade for wet salted buffalo have lately encouraged some dealers to dry good qualities of hides for export to the Punjab.

Following are the latest quotations: Wet salted cow hides: heavy Rs. 130 to Rs. 170 per score, medium Rs. 110 to Rs. 120 per score, and light Rs. 60 to Rs. 80 per score. Wet salted buffalo hides: heavy 2½ to 3 lbs. per rupee, medium 3 to 3½ lbs. per rupee and light 3½ to 4 lbs. per rupee. Goat skins: Oudh Rs. 70 to Rs. 90 per 100 pieces, Deshi Rs. 60 to Rs. 80 per 100 pieces. Sheep skins: Rs. 60 to Rs. 80 per 100 pieces. Tallow Rs. 30 per maund.

CURRENT STATISTICS

BANK OF ENGLAND

(000's omitted)

	Aug. 25, 1943	Aug. 18, 1943	Aug. 26, 1942	Aug. 30, 1939
Total Bullion	1,662	1,648	1,432	263,700
Public Deposits	7,200	6,800	7,300	31,100
Other Deposits	223,400	204,700	192,800	129,100
Of which Bankers' Deposits	166,800	149,500	146,000	90,100
Government Securities	202,000	187,100	139,700	113,100
Other Securities	16,300	15,900	18,700	31,000
Of which Discounts and Advances	3,400	1,800	6,700	6,400
Notes and Coins	26,700	24,700	52,900	34,200
Notes in Circulation	974,900	977,000	823,600	529,500
Ratio of Reserve to Liabilities	11.59%	11.60%	26.43%	21.38%

U.S. FEDERAL RESERVE BOARD

(000's omitted)

	Aug. 26, 1943 $	Aug. 19, 1943 $	Aug. 27, 1942 $	Aug. 31, 1939 $
Resources—				
Total Reserves	20,453,000	20,453,000	20,800,000	14,660,610
Total Bills Discounted	40,000	18,000	5,000	6,190
Bills bought in open market	..	..	550	..
Total U.S. Govt. Securities	8,777,000	8,156,000	3,389,000	2,426,190
Liabilities—				
Federal Reserve Notes in Circulation	14,710,000	14,625,000	10,031,000	4,609,280
Deposits — Member Bank Reserve Account	12,702,000	12,659,000	12,526,000	10,951,000
Ratio of total Reserve to Deposit and Federal Reserve. Note—liabilities combined	69.8%	71.1%	96.4%	86.9%

RESERVE BANK OF INDIA

WEEKLY STATEMENT OF ACCOUNT AS ON AUGUST 27, 1943.

ISSUE DEPARTMENT

Liabilities	Rs.	Rs.
Notes held in the Banking Department	11,67,14,000	
Notes in circulation	754,63,61,000	
Total Notes issued		766,30,75,000
Total Rs.		766,30,75,000

Assets	Rs.	Rs.
A. Gold Coin and Bullion—		
(a) Held in India	44,41,43,000	
(b) Held outside India	..	
Sterling Securities	618,82,23,000	
Total of A.		663,23,66,000
B. Rupee Coin		14,68,11,000
Govt. of India Rupee Securities		88,38,98,000
Internal Bills of Exchange and other Commercial Paper		..
Total Rs.		766,30,75,000

Ratio of Total of A. to Liabilities: 86.55 per cent.

BANKING DEPARTMENT

Liabilities	Rs.
Capital paid up	5,00,00,000
Reserve Fund	5,00,00,000
Deposits—	
(a) Government—	
(1) Central Government of India	29,07,50,000
(2) Government of Burma	76,71,000
(3) Other Government Accounts	9,76,86,000
(b) Banks	60,57,14,000
(c) Others	4,62,67,000
Bills Payable	2,04,19,000
Other Liabilities	4,36,65,000
Total Rs.	121,21,91,000

Assets	Rs.
Notes	11,67,14,000
Rupee Coin	16,06,000
Subsidiary Coin	2,35,000
Bills Purchased and Discounted—	
(a) Internal	..
(b) External	..
(c) Government Treasury Bills	1,09,64,000
Balances held abroad*	96,67,27,000
Loans and Advances to Governments	1,12,00,000
Other Loans and Advances	..
Investments	7,71,52,000
Other Assets	2,75,93,009
Total Rs.	121,21,91,000

* Includes Cash and Short-term Securities.

ISSUE DEPARTMENT COMPARATIVE STATEMENT

(000's omitted)

	Aug. 27, 1943	Aug. 20, 1943	Aug. 28, 1942	Sept. 1, 1939
Held in the banking Department	11,67,14	10,58,52	13,08,76	35,04,49
In Circulation	7,54,63,61	7,55,11,48	4,74,25,57	1,82,13,17
Total Notes	7,66,30,75	7,65,70,00	4,87,34,33	2,17,17,66
A. Gold Coin and bullion	44,41,43	44,41,43	44,41,43	44,41,46
Sterling Securities	6,18,82,23	6,13,83,48	3,11,79,17	59,50,11
Total Notes	7,63,30,75	7,65,70,00	4,87,34,33	2,17,17,65
B. Silver coin	14,68,11	14,07,41	28,73,82	75,67,11
Rupee Securities	88,38,98	93,37,68	1,02,39,91	37,38,98
Silver bullion under Coinage	..	..	..	..
Percentage of Reserve Liabilities	86.55	85.967	73.091	63.149

BANKING DEPARTMENT COMPARATIVE STATEMENT

(000's omitted)

	Aug. 27, 1943	Aug. 20, 1943	Aug. 28, 1942	Sept. 1, 1939
Cash	11,85,55	10,75,74	13,24,95	35,15,27
Balances held abroad	96,67,27	94,33,51	77,20,71	10,08,33
Investments	7,71,52	7,67,42	6,63,55	6,81,34
Bills discounted:—				
(a) Internal	..	..	..	..
(b) External	..	..	..	..
(c) Government of India Treasury Bills	1,09,64	94,65	20,99	1,15,67
Loans and Advances to the Government	1,12,00	38,00	87,00	31,00
Deposits:				
(a) Government	39,61,06	33,43,95	12,32,52	14,89,43
(b) Banks	60,57,14	62,67,64	69,84,30	26,91,43
(c) Others	4,62,87	3,79,17	2,91,76	1,24,37

STERLING PURCHASES

(000's of £

	Total Amount Purchased.	Average rate.
1943:—		
January	8,132	1sh. 6d.
February	11,070	1sh. 6d.
March	17,779	1sh. 6d.
April	9,219	1sh. 6d.
May	8,721	1sh. 6d.
June	6,338	1sh. 6d.
July	7,006	1sh. 6d.

IMPERIAL BANK OF INDIA

WEEK ENDED 27TH AUGUST, 1943.

Liabilities	Rs.	Rs.
Capital—		
Authorised—2,25,000 shares of Rs. 500 each	11,25,00,000	
Issued and Subscribed—2,25,000 shares of Rs. 500 each	11,25,00,000	
Called up—75,000 shares of Rs. 500 each, fully paid	3,75,00,000	
1,50,000 shares of Rs. 500 each, Rs. 125 paid	1,87,50,000	
		5,62,50,000
Reserve Liability of Shareholders— Rs. 375 per share on 1,50,000 shares	5,62,50,000	
Reserve Fund		5,75,00,000
Fixed Deposit, Savings Bank, Current and other Accounts		197,29,44,000
Loans against Securities per contra		..
Acceptances for Constituents		..
Sundries		88,08,000
Total Rs.		209,55,02,000

Assets	Rs.	Rs.
Investments—		
Government Securities	134,96,06,000	
Other Authorised Investments	1,99,64,000	
		136,95,70,000
Advances—		
Loans	11,74,37,000	
Cash Credits and Overdrafts	21,90,09,000	
Bills Discounted and Purchased	3,84,44,000	
		37,48,90,000
Liability of Constituents for Acceptances per contra		1,71,97,000
Dead Stock		67,48,000
Sundries		..
Bullion		
Cash—		
In hand and with the Reserve Bank of India	30,95,36,000	
Balances with other Banks	1,75,61,000	
		32,70,97,000
Total Rs.		209,55,02,000

SCHEDULED BANKS

(In thousand Rupees)

	27-8-1943	20-8-1943	28-8-1942	1-9-1939
Demand Liabilities in India	443,86,25	438,30,50	297,04,56	134,36,49
Time Liabilities in India	136,99,61	136,53,21	97,45,84	102,24,34
Cash in India	19,60,69	19,28,92	12,28,26	6,69,92
Balances with Reserve Bank	59,45,47	62,02,63	63,15,30	25,17,19
Advances in India	144,75,80	143,87,76	79,98,99	101,52,16
Bills discounted in India	3,50,15	3,61,19	1,36,15	3,57,29

TENDERS FOR TREASURY BILLS

(In thousands of rupees)

Week Ending		Amount Tendered.	Amount Accepted.	Average Rate.	Intermediates	Sold in favour of Issue Dept.
June	4	11,88,00	8,00,00	1 1 0	3,90,25	6,57,75
,,	8	12,31,50	8,00,00	1 1 0	5,70,50	6,66,75
,,	15	12,80,25	8,00,00	1 1 0	3,74,25	3,57,00
,,	22	11,11,00	8,00,00	1 1 0	4,11,50	6,83,50
,,	29	9,07,00	8,00,00	1 1 0	1,20,75	7,82,00
July	6	4,81,25	3,12,25	1 0 0	40,50,00	3,15,50
,,	13	13,22,25	8,00,00	0 15 11	..	35,59,00
,,	20	15,93,76	8,00,00	0 15 9	..	10,64,25
,,	27	19,76,50	8,00,00	0 15 7	..	3,59,00
Aug.	3	13,83,00	8,00,00	0 15 0	..	3,47,00
,,	10	14,73,25	8,00,00	0 14 11	..	3,16,25
,,	17	12,36,75	8,00,00	0 14 10	..	9,50,09
,,	25	16,41,25	8,00,00	0 14 11	..	2,36,00
,,	31	18,95,75	8,00,00	0 14 0	..	4,92,75

DATES OF MATURITY OF OUTSTANDING TREASURY BILLS

Date of Maturity.	Amount (000s of Rs.)	Date of Maturity.	Amount (000s of Rs.)
Bills maturing on or before 31st July, 1943, but not paid upto date—			
1st	2,00	10th	9,50
3rd	16,00	11th	7,95,25
5th	1,33,50	12th	3,17,50
6th	1,04,50	14th	30,00
7th	8,19,75	16th	62,50
8th	28,00	17th	2,34,25
10th	5,00	18th	8,90,50
12th	2,16,50	19th	3,00
13th	90,25	21st	21,25
14th	7,28,25	23rd	15,75
17th	40,50	24th	39,50
19th	1,14,25	25th	7,89,50
20th	7,89,25	26th	35,50
24th	36,50	28th	40,50
26th	2,69,25	30th	33,50
27th	1,15,00	October, 1943—	
28th	7,51,00	2nd	8,02,00
29th	50,00	3rd	5,00
31st	5,00	9th	3,12,25
September, 1943—		15th	1,25
2nd	2,57,25	16th	7,98,75
3rd	16,25	22nd	31,25
4th	8,42,00	23rd	7,68,75
5th	2,47,00	28th	4,50
7th	3,00	29th	5,00
9th	22,00	30th	7,90,50
		Total	125,44,25

SUGAR POSITION FOR SEASON 1942-43.

1942-43

(Figures in Tons)

Producing Areas.	Production upto 22-8-1943	Despatches during the period 16-8-1943 to 22-8-1943.	Progressive total of despatches from 1-12-1942 to 22-8-1943.	Percentage of progressive despatches to production.	Physical stock as on 22-8-1943.
U.P.	6,13,248	13,659	4,26,863	69.6	1,86,385
Bihar	2,37,671	3,045	1,49,833	63.0	87,838
Bombay	77,221	788	59,565	77.1	17,656
Madras	32,711	641	23,398	71.5	9,313
Punjab	6,579	1	5,716	86.9	863
Bengal	16,537	819	9,562	57.8	6,975
N.W.F.P.	3,167	2	2,453	77.5	714
Orissa	2,092	6	1,675	80.1	417
Sind	2,008	52	1,164	58.0	844
Indian States	81,604	1,386	64,837	79.5	16,767
Total	10,72,838	20,399	7,45,066	69.4	3,27,772

N.B.—(1) Balance Physical Stock of 1941-42 Season Sugar as on 22-8-1943 was 579 tons.

(2) Information received from Indian States is not complete.

(3) Only one factory was still crushing on 22-8-1943.

ESTIMATES OF LAC CROP

(In 000 mds.)

	Final Baisaki.			Final Jethua		
	1941	1942	1943	1941	1942	1943
Bengal	130	118	11	..	..	..
Bihar	541	604	224	79.7	87.5	51.2
C.P. & Berar	99	142	32.5	4.7	6.7	3.5
U.P.	13	18	3	..	..	..
Other Provinces	14	16.7	13	.2	.2	.2
Indian States	77	139.5	68	6.2	8	12
Total	874	1039.2	372	91	102.5	67

WORKING CLASS COST OF LIVING IN INDIA SINCE AUGUST 1939.
(Base: August 1939 100)

	*Bombay				†Ahmedabad				‡Sholapur				Cawnpore				¶Nagpur				¶ **Jubbulpore				¶Lahore				¶¶Madras			
	1939-40	1940-41	1941-42	1942-43	1939-40	1940-41	1941-42	1942-43	1939-40	1940-41	1941-42	1942-43	1939-40	1940-41	1941-42	1942-43	1939-40	1940-41	1941-42	1942-43	1939-40	1940-41	1941-42	1942-43	1939-40	1940-41	1941-42	1942-43	1939-40	1940-41	1941-42	1942-43
Aug.	100	109	125	160	100	107	126	168	100	104	118	158	100	112	130	203	100	111	125	183	100	117	131	202	100	102	120	177	100	110	117	140
Sept.	101	107	123	162	104	108	126	160	100	103	119	162	105	113	133	202	100	111	125	183	107	124	139	202	103	108	125	183	105	110	117	149
Oct.	103	108	119	164	103	108	126	166	103	103	123	177	105	112	134	206	98	117	125	184	105	124	138	202	104	111	133	186	106	111	117	155
Nov.	104	108	120	170	111	111	129	188	108	103	130	196	105	112	143	224	105	114	131	190	107	124	141	214	123	115	143	191	107	112	120	159
Dec.	108	110	123	179	115	108	136	204	114	104	136	201	112	111	151	224	x116	113	136	206	x119	119	153	231	123	115	143	252	110	112	123	161
Jan.	109	111	130	193	111	108	130	237	110	105	132	201	114	110	145	225	111	111	138	212	112	119	148	228	109	113	143	264	109	110	119	164
Feb.	107	113	129	195	108	109	129	226	108	105	127	207	112	108	144	234	105	109	134	234	107	117	147	292	108	111	147	255	106	110	117	167
Mar.	105	113	130	198	107	108	132	237	103	108	132	219	109	106	150	246	105	108	133	262	109	121	155	278	110	109	145	254	107	110	117	173
April	105	113	131	214	107	111	136	256	101	107	136	226	110	107	149	268	106	113	136	291	110	124	156	279	110	120	148	267	108	111	121	176
May	106	116	135	227	105	112	141	..	103	107	142	..	109	108	155	299	111	113	145	317	112	122	158	309	101	113	155	..	109	110	123	177
June	106	116	145	232	110	114	152	..	104	111	149	..	108	114	175	336	109	116	160	361	116	126	178	317	100	109	162	..	109	111	131	183
July	108	120	160	..	108	121	160	..	104	115	153	..	109	126	190	341	108	120	181	..	119	134	199	..	102	114	166	..	109	115	136	..

* Base: Year ending June 1934. † Base: Year ending July 1927. ‡ Base: Year ending January 1928. ¶ Base: Year ending January 1927. ** Base 1931-35. ¶¶ Base: Year ending June 1936. x Revised figure.

INDEX NUMBERS OF WHOLESALE PRICES BY GROUPS OF ARTICLES

ALL-INDIA

(Prices for week ending 19th August 1939=100)

	Feb. 1943.	Jan. 1943.	Feb. 1942.
Food and tobacco ..	207.0	190.8	132.3
Other Agr. Com. ..	193.8	783.3	125.3
Raw Materials ..	172.0	171.5	158.0
Manufactured Articles ..	226.5	224.1	162.3
Primary Commodities ..	190.5	182.0	140.6
All Commodities ..	197.6	190.4	145.0
Chief Articles of Export ..	187.6	177.2	142.4

* Issued by the Economic Adviser, Govt. of India.

BOMBAY

(July 1914=100)

Commodities.	No. of Items.	Apl. '43.	Mar. '43.	Apl. '42.
Foodgrains		215	211	133
Cereals	7	215	202	138
Pulses	2	273	244	117
Sugar	3	238	222	157
Other Food ..	3	259	253	141
All Food	..	229	222	138
Oilseeds	5	185	156	102
Textiles (Cotton) ..	..	176	174	103
Cotton, Raw ..	5	94	94	71
Cotton, Manufactures	6	313	307	156
Other Textiles ..	2	83	83	83
Hides and Skins ..	3	99	99	99
Metals	5	770	746	665
Other Raw Manufactured Articles	4	232	232	225
Non-food	..	264	274	228
General Index ..	..	264	256	198

CALCUTTA

(Prices in July 1914=100)

Commodities.	July 1943.	June 1943.	July 1942	Sept. 1939.
Cereals	498	447	153	86
Pulses	393	365	151	89
Tea	130	130	197	142
Other Food Articles	580	565	289	125
Oilseeds	284	272	162	106
Mustard Oil ..	207	192	95*	61
Jute, Raw ..	129	134	6*	80
Cotton, Raw ..	183	199	10*	75
Jute Manufactures	190	193	126	102
Other Textiles (Wool and Silk) ..	194	220	170	110
Hides and Skins ..	95	95	85	67
Metals	332	342	275	147
Other Raw & Manufactured Articles	207	199	248	95
All Commodities ..	332	319	198	108

* Average of 9 months.

BANGALORE*

(Base year 1914=100)

Particulars	April 1943.	March 1943.	April 1942
Foodgrains and Pulses ..	247	239	142
Oil and Oilseeds ..	265	257	120
Other Food Articles ..	282	269	130
Textiles	341	313	133
Others	293	161	178
Gen. Index Numbers ..	282	264	144

* Compiled by the Department of Industries and Commerce Mysore.

WHOLESALE PRICES OF PRINCIPAL COMMODITIES

Commodities	Grade & Quality.	Market	Unit.	This Week. Rs. a. p.	Last Week. Rs. a. p.	A Year ago. Rs. a. p.	Pre-war (1939) Rs. a. p.
Rice (not in husk)	Kalma	Calcutta.	per md.	37 0 0	37 0 0	8 12 0	4 14 0
	Basmati Sela	Amritsar.	"	22 0 0	22 0 0	..	..
Wheat	Average quality.	Karachi.	"	7 14 5	7 14 5	5 15 0	..
		Hapur.	"	14 0 0	14 0 0	..	..
		Lyallpur.	"	10 10 0	10 14 0	5 1 0	2 3 9
		Cawnpore.	"	14 8 6	14 8 6	12 3 6	9 15 0
Sugar	Marhowrah Crystal No. 1.			8 0 0	8 0 0	..	..
Sugar raw (Gur)	Chikna best quality.	"	"	0 15 0	0 15 0	0 14 7	0 10 5
Tea	For export.	Calcutta.	per lb.	0 8 5	0 8 5	0 11 4	0 4 4
Tea	For consumption in India.	Calcutta.	"	7 9 0	7 6 0	..	..
Potatoes	Great Scot (round)	Mettupalayam	per md.	93 0 0	..	..	..
Groundnuts	Bold.	Bombay.	per candy of 500 mds.	14 7 5	14 2 4	..	..
Groundnuts	Average.	Madras.	per candy of 500 lbs.	..	14 2 4	11 7 0	7 2 6
Linseed	Bold.	Bombay.	per cwt.	..	..	7 1 0	6 13 6
Linseed	Small Grain.	Calcutta.	"	14 2 0	..	..	..
Rape and Mustard	Toria 9% admixture.	Karachi.	per candy of 656 lbs.	..	100 0 0	63 8 0	36 12 0
Cotton (raw)	**Fine M.G. 4-F (Punjab) R.G.	Karachi.	per bale of 784 lbs.	..	466 12 0	..	..
Cotton Piece-goods.	Grey Dhoti 44"×10 yds.			..	7 12 9	..	..
	Markin 43"×38 yds.×11 lbs.			..	24 6 0	..	..
Cotton Yarn	No. 10s.	Bombay.	per 10 lb.	13 10 6	13 10 6	7 2 2	2 12 2
	No. 20s.	"	"	17 8 9	17 8 9	10 5 10	3 12 10
Jute	Raw Firsts.	Calcutta.		..	77 0 0	46 0 0	41 8 0
Jute Bags	B. Twills 2¼ lbs. 44×20½, 6×8.	"	per md.	..	..	41 14 0	28 13 0
Wool (raw)	Kandhar (cleaned) Indian quality.	Karachi.		55 0 0	55 0 0	50 0 0	32 0 0
				9 8 0 to 10 6 0	9 8 0 to 10 8 0	9 8 0 to 10 8 0	7 8 0 to 8 8 0
Hides and skin (raw)	Cow hides (Agras).	Calcutta.	per 20 lbs.	110 0 0 to 130 0 0	110 0 0 to 130 0 0	95 0 0 to 115 0 0	100 0 0 to 115 0 0
Hides and skin (raw)	Goat skins (good quality).	"	per 100 pieces.	0 14 8 to 1 3 6	0 14 8 to 1 3 6	0 14 9 to 1 3 0	0 9 8 to 0 12 10
Hides and skin (tanned)	Cow hides.	Madras.	per lb.	1 12 0 to 2 4 0	1 14 0 to 2 2 6	1 6 6 to 1 10 6	1 7 6 to 1 12 0
	Goat skin.	"	"	71 0 0	..	64 0 0	14 0 0
Shellac	T.N.	Calcutta.	per B. md.	5 4 3	5 4 9	4 4 9	3 13 3
Kerosene oil	Superior.	"	per 4 gallons in tin.	9 12 0 to 10 8 0	9 12 0 to 10 8 0	4 12 0 to 6 8 0	4 0 0 to 4 12 0
Coal	Selected Jharia.	"	per ton into wagon.	94 0 0	94 0 0	94 0 0	89 0 0
Pig Iron	Foundry No. 1.	Cochin.	per ton f.o.r.	..	..	115 0 0	43 8 0
Copra	Fair average quality.	Calcutta.	per candy of 500 lbs.	60 0 0	60 0 0	44 0 0	..
Cement	Indian Swastika.		per ton f.o.r.				

CROP FORECASTS FOR SEASON 1942-43

Crop and Forecast.	Tracts comprised in the figures.	Estimated Area.	Per cent of preceding year (100= figure of same date preceding year).	Final figure 1941-42.	Estimated Out-turn.	Per cent of preceding year (100= figure of same date preceding year).	Final figure 1941-42.
		Acres		Acres			
Castorseed.	Practically all castor-growing tracts ..	13,52,000	141	958,000	147,000 tons	162	91,000 tons
Sugarcane—Final.	A little over 96 per cent. of the total sugar-cane area of India. ..	3,590,000	102	3,515,000	5,692,000 tons	130	4,371,000 tons
Rice—Final.	About 98 per cent. of the total rice area of India	74,919,000	102	73,579,000	24,533,000 tons	97	25,351,000 tons
Rape and Mustard—Final.	A little over 95 per cent. of the total rape and mustard area of India. ..	5,784,000	93	6,204,000	1,043,000 tons	96	1,089,000 tons
Linseed—Final.	94 per cent. of the total linseed area of India.	3,408,000	102	3,348,000	411,000 tons	114	361,000 tons
Wheat—Final.	98 per cent. of the total wheat area of India	34,298,000	101	34,039,000	10,971,000 tons	109	10,037,000 tons

STOCKS AND SHARES

	This week	Previous week
	Rs. a. p.	Rs. a. p.
BOMBAY (Sept. 7)—		
GOVT. SECURITIES—		
2¾% 1948-50	99 12 0	99 9 0
3% 1949-52	100 12 0	100 9 0
3% 1951-54	100 1 0	100 1 0
3% 1963-65	97 2 0	97 0 0
3½% G. P. Note	97 0 0	97 0 0
3½% 1947-50	103 13 0	103 9 0
4% 1943	100 2 0	100 2 0
4% 1960-70	111 4 0	111 4 0
4½% 1955-60	115 0 0	115 0 0
3% 1946-55	106 4 0	106 3 0
3% 1940 Defence Loan ..	102 14 0	102 9 0
TEXTILES—		
Ahmedabad	505 0 0	490 0 0
Bombay Dyeing	1,977 8 0	1,997 8 0
Central India	451 0 0	455 0 0
Century	869 0 0	865 0 0
Colaba Land	245 0 0	243 0 0
Indian Bleaching	215 0 0	209 0 0
Gokak	347 8 0	347 0 0
Kohinoor	619 0 0	623 0 0
Phoenix	655 0 0	651 5 0
Sholapur	8,220 0 0	8,100 0 0
Simplex	291 8 0	293 8 0
Swadeshi	556 0 0	558 0 0
Finlay	349 0 0	..
Vishnu	2,700 0 0	2,467 8 0
MISCELLANEOUS—		
Alcock	512 8 0	521 8 0
Bombay Burma	380 0 0	377 8 0
Belapur Sugar	232 0 0	232 0 0
Bombay Burma New ..	140 0 0	133 12 0
Bombay Steam	562 8 0	563 0 0
Bombay Tramways ..	156 2 0	156 0 0
Burma Petrol	2 15 3	2 14 6
Scindia Steam	34 0 0	34 4 0
Shivrajpur	65 8 0	66 8 0
Tata Power	1,810 0 0	1,805 0 0
Andhra Valley	1,875 0 0	1,875 0 0
Tata Hydro	198 0 0	198 0 0
Tata Steel Ordy.	380 0 0	384 0 0
Tata Steel Defd.	1,865 0 0	1,905 0 0
Premier Construction ..	182 0 0	182 0 0
Indian Iron	36 0 0	35 2 0
Burma Corporation ..	3 12 0	3 12 0
Associated Cement ..	214 8 0	213 12 0
Tata Steel 1st Pref. ..	220 0 0	217 8 0
Indian Copper	2 7 6	2 8 0
Tata Steel 2nd Pref. ..	154 12 0	155 4 0
New Indian	70 0 0	72 4 0
BANKS—		
Central	73 0 0	73 12 0
Imperial (Fully Paid) ..	1,832 8 0	1,845 0 0
Imperial (Partly Paid) ..	450 0 0	450 0 0
Reserve	124 0 0	124 0 0
CALCUTTA (Sept. 7)—		
JUTES—		
Champdany	211 8 0	210 8 0
Anglo-India	..	385 0 0
Belvedere	..	496 0 0
Howrah	61 2 0	61 2 0
Kamarhatty	537 0 0	531 0 0
New Central	..	375 0 0
Barnagore	149 0 0	149 0 0
STEELS—		
Bhartia Electric	14 14 0	14 2 0
Indian Iron	35 0 0	35 2 0
Steel Corporation	26 13 0	27 1 0
Britannia	..	14 2 0
Jessop	..	20 2 0
Kumardhubi	..	7 11 0
Kumardhubi Pref. ..	..	271 0 0
Saran	..	7 10 0
PAPER—		
Titagarh	24 4 0	25 0 0
Orient	..	27 14 0

	This week	Previous week
	Rs. a. p.	Rs. a. p.
TEXTILES—		
Elgin	82 4 0	76 8 0
Cawnpore Textiles	12 14 0	12 12 0
Dunbar	281 0 0	278 0 0
Kesoram	15 11 0	15 10 0
New Victoria	9 1 0	9 0 0
New Victoria (Pref.) ..	..	10 9 0
MINES—		
Burma Corporation ..	3 12 0	3 13 0
Consolidated Tin	2 11 0	2 3 0
Indian Copper	2 9 0	2 8 0
Equitable	39 12 0	..
SUGAR—		
Belsund	11 10 0	14 0 0
Darbhanga	..	26 3 0
Ramnagar Cane and Sugar	11 5 0	10 8 0
Samastipur	18 12 0	18 14 0
Carew	22 4 0	22 0 0
MISCELLANEOUS—		
Dalmia	..	16 6 0
Rohtas	29 12 0	29 12 0
TEAS—		
Bishnauth	..	38 12 0
Ethilbaria	..	21 0 0
Hasimarh	..	64 0 0
Loobah	12 4 0	11 12 0
MADRAS—		
SUGAR—		
Deccan Big	30 12 0	30 12 0
Deccan Small	69 4 0	69 8 0
Indian	17 4 0	17 6 0
PLANTINGS—		
Cochin-Malabar	..	18 12 0
Chembra Peaks	..	13 4 0
High Produce	..	41 12 0
Vellamalai	..	26 0 0
TEXTILES—		
Bangalore Wool	..	400 0 0
Dhanalakshmi	522 8 0	515 0 0
Lakshmi	223 0 0	..
Mettur	304 0 0	313 0 0
MISCELLANEOUS—		
Cements	78 0 0	76 0 0
Mysore Chem. & Fert. ..	..	29 12 0
Mettur Chemicals	23 0 0	25 0 0
Singareni	11 8 0	11 4 0
Spencer	10 2 0	10 2 0

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Revision of the Financial Settlement

The creation of the East Asia Command and the appointment of Lord Louis Mountbatten lead to the expectation that operations for the reconquest of Burma and South Eastern Asia would be undertaken at the earliest opportunity. At the other end the tempo of military developments in the Mediterranean zone is also quickening and may soon envelop the Balkans and the Middle Eastern areas. All these operations will undoubtedly, in a large measure, be pivoted on India as the main supply base. This again raises financial and economic questions of utmost moment to us to which we made a brief reference last week. We must revert to them again. There are already reports that immediately on the arrival of Lord Louis Mountbatten towards the close of this month, fresh discussions for the revision of the Financial Settlement regarding the allocation of defence expenditure as between India on the one hand and Great Britain and the Allies on the other would be taken up. The recent trend of opinion in Great Britain on the question of revision of the Financial Settlement as well as on the disposal of our accumulating sterling balances, has been gravely perturbing for the Indian public and there is a general apprehension that the contemplated revision will not only be adverse to ourselves in its prospective operation but will also have the effect of wiping out a large part of our sterling balances.

The British Government has been for a long time exerting utmost pressure on the Government of India for a revision of the Financial Settlement which was originally arrived at for the allocation of defence expenditure between the two Governments. It will be recalled that in accordance with the original settlement, India was to bear (1) a fixed annual sum, representing the normal net effective costs of the army in India under peace conditions, *plus* (2) an addition to allow for rise in prices, *plus* the cost of "Indian War measures," that is, such war measures as can be regarded as purely Indian liabilities by reason of their having been undertaken by India in her own interests, and (4) a lump contribution of Rs. 1 crore towards the maintenance of forces in the Middle East in recognition of the principle of joint responsibility. The total amount by which the net annual defence expenditure incurred in India during the war years would exceed the aggregate of items (1) to (3) would be recovered from His Majesty's Government. The Finance Member

specifically declared that "the primary objective of the settlement was to limit India's financial liability in connection with the war to such measures as are within her financial capacity and have clearly been or will be taken for the local defence of India itself."

Here was a clear and unambiguous declaration of the principle that in view of the extremely low standard of living in India, the financial commitments of India must be strictly limited to her capacity. Nevertheless, as the war situation developed, India was made the main supply base for the Middle Eastern and the Far Eastern theatres of war. His Majesty's Government began to make unlimited purchases in India, and the Government of India took upon itself the task of supplying unlimited rupee finance to the British Government—totally heedless of the financial capacity of India. Thus behind a deceptive front of balanced budget and limited commitments, the Government of India was actually resorting to pure though disguised inflation, violating in spirit, if not in letter, the declared principle behind the Financial Settlement. More than this. The Government for a time even strove to deny that this was inflation, on the ground that the note issues were fully backed by our sterling balances. The crucial reason why gold and foreign exchanges are normally regarded as approved backing for note issues, is that the former are international purchasing power and not because they have some magic in them. But our sterling balances are, in a large measure, blocked for the duration of the war and, therefore, do not constitute international purchasing power. Consequently they cannot form any non-inflationary backing for note issues. The Government blinked at this fact for a time, but was ultimately forced to concede the existence of serious inflation in the country.

Nevertheless, this cryptic and disingenuous form of the Government of India's war finance led to the myth of "the budget of imperial generosity." Thus, commenting on the budget of the Government of India for 1943-44, the London *Economist* said, "the Indian Budget is the latest reminder of the effectiveness with which India has been shielded from the war's financial strains." British opinion grew uneasy over our accumulating sterling balances and broadly hinted that these balances represented the measure of the financial generosity of the British Government as well as a moral turpitude on the part of India, akin to war profiteering. But the isolation of the non-budgeted unlimited rupee-finance supplied by the Government of India cannot conceal the fact that a crushing burden has been placed on India, resulting in a considerable reduction of our general standard of living and unmeasured privations and sufferings for the masses. The hundreds of people who are daily collapsing in the streets of Calcutta are only the debit side of the account of which the credit side is formed by our sterling balances. But reports of the tremendous privations in India do not filter through the censor to the British public who see only the accumulating sterling balances and consequently clamour for the revision of the Financial Settlement.

Accordingly before the last budget, the Finance Member flew to Great Britain for discussion with the British Government which made the following main proposals:—

(1) The cost of the air forces (I.A.F. and R.A.F.) should be paid by India estimated at Rs. 46 crores capital and Rs. 16 crores recurring on the basis of the then strength,

(2) acceptance of the principle of reciprocal lease-lend liability cost of aerodromes for American forces stationed in India estimated at Rs. 13 crores,

(3) India should take over Supply Department undertakings valued at Rs. 23 crores at a cost of Rs. 13 crores,

(4) India should accept the principle of reciprocal aid, so that the value of equipment supplied by His Majesty's Government for the defence of India should be set against the cost of goods and services supplied by India for use in operations outside India. It was suggested that India should give free to the United Nations everything that costs rupees and should accept the principle that none of the United Nations should end up the war with a monetary war debt to any of its partners, and

(5) it was proposed that the cost of reconquest of Burma and the defence of Persia and Iraq should be debited to the Indian Treasury.

In the end the British Government decided not to pursue their proposals, but only after the Indian Government had put such liberal interpretations on the original Settlement as went far beyond the intentions and spirit of the Settlement as reflected in the terms explained by the Finance Member in his various budget speeches. Thus he gradually evolved a concept of "joint war measures" until it covered in actual practice, as he confessed in his last budget speech, the majority of war measures *in* India. The "proper share in the joint war measures" is on a 50: 50 basis. The contention of the Finance Member that "this is an inevitable consequence of the settlement and not a departure from, or an addition to it," cannot bear even casual scrutiny. For this necessarily entails unlimited financial commitment for India as soon as she becomes the main supply base for Allied offensive operations whereas the keynote of the original Settlement was the *limitation* of our financial commitments to our financial capacity.

Further under the old Settlement, His Majesty's Government was to pay for the training, equipping and maintenance costs of all troops meant for the Middle Eastern theatre, while now, it is reported, on account of administrative difficulties, India is to pay the whole cost of the army until a portion of it is taken to the Middle East by His Majesty's Government who pay only for their training and equipment—but not the maintenance charges from the date when they were raised to the date when they were sent abroad. Thus India is made to maintain a vast reserve of troops on behalf of Allied Governments and this in all conscience ought to be a sufficient *quid pro quo* for the R.A.F. stationed here. In any case, India is merely a pawn in Allied strategy and the defence of India is only incidental.

Again to say that Burma, Persia and Iraq are really the strategic frontiers of India and therefore the cost of operations should be borne by India, is otiose. For in a total, global war the strategic frontiers of the various countries are surprisingly overlapping and allocation to individual countries is totally impossible. And political India cannot forget how in the past the cost of all sorts of wars have been debited to the Indian Treasury. Recent record of Indo-Burmese relations has not also been the best possible. Judged by the principle of equality of sacrifice, India has already made more than her share of contributions; for neither in the United States nor in Great Britain have the deprivations on account of the war-effort reached the stage of actual physical privations as in India. If the principle of reciprocal aid or reverse lease-lend or any other arrangement involves unlimited or indefinite financial commitments, it must be resisted at all costs, for the limits of India's financial liability have long since been reached and over-strained.

There are other considerations also. India was declared eligible for lend-lease aid on November 11, 1941. But the procedure so far has been for Britain to get the lease-lend help and pass it on to

India. A part of this remains British liability, a part is sold to Indian business men who pay in rupees which are kept in a suspense account, and the rest forms the Government of India's liability. If we enter into a direct Mutual Aid Agreement with the United States, we have presumably also to accept the usual three-fold liability as the price of lease-lend help: (1) return of goods after the war (2) reciprocal aid (3) subscribing to the objective of freer trade policy after the war and surrender of fiscal autonomy, to which India can under no circumstances agree.

With the creation of the East Asia Command as well as the heightened tempo of war in the Middle Eastern and Mediterranean theatres, there is bound to be a vast increase in expenditure. In the altered circumstances the elastic interpretation of "joint war measures" and unfettered application of the principle of reciprocal aid or reverse lease-lend liability are bound to push India over to an unparalleled economic disaster. Already Bengal is in the grip of a terrible famine, and any inflationary expenditure by the East Asian army can only put the finishing touches to a colossal human tragedy in that hapless province.

In any future discussions regarding the revision of the Financial Settlement, three governing principles must be clearly recognized and acted upon by the Government of India. *Firstly*, the Government must recognize that the limits of India's financial capacity have long been reached and over-strained. Consequently, a definitive ceiling must forthwith be put to India's financial liabilities, including the rupee-finance supplied by the Government to Allied authorities. The limits of squeezability have been reached in India.

Secondly, the Government must frankly recognize the elementary economic truth that our sterling balances have been accumulated out of the unmeasured privations undergone by the nation as a result of the Government's financial undertakings and that these privations are made even remotely tolerable to us only by the hope that after the war we shall be able to utilize these balances for the rapid improvement of our standard of living. The amount of privations we have undergone to accumulate the sterling balances is not short of the amount of privations which was imposed on the Russians during the First Five-Year Plan and which at one time caused from one end of the world to another, a wave of righteous indignation against the "tyranny of the Stalin regime." But the Russians were able as a result, to lay a firm foundation for a rapidly improving standard of living. It would be only natural if we also hope for the same result after the war and consequently feel intensely about our sterling balances. If the Government fails to appreciate adequately this human and emotional aspect of our sterling balances, and commits itself to any measures which have the direct or indirect effect of wiping out any large part of our sterling balances, the country would neither forget nor forgive and this would undoubtedly permanently embitter future Indo-British trade relationships. A great responsibility rests on the Government, essentially and primarily because it is not formally responsible to the people. This consideration, nevertheless, does not prevent the Government in buying out at half cost plants for war production (apart from the Chatfield factories) created or expanded under the aegis of the Supply Department, for some of these factories will undoubtedly retain commercial value even after the war. But the analogy of the Canadian gift to Britain is not tenable, for neither politically nor economically is India's position comparable with that of free and wealthy Canada. Any attempt to make a gift or cancel a portion of the sterling balances already accumulated or in process of accumulation will be resented by the public. Nor must the Government agree to any commitments which have the effect of fettering any responsible post-war Indian Government in the free pursuit of its own economic policy.

And *thirdly*, the Government must determinedly disabuse its mind of merely financial obsessions and get down to basic economic realities. Even if the financial allocations are very generous to India, unless the Government can make a successful frontal attack on the problem of supply to the vast armies poised on the offensive, there could be no diminution of the "real" burden on India. Mr. Richard Casey, the British Minister of State at Cairo recently alluded to the fact that "the ever increasing scale of operations based on India will bring in their wake unlimited supply headaches." Whatever the terms of the revised Financial Settlement, if the Allied Command have to depend for the supply of commodities mainly on India, it would mean a further worsening of the crisis in the supply of consumers' goods for civilians. The operations of the East Asia campaigns are bound to result in vast rupee expenditures in India which would render nugatory the Government's save-and-lend campaign and further accelerate the inflationary spiral, unless the Allied authorities take upon themselves the task of supplying these great armies. The Government of India must also, on its part, bend itself for a vigorous and well-co-ordinated production drive calculated to meet the imminent crisis in military and civilian supply, particularly, in war zones like Assam and Bengal. India must at least now try to do what Canada and Australia have already achieved.

At a time when the country is passing through unparalleled privations, the public is naturally exercised over the impending revision of the Financial Settlement. India does not seek to shirk her responsibilities for making a war-effort commensurate with her true economic and financial capacity. The American or the Britisher who, in spite of war-time deprivations, enjoys even today by far the highest standards of living in the world, may be unable to appreciate the measure of our privations and talk naively of the "budget of imperial generosity." But it would be intolerable if in the name of high-falutin principles of "joint responsibility," "equality of sacrifice" or "reciprocal aid," a further measure of privations is forced on us, which has the effect of permanently impairing the health and vitality of the nation. The Government of India owe a clear duty to reassure the public that it is determined to put a firm ceiling to the quantum of India's financial commitments appropriate to our financial capacity; that our sterling balances will not be dissipated or written down under one pretext or another; that no commitments will be undertaken which would fetter the free pursuit of economic policy by any post-war Government of India; that the Allied authorities will take over the main task of supplying the great armies; and, finally, that the Government has embarked on a determined production drive by all means at its disposal.

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Linking Consumers' and Producers' Societies

BRITISH co-operators have had lately to make liberal deductions from their theory of a co-operative order in which all production was to be organized for consumption through and by consumers' societies. For a long time they resisted the opposite idea that the production and sale of at least agricultural commodities should be organized by the producers themselves—a view strongly held by agricultural producers all over the world. The British idea was so much coloured by the growth of an industrial society that for them the replacement of the capitalist employer by a consumer society employer was the only end to be achieved but they were quite reconciled to the continuance of a wage system with this difference that the workers will work for a co-operative society and not for a capitalist employer. This ideal was attacked on a double front, partly by the workers but mainly by the agricultural producers all over the rest of the world. The irresistible example of Ireland nearby and of Denmark, Holland, France and other countries on the Continent, reinforced by the great development and success of agricultural producers' societies in Empire countries like Australia, New Zealand and Canada proved too strong for British co-operation which fought a lonely and vain battle at the International Co-operative Conferences. The conflict of ideologies has now been hushed. The dream of a world co-operative commonwealth of consumers producing everything themselves, from bread, milk, cheese and eggs to radios and motor cars and in which there would be practically no independent producers but all would be workers under consumer-employers dreamed of among others by Beatrice Webb whose recent death we all bemoaned, has had to be given up for ever. The idea of owning and managing wheat lands and tea and coffee estates by consumers' societies was scoffed at by agricultural producers' societies, and British co-operators have been driven by force of circumstances beyond their control to concede a big place to producers' societies in the world of co-operation.

And yet, the differences in outlook, objectives and methods between these types of co-operative organizations often come out in a striking manner on certain occasions. For the conflict is always there, ready to emerge in new situations. The consumer worships at the altar of cheapness; whereas the producer wants good, if not high, prices for his products; the consumer thinks that he represents the universal whereas, according to him, the producer represents only sectional interests. But the retort comes swiftly from the latter that the consumer wants to exploit the producer without caring to see if the latter gets sufficient for his subsistence. For has not the consumer been able over a century to get his food at below the actual costs of production? Latterly attempts have been made by Governments in various countries to guarantee fixed prices to agricultural products but the consumers' societies regard them as wrong, unfair and unsocial and have attacked them on the ground that they represent attempts to prop up inefficiency and promote scarcity. According to them, all recent marketing boards and regulations are an attempt to prevent plenty, although they are all disguised as measures of social security. In this way, the controversy goes on, and British co-operators in particular have made no secret of their strong opposition to marketing boards, quotas and other regulations in the marketing of several agricultural products.

Fortunately in India the conflict that has raged in the west has no counterpart here. For one thing consumers' societies are few and ill-developed, and even the few who are big and strong have not dreamed of developing their production side as British societies have done. The only production line which even the T.U.C.S., the biggest consumer society in India, has developed is the manufacturing of gingelly oil by putting up a mill. On the other side the producers' societies, or the marketing societies as we may call them here, have been developing also only recently. So far many of the loans and sales societies (organized for the sale of cotton, groundnuts, sugarcane etc.) had remained merely loan societies, advancing credit to the ryots on the security of the goods delivered to them. But within the last ten years a great advance is noticeable. At the close of 1939-40 the total number of trading societies according to the report on the *Co-operative Marketing of Agricultural Produce in India* was 4,120 with a membership of about 4-1|2 lakhs, and a working capital of Rs. 1-1|2 crores and these societies handled agricultural produce worth about Rs. 11 crores. Of these societies the bulk however were sugarcane societies numbering about 1,900 and having a turnover of Rs. 7 crores. In the past attention was given to the marketing of commercial crops. Progress was slow owing to many reasons; many societies had no storage facilities, nor possessed the knowledge and equipment necessary for testing, pooling and grading. The ryots, being in the grip of the middlemen who were too difficult to dislodge, were not always loyal. Above all, most of these societies were either managed by big ryots or traders who furthered their own interests or by amateurs innocent of business experience and technical knowledge. But a general improvement is noticeable in recent years. Thanks to the Government of India grant and the special interest taken in some provinces, the producers' societies are developing at a moderate rate. In Madras, Bombay and the Punjab the societies are expanding their activities, and societies have been established for the marketing of foodgrains, fruits, vegetables, milk, ghee, eggs, and several other articles.

In the light of the development it is not surprising that the question is often asked and discussed: Should not these producers' societies establish a link with the consumers' societies and should not the one sell to and the other buy from the other? A very legitimate and laudable objective no doubt. The report on the co-operative marketing referred to above has not only raised this question but in support of its recommendation that the two types of societies should be closely linked up has argued that the development of consumers' movement is in the interest of producers' and that producers' societies can supply the needs of consumers' societies better than private traders. Two cases are cited to show that there is a considerable saving to consumers in bringing through marketing societies and to the grower in marketing his product through a co-operative society.

While not denying the possible saving through such close collaboration (although the examples cited can by no means be regarded as sufficient basis for any such generalization as the report has made) it is vain to ignore the real difficulties in the way of reaching the goal aimed at. Experience gained in the actual administration of a consumer society reveals the fact that marketing societies will have a long way to traverse yet before they can cater successfully to the sophisticated needs of the urban consumer. The urban consumer needs uniform quality and hence he expects his society to supply him regularly the quality to which he is accustomed. A marketing society is in most cases not well equipped for this task. It is unable to guarantee quality; and when a large society needs considerable quantities of the same quality, it is unable to get it from the marketing society. Further the idea that the centres of actual production are the places from which consumers can get their goods cheaply is a myth. The centres of collection and distribution are the regions from which it is possible to draw the requisite amount, and hence producers' societies should undertake this task if they are to succeed. In Madras a considerable number of marketing federations have recently been established and they do successful business. A good deal of preparation for the market is an essential condition of successful marketing. Thirdly, while the consumers' stores are willing to pay reasonable prices for quality goods, the producers' societies want high prices even for goods of poor quality and often taunt the stores as unco-operative because of the latter's unwillingness to buy at those prices. But co-operation is not philanthropy. It is business. Unless the marketing societies charge fair prices, it is useless to expect the stores to buy their goods, as the latter require a fair margin for their administration costs. Fourthly, the demands of the consumers' societies are some times irregular, and so are the supplies. Unless both set themselves out to regularize their demands and supplies the prospects of successful linking will be remote.

Some even suggest that the consumers' societies should only buy from producers' societies which in turn should sell only to the former. Such compulsory co-operation is not only undesirable but wholly impracticable. Co-operation will have to go a long way yet before any such idea can be entertained. But in our view it will be undesirable to bring about such marriage by compulsion whatever be the stage of development attained by each type of society. Wisdom points to the encouragement of each to afford facilities of contact with the other but there should be in no sense any dictation from the other.

The link between the two will be strengthened if marketing societies grow up to better state of efficiency than is the case now. Management is the weak spot of marketing societies. They can replace private trading only if they are at least as efficient as retail trade. At present that surely is not the case. The success of a few societies is no ground for the view that the general position is satisfactory. Further the anxiety of marketing societies to sell to the stores exhibits itself only in periods of depression and not in booms. The tendency to avail themselves of stores only on occasions when it suits them should be avoided. It is fortunate that the consumer movement is progressing rapidly during the war and is taking full advantage of the facilities for purchase which marketing societies and federation afford. In Madras Presidency the stores bought rice of the value of Rs. 3 lakhs in 1941-42 and Rs. 5 lakhs and more from one marketing federation alone. In the growth of the consumers' movement lies also the strength of the marketing societies. The number of stores in Madras Presidency alone has now reached nearly 1,000 and their sales aggregated Rs. 2 crores and odd in 1942-43. (*It is a pity that the Report on the Co-operative Marketing published in 1943 is already so out-of-date as its figure of the number of stores for 1939-40 namely 547 gives a completely wrong view of their present position.*) They can afford great stimulus and incentive to the development of the market societies. But this would depend upon both finding a common area of understanding and agreement which can be reached only by a proper perception of each other's problems and difficulties and by mutual anxiety to resolve their differences.

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The Week's Notes

DR. WHITE EXPLAINS

Dr. Harry D. White, author of the United States Post-War Monetary Stabilization Plan, recently commented on our article on "The White Plan and Our Sterling Balances" in the issue of August 27 last. He agreed that the general interpretation put on his scheme by us was correct and also made authoritative clarification of certain points which had occasioned considerable confusion in many quarters in India.

Dr. White confirmed our contention that the White Plan allowed us to convert our sterling balances into foreign exchange which would be usable in any market in the world. The scheme involves a freezing of our balances only in the sense that the Fund cannot within the limitations of its financial resources and consistently with its other functions and duties, purchase our balances all at once, but must necessarily spread the purchase over a number of years. Even we on our part must spread the purchase of capital goods, etc., over four or five years, for it is unlikely that our economy can assimilate in one spasm capital goods valued at, say, Rs. 1,000 crores. Dr. White, however, draws our attention to certain changes in the revised draft issued on July 10 last. The revised draft was not before us when we wrote the article, nor have these particular changes been reported yet in the press. For example, we are told that under the revised draft, the Fund will not purchase sterling balances exceeding in the aggregate more than 10 per cent. of the quotas of all member countries. This is probably not so disappointing as it looks. For it is clear that we are not today at all prepared for the gigantic task of post-war planning, and it will probably be one or two years after the war before we gain full political power to launch an ambitious economic plan. It is ensured that during the first one or two uncertain post-war years, our sterling balances are not totally frittered away. Dr. White assures us that India will have a liberal treatment on account of our large share in blocked balances. Nevertheless what we need is not vague promises but a precise definition of the rate at which the Fund will be able and willing to purchase the sterling balances from us. The task of precise determination of this rate must not be deferred for two years, as Dr. White is anxious to defer, but should be fixed here and now, for the utility of the Plan to us must essentially hinge on this. The scheme would certainly be very useful to us in securing an orderly transfer of the sterling balances. But, as will appear from our comment in another page, the cost of the scheme to us would be a maximum of 5.2 per cent., which may or may not be a trifle too high. So far as the question of our sterling balances goes, Dr. White is absolutely correct when he said: "This plan will help India. It is not perfect but will help her." Nevertheless, even if the section pertaining to the transfer of war balances is favourable for us, it does not necessarily follow that the operation of the other sections of the Plan would be as favourable to our interests or would be even compatible with an ambitious economic plan which we may launch after the war. Close study of the Plan may possibly reveal that the White Plan is like the Curate's egg—good in part, but only in part.

DISMANTLING OF FACTORIES

Government have by an ordinance prohibited the dismantling of any factory or the removal of machinery from a factory without the written permission of the Central Government. The object of this ordinance is stated to be the prevention of wasteful use of transport facilities in the present over-strained condition of the transport system and the desirability of preventing an avoidable interruption of production. Further, the re-erection of a factory in a new place may further complicate transport arrangements with regard to supplies of raw materials; and this should be avoided. We are not aware of the weight of evidence as to the physical migration of industry on the strength of which Government think it necessary to impose the control. The available transport facilities are notoriously meagre even to rush food to dying persons, and it is incredible that with the system of railway priorities in force any facilities could have been given to the removal of plants. Nor can it be contended that the industrialists are so foolish as to desire the removal of their factories to new localities in British India. No advantages in regard to materials and labour are there to induce such changes at present. The real object of the ordinance seems to be not to relieve transport which has certainly not been burdened on this score, but to prevent the physical migration of industry from British India to the Indian States, where the E.P.T. is not levied, or levied at a lower rate. For in such a case, British India will lose the factory and the revenue. If this be the real object, Government should not only have stated it explicitly, but also have consulted with the Indian States, which are interested in the matter. In any case, no definite policy of regional planning of industry seems to underlie this measure, and Government have so far not pursued any planned location of industries even in fixing the factories connected with war production. Nevertheless this instrument of control will be helpful in a rational policy of industrial decentralisation upon which a national government might embark after the war.

IS RURAL PROSPERITY REAL?

Sir Chhotu Ram, Revenue Minister of the Punjab, in a statement says that "the belief that the purchasing power of the cultivator and the worker has seen an undue rise is a mere myth," and deprecates the present craze to "curtail the purchasing power of the masses." When so responsible a person as the Revenue Minister of the Punjab says at least with reference to his province that rural prosperity is a myth, we feel bound to reaffirm our view that what is true of the Punjab is *a fortiori* true of the rest of India. The Punjab, perhaps, is the only province which has been spared the privations of famine and where the peasantry, if not prosperous, is at least not starving; and yet the Government of India are putting through rigorous deflationary measures to tackle the small savers all over India on the basis of alleged rural prosperity. We do not deny that the small cultivators perhaps eat a little more or that the larger landholders are able to extinguish a part of their debts. But the least that the Government should do is to initiate a scientific random sample investigation to ascertain whether their assumption is well-founded. To embark on far-reaching fiscal measures on inadequate data and empirical prejudice is neither good Government nor sound economics.

REDUCTION IN RURAL INDEBTEDNESS

The present boom in agricultural prices and land values has one good result, *viz.*, an increase in the repaying capacity of agricultural debtors. It is not certain that the smaller peasantry have gained this way. But the large landholders undoubtedly have.

This is clear from the figures of loans and repayments of the land mortgage banks. The demand for long-term loans has dwindled very much. For instance, the loans of the Bombay Provincial Land Mortgage Bank for the year were only 298, amounting to Rs. 3,94,370 as against 377 loans amounting to Rs. 5,54,055 in the preceding year. Likewise, the Bank received during the year a sum of Rs. 2,44,058 in excess of the amount due for repayment, of which the sum of Rs. 1,30,746 represented the full repayment of 138 loans. All this is quite welcome, even though it should temporarily entail a reduction in the profits of the land mortgage banks. Some debtors have taken advantage of the high land values to sell off a part of their land and repay their debts to the banks. It is not clear to what extent this method has been resorted to for repaying the debts to the village money-lenders, because the money-lenders adopt a pose of benevolent neutrality and are in no hurry to have their loans repaid. This reduces the demand for loans from the land mortgage banks by making repayment to the money-lenders less imperative, and to the extent of discouraging prudence it is harmful to the land-owners also. But there does not seem to be any such improvidence on a large scale at present and it is certain that the large landholders will have consolidated their portion by the end of the war.

UNCONSTITUTIONAL TAX

Last week we referred to the extraordinary action of the U.P. Government in demanding as much as Rs. 3-2 a maund of Gur as licence fee for export from the province and we stated that the action of Provincial Governments in trying to make profit out of trade transactions was wholly to be condemned. There are however other aspects of the matter which have received insufficient attention and on which further comment is necessary. In the first place, the sort of provincial freedom that now obtains is almost bordering on anarchy, in which each province regards itself as completely an independent unit, as regards economic problems. India can ill afford to break up the economic unity which alone can give her strength in the future by permitting even the growth of the economic Pakistans. The question is of such importance that it is the duty of the Government of India to enforce a common economic policy in such vital matters. Secondly, and this is not less important, the action of the U.P. Government in imposing a so-called licence fee is clearly unconstitutional. It has no power under the Act to levy what virtually is an export duty under the guise of a licence fee. A licence fee in its very nature should be an extremely moderate one. It is not so much a revenue-producing fiscal measure as a measure of regulation, but, where, as in this case as much as Rs. 3-2 a maund is levied on an article whose price is about Rs. 7-12 a maund and this represents nearly 40 per cent. tax, no one can regard it as anything but a heavy export duty. Section 140 of the Government of India Act, 1935, clearly lays down that the sole authority to levy an export duty is vested with the Government of India. In the light of the above, it is hoped that the merchants who are called upon to pay this licence fee will contest the right of the Government to impose this levy.

POST-WAR AGRICULTURE

Apart from the more fundamental question whether agriculture in the post-war world should be collectivized or should continue under peasant proprietorship, there are a number of others concerning the organizational details of the agricultural economy, such as the maintenance and development of output, mixed farming, price fixation, marketing and wages of farm labour, details that must be faced whether the form of the economy be collectivist or individualist. The National Farmers' Union of Great Britain have recently issued an interim report on post-war policy which touches upon these details. Though their suggestions are meant for the benefit of British agriculture, they can be taken notice of with profit by any agricultural country. Their first suggestion is that agricultural policy should be so framed as to dovetail into any scheme of orderly marketing planned by Empire and friendly foreign countries. They would have a mixed farming system to conserve soil fertility in the interest of the nation, along with an allocation of minimum output figures to each branch of agriculture. Imports of foodstuffs would be subject to control and fixation of wholesale and retail prices. The prices of certain home products would have to be guaranteed and those of others stabilized. As to capital expenditure on land, the landlords are to receive adequate relief from death duties in respect of such expenditure. Lastly the Farmers' Union stress the importance of levelling up agricultural labour with industrial labour in respect of wages and social amenities. There is no reason why a citizen living and working in rural parts should not enjoy public utility services like water and electricity as much as one living in the towns. In this country the peasantry is illiterate and ignorant, and it requires leadership and instruction to guide it along the lines of such suggestions as the above. Indian agriculture should guard itself against its case going by default in the post-war world.

COLLECTION OF LAND REVENUE IN KIND

The Government of Madras have under consideration the desirability of arranging to collect land revenue in the shape of paddy after the next harvest, and will introduce the measure if its feasibility is established after discussions with non-official opinion in the district. The payment of land revenue in kind is no novel experiment. It was widely in vogue in the country during the Moghal era. Nor do we lack a contemporary example. In China, for instance, provision has been made for the payment of the land tax in kind since the autumn of 1941. The major advantage of such a measure is obvious. It will help the Government in a considerable measure in solving the food problem. Procurement of foodgrains in the market now is beset with many difficulties of timing and agency and these are avoided by the collection of *kist* in kind.

But in assessing the quantities to be gathered, Government must have certain important factors of administrative convenience and equity to bear in mind. The safeguards to be provided for the small landholder should be such that he is assured a minimum of foodgrains for subsistence. This can be secured only by exempting all land revenue assessments below a certain minimum from payment in kind. Chinese experience tells us that payment in kind only led to increased burden on the small peasant. Again, in fixing the amount of the grain due, Government should take as basis fair prices for the commodity, allowing for the increased cost of living in the rural areas due to the enormous rise in the prices of consumer's goods, and the increase in the costs of cultivation arising from the higher prices of implements, manures, etc. and the working up of the marginal lands. Otherwise payment in kind on the basis of prices unfair to the grower will be a form of veiled and indirect increase in taxation. The Madras Government have already enhanced land tax to the tune of Rs. 70 lakhs by suspending the revenue remissions; and they should not add to it in an overt way. If fair prices are adopted, it will not only help procurement operations, but also mean an effective stabilization of food prices which is unlikely to be achieved by other methods. Thus its anti-inflationary effect may also be appreciable. But administrative difficulties are none too easy to over-

come. Government should have at their command the fullest storage facilities before they commence gathering these grains. To get this done for every village, and, then to arrange for the transport of the grains to the proper destinations cannot be lightly regarded. Care should be taken that the tax-payers do not pass off bad qualities of grains or grains mixed profusely with chaff to the Government granaries. The job of testing their qualities and measuring their quantities will require an enormous amount of labour. Even then, once the assessment in kind is fixed, Government will be in no position to dictate what variety should be offered in payment. The practical difficulties of the measure may probably more than offset its advantages in theory.

PROVINCIAL LOANS

Four Provincial Governments *viz.*, Bombay, Madras, C.P. and Berar and the Punjab are issuing 3 per cent. loans repayable in 1956. The proceeds will be used for repayment of part of the loans taken by them from the Central Government to finance remunerative capital expenditure prior to April 1, 1937. The Bombay loan for Rs. 350 lakhs is issued at par, and the Madras loan for Rs. 125 lakhs at Rs. 99-8. The Punjab loan for Rs. 250 lakhs and the C.P. loan for Rs. 50 lakhs are issued at Rs. 99. All the borrowing Governments have decided to provide in each financial year from 1944-45 to 1955-56 a sum equal to one and a half per cent. of the total nominal amount of the loan to be used for purchasing the securities of their respective loan for cancellation, besides making such annual contributions to a sinking fund to be utilized towards the amortization of their open market loan whenever necessary.

The loans are certain to be a success for more reasons than one. In the first place, the financial position of all the provinces is quite sound. Bombay, for example, has shown on revenue accounts a surplus every year from 1936-37, and has transferred Rs. 322 lakhs and Rs. 139½ lakhs to the Special Development and Revenue Reserve Funds respectively, with a free balance standing at Rs. 498 lakhs. The prudent record of the C.P. is seen from the fact that it has had a revenue surplus of Rs. 49 lakhs in the six years ending March 1943, and has, besides, set aside Rs. 35 lakhs for reduction of debt, and Rs. 28 lakhs for post-war development out of current excess land revenue and forest yield. The Punjab's exceptionally prosperous state can be seen from the large special beneficial funds she has accumulated and the revenue surplus of Rs. 318 lakhs she has shown in the four years ending 1942-43. The budgetary position of Madras is no less strong. Apart from revenue surpluses, the total liability of Madras Government at the end of March, 1942 was only Rs. 27 crores as against the value of Government-owned remunerative assets at Rs. 29 crores. In the present conditions of abundance of funds, an amount of Rs. 7¾ crores for the provinces will not cause the least dislocation in the gilt-edge market or in the borrowing programme of the Central Government. Government have decided to stick to cheap money and the Reserve Bank knows how best to raise these amounts without causing stringency. The provinces also stand to gain from the reduced interest which these new loans are going to bear. There is little doubt that this is a 3 per cent. war and cheap money has come to stay.

EGYPT'S PLAN TO REPATRIATE DEBT

Egypt is formally an independent country, but nevertheless by virtue of special treaty conditions, she is within the ambit of Allied strategic operation. In fact, a very large and active army was stationed on her soil until the expulsion of the Axis from Africa and even today it forms a subsidiary supply base for the middle Eastern and Mediterranean theatres of war. In the event, it is not surprising that the course of development of economic conditions has been strikingly alike in India and in Egypt. Early in the war, with the cutting off of some of the markets, Egypt found herself saddled with a large surplus of the cotton crop, and Egypt was spared a serious slump in the price of her main crop only by the assistance extended by the British Government. Nevertheless, as soon the focus of Allied military operations gravitated to Egypt, there was heavy Allied expenditure within the country. The result was the sort of phenomenon with which we are so familiar in our own country, *viz.*, monetary "prosperity" accompanied by a crisis in the supply of civilian consumption goods, or, in other words, the phenomenon of empty stomachs *plus* full pockets. There was everywhere a glut of monetary funds but all avenues of opportunities for investment were choked up on account of the same old difficulty of importing machinery. Like us also she was fast becoming a creditor nation on empty stomachs and was building up a sizeable sterling balance. In fact, as early as December, 1942, she was credited with having lent to the British Government interest free loans totalling £71mn. But so far no attempt has been made for repatriating her sterling obligations, although suggestions in this regard have been made from time to time. Now, it is reported, the matter has been taken up in earnest. The repatriation operations will not only be a powerful step to stem the inflationary rise in prices, but will in themselves be in the nature of conversion from high-interest papers to low-interest papers. The operations will, therefore, be doubly anti-inflationary in effect. Egypt will be getting out of her international debtor status. Nevertheless, it is ridiculous to talk of a "high degree of prosperity" in Egypt. The change in status is brought about by a serious diminution of immediate standard of living. The degree of inflation obtaining in Egypt today is not something which can be viewed with equanimity.

VISION OF CARTELLIZED IMPERIALISM

The discovery of the fact that with the consolidation of economic power by Germany and more recently by Russia, a small country like Great Britain can no longer single-handed hold the nineteenth century balance of power in Europe and in the world, has led many in Britain to woo the partnership of the United States for the maintenance of her world hegemony in economic and political affairs. Mr. Churchill in his recent speech at Harvard revealed, beneath the vapourings of sentimental philosophizing, his conception of an American collaboration, while the co-operation of Russia, China and India appears as minor international factors. There are like-minded people in Great by the thought that they would be the senior in the partnership. The stress is always on Anglo-American collaboration, which the co-operation of Russia, China and India appear as minor international factors. These are likeminded people in Great Britain and the United States who feel that in international economic affairs as well "co-operation" is better than competition and who dream of gigantic international cartels under Anglo-American domination. Thus in a recent speech, Mr. Eric A. Johnston, the President of the United States Chamber of Commerce, pleaded for "*team work* between British and American businessmen to solve post-war trade and currency problems." The "team work," it would appear, would extend especially to the "intricate problem of controls and regulations for international commerce," on which "harmonizing of viewpoints" is a "vitally important task." The team work alluded to, presumably means sharing out of international markets and the formation of a sort of Anglo-American cartel for the exploitation of backward areas. The schemes of people who think in such terms, do not weave themselves into a fabric of international economic prosperity or conditions of stable international peace. Such schemes can only throw us back into the old sequence of restrictionism and economic crisis, while on the political side, they would weld together a powerful "anti-grouping."

Special Articles

Are Cloth Ceiling Prices too High?

(Contributed)

THE fixation of ceiling prices for a dozen standard varieties of cloth raises the important question whether, taking into consideration the present factors and circumstances, the levels at which they have been fixed are justified. Are they erring on the side of liberality to the producer? Are they fair to the consumer? Has due allowance been made to two vital factors affecting the cost of production at present, *viz.*, the existing levels of raw cotton prices and the Government's assurance to mills of a regular supply of mill stores at controlled prices? Is the maximum margin of 20 per cent. allowed between ex-mill and retail prices reasonable from the point of view of consumers?

It may be stated at the outset that the twelve varieties chosen for price fixation represent popular lines, which are in common demand in the market. The prices are naturally for the best selling quality of each type; those of other qualities may be expected to conform to the standards now fixed.

Ceilings Above Market Prices

The ceiling prices are generally above the corresponding market prices (just prior to fixation) for the simple reason that they could not otherwise be effective. The trend of market prices just prior to the fixation of ceilings should not be taken into consideration since it was, among other things, the result of a major psychological factor. The Cloth Control Order directed that wholesalers should complete their sales by August 31, 1943, and then open out their bales and declare their stocks. There was some distress selling as a result, since weak holders were anxious to liquidate their stocks as soon as and as best as they could. The downward tendency was, therefore, accentuated to some extent in certain directions.

Though the market required such a shake up with a view to take off the purely speculative factor from the price structure, the result of the process should not constitute the basis for the fixation of ceiling prices. Other factors and circumstances should be taken into consideration, the important of them being what should be considered fair prices to both consumers and producers under the existing conditions of war economy. That was, I think, the main consideration in fixing the ceiling price levels, which, in my opinion, represent fair levels in the light of present day needs and conditions. That these prices have been effective can be known from the fact that wholesale and retail prices are well below the ceiling prices, and, what is more important, the market is assuming stable conditions as compared with a certain amount of nervousness which prevailed after the promulgation of the Control Order and before the announcement of ceiling prices.

How Ceilings Have Been Fixed

What were the factors which were taken into consideration in fixing the ceilings? That the prices which prevailed, before the Control Order was issued, were too high for the ordinary consumer was definitely admitted in official quarters: witness, for instance, the statement made by Mr. M. S. A. Hydari, Secretary of the Industries Department, in his Bombay speech, in the first week of June last, that "the civil population in India generally and persons of small means in particular, are no longer able to purchase their requirements of cloth at reasonable prices and prices are continually rising." Therefore, measures were taken to bring down prices appreciably and increase the stocks available for civilian consumption. Both the purposes have now been achieved with a certain measure of success. Prices had gone up in some instances to five times their pre-war levels. The present ceiling prices represent on an average a maximum of three-fold rise, which should be considered fair under existing circumstances. It might be argued that still lower prices might be welcome from the consumers' point of view. But the prices fixed should be fair to the producers too, who could not otherwise be expected to produce to the maximum. In this connection, it should be remembered that special arrangements have been made under the Standard Cloth Scheme to supply cloth to the very poor sections of the population at appreciably cheaper prices; and if these prices are also taken into consideration, the average increase will probably work out to about 200 to 250 per cent. of the pre-war prices—which should be considered fair and reasonable to consumers under existing conditions.

Ensuring Maximum Production

Producers have to meet higher wages, increased depreciation (owing to multiple shifts), increased prices of raw material and mill stores, etc. Though Government have ensured the supply of mill stores at controlled prices, yet even these prices, for obvious reasons, are much above pre-war prices. These and other factors require that ceiling prices should not be fixed at levels which will not be remunerative to the producer; and all considered, therefore, the present levels would appear to be fair.

With a view to ensuring maximum production—which is a great desideratum at present—maximum prices should prove attractive not only to the better placed mills but also to the marginal producers. If they are unattractive to the latter, they might restrict production to cut out their losses—in which case maximum production will be unattainable. The ceiling prices have been, in my opinion, fixed at levels which will induce all the mills—better placed ones as well as those on the margin—to produce to their maximum capacities. As a result of the measures now taken, it is anticipated that production will reach a high watermark in 1943-44.

Question of Raw Cotton Prices

Some comments have been made in the press on the question of prevailing raw cotton prices in relation to the ceiling prices. Under the present circumstances, Government have considered Rs. 550 Jarilla (¾" staple) as fair price; prices of other varieties have been correlated to this basic variety and price. No doubt the actual prices were substantially lower than this level about a few weeks ago—*i.e.*, at about the time the ceilings were fixed. The market has since then improved and prices show a tendency to catch up to the fair price levels fixed by Government. The important point to be borne in

mind is that, having fixed fair prices, Government should take into consideration only these prices in fixing manufacturing costs and not any lower prices which might have prevailed during a temporary period. If actual prices show continuously a downward tendency, we can reasonably presume that Government and the Textile Control Board will consider the question of revising ceiling prices in accordance with market trend. If they decline too low, we can also reasonably expect Government to consider such measures as will ensure to the cultivator a fair price for his crop.

Retailers' Margin

Has the retailers' margin at 20 per cent. (maximum) over ex-mill ceiling prices been fixed rather too high? I think the limit is reasonable, taking into consideration the chain of middlemen who handle the goods from the mills to the consumer. If distribution is to be done through the normal channels of trade—and that would appear to be the present intention of Government—this margin should be considered justified, particularly when we know that 5 per cent. goes away as transport charges. Interest on capital, godown charges, establishment and handling charges and other incidental expenditure are not likely to leave a wide profit margin for the middlemen.

Standard Cloth Margin

Why should this margin be as wide as 20 per cent., while the margin between the ex-mill and retail prices of standard cloth is only 6¼ per cent? This comparison is not just, since the machinery of distribution for standard cloth is entirely different from that for cloth in general under the new Control Scheme, which is the ordinary channel of trade. In respect of the former, the State takes charge of the distribution from the mill to the retail stage (the actual distribution to consumers being by the retail trade generally and by Government agencies wherever necessary). The object is to make standard cloth as cheap as possible. Unless we want to eliminate private trade altogether in the distribution of cloth in general to civilian consumers, the maximum margin of 20 per cent. for retailers over ex-mill ceilings cannot be considered unjustified or too high.

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Colonial Raw Materials

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(Contributed)

HAVING planned a structure for an International Bank to ensure stable exchanges and a universal currency that would facilitate post-war international trade in which the U.S.A. is most interested, she is now charting a course which envisages international control over prices and supplies of so-called essential raw materials in world trade. Emanating from U.S. Treasury, the plan deserves attention not only beause U.S.A. has ensured for herself the leadership in post-war reconstruction but also because as our Washington correspondent puts it, "if it is eventually carried beyond the stage of blue-print it will affect every country in the world."

The ostensible objective of the U.S. Treasury is the creation of a post-war world "wherein adequate supplies of economic essentials such as foodstuffs and minerals would be evenly balanced against demand, thus avoiding booms and depressions" and meeting the problem of insufficient supplies to the needy industrial countries. Regular supplies to all countries at all times are sought to be ensured through the maintenance of international stocks under an International Commodity Stabilization Corporation with broad powers to buy and sell in the world markets. This Corporation would buy in fat years and sell in lean years; and buy from surplus areas and sell to the needy ones, at a stable and reasonable price. The plan has also the provision for the stimulation and development of raw material supplies where existing production is considered inadequate for world's needs under the auspices of an International Raw Material Development Corporation. This Corporation will have elastic powers to finance international investments. It is expected to equalize the opportunities for raw material development for the 'haves' and 'have nots' and remove the rancour responsible for wars.

The corporations for the international regulation for world's raw material production and distribution are to be subsidiaries of the International Bank already outlined in the U.S.A. The ascendency that the U.S.A. and Britain are to possess in this bank would effectively secure their interests in the working of these corporations. But it is worth while exploring how far these proposals would fulfil and translate into reality clause four of the Atlantic Charter which runs: "We will endeavour with due respect for existing obligations, to further the enjoyment by all States, great or small, victor or vanquished of access on equal terms to trade and to the raw materials of the world which are needed for their economic prosperity." Much was made of their want of colonial possessions and consequent difficulties in procuring raw materials by the Axis Powers in the pre-war days; and evidently this clause of the Charter seeks to root out the economic causes of international conflicts for all time to come.

The U.S. plan has a two-fold objective, *viz.*, ridding the world of booms and depression on the one hand and countering the evils of colonial controls on the other. The limitations of the plan so far as its first objective is concerned have been treated in two previous numbers of the *Eastern Economist*. We may discuss now the second objective, namely, the possibility of eliminating the evils of colonial domination by means of an international control over the production and distribution of colonial raw materials.

This problem in the pre-war days was popularly broached as a case for the equalization of commercial access to world's raw materials for all 'have' and 'have not' powers. The problem is due to areas of earth's surface, producing essential raw materials for the industries of one country happens to be enclosed within the territorial sovereignty of another. Though for the most part, it is a case relating to colonial restrictions, the question of raw material supplies is somewhat more comprehensive and includes those difficulties that are due to restrictions being imposed upon movement of raw materials from a sovereign territory to another needing such materials vitally for its industries. Instances to the point are the resources of Saar and Alsace-Lorraine or those of Ukraine and Caucasus that have appeared vital to the needs of one country while they happen to be under a different sovereignty. Political and national cohesion has seldom corresponded completely with the frontiers of trade and commerce and the political power has tried to reach out to its economic needs just as economic interests have tried to control politics in distant lands. In this perspective the question of access to raw materials is only a part of the larger problem of national states and international commerce that present the world with conflicting ends. For long centuries a denial of equal access had nothing offensive about it and every country practised and proclaimed exclusive and restrictive relations with their colonies and possessions. It is only in our own century when the quest for a warless world has been undertaken more earnestly, that such obligations for the "haves" or such "rights" for the "not haves" have come to be demanded.

But even all recognition of such obligation does not affect the political status of the colonial possessions and it is in fact only a quest for making the fact of alien political authority least detrimental to the interests of other sovereign nations of the world as far as practicable. The non-haves wanted to have colonies on the plea of raw materials and the 'haves' are planning to provide raw materials instead of colonies. The ingenuity for disassociating colonial claims from raw material supply problem goes to the clever Sir Samuel Hoare when he tried to answer the claims of Italy for colonies before the League of Nations in 1935. The subsequent League committee which was created to discuss the raw material difficulties of the 'not-have' had no 'not have' power represented on it and it was mostly concerned to show firstly that the colonial mar-

kets and products were such an infinitisimal part of the total world trade that perhaps no tangible case could be made of any restrictions put in those markets by the colonial powers; and secondly that the problem of raw material supplies was not at all serious because not many restrictions on their exports prevail in the various empires or wherever they do exist they could be justified to a certain extent on one ground or another. The League committee admitted the difficulties of payment for raw materials by the non-have powers but it considered that only as depression phenomena and mostly in its monetary aspect.

The League committee stated: "The total present production of all commercially important raw materials in all colonial territories is no more than about 3 per cent. of wrold production." This statement which has been much exploited by the propagandists of the colonial powers conceals fallacies of two kinds. Firstly, it is not mere production of raw materials and commodities which is a relevant consideration for world trade. It is a question of surplus over domestic needs which is of prime importance. The low state of industrialization leaves a large exportable surplus in the colonies which is not the case in most sovereign countries. Further what matters is the need of certain commodities physically, for instance, rubber or mica, whatever its value, which happen to be indispensable for modern industry and can be provided only by the colonial tracts. The second variety of fallacy consists in excluding from consideration a country like India among non-sovereign tracts. India's status in the League was totally unreal and her fiscal autonomy is not worked by representative Indians. As an instance, it is doubtful whether India would have entered the circle of Ottawa preferences had her policies been guided by such Indians. Inclusion of India alone in the statistics dressed up by the League would have given an altogether different picture regarding the magnitude of colonial trade. Similar other areas that ought to have been considered are Manchukao and the Philippines. Little is gained by denying the magnitude of colonial trade and the extent of harm consequent upon any colonial restrictionism.

But for a very different reason there have been very few obstacles placed on the exports of most of raw materials from the colonial countries. There has been evident especially after 1929, a tendency towards excess of world's suply of raw materials over demand, and the worry of producing countries has been the disposal of their products. In this respect circumstances are fundamentally different from the days of Napoleon when so much of Anglo-French conflict had at its root the procuring of raw material supply to unprecedented needs of revolutionized industry and commerce. The balancing of advantages of possessing Guadaloupe instead of Canada was as rational those days as it would be absurd today. Investments in search of higher returns than in the metropolitan country aided by depressed and exploited colonial labour has vastly increased the supply of most raw materials. The regime of mutual preferences in the exchange of products have been a sequence of this overproduction. Certain countries like Turkey being out of the bounds such preferences have experienced difficulties in paying for their industrial purchases having no export market for the raw materials.

But the matter of payment for the supply of raw materials which is not simply a question of foeign exchange procurement, as it was put by the League Committee, is a fundamental one. In the depression period the problem appeared as contraction of foreign credits to some countries, contraction of world trade, mutual preferences, direct clearing arrangements, exchange controls, etc. These difficulties so far as they were monetary are easily soluble by any International Banking system. But to a certain extent the difficulty was more real, it was the refusal of most States to appear in world market at competitive prices. Protectionist duties were levied against Japanese goods because they were cheap. Australia and New Zealand and many other countries did not adjust their exchanges for social considerations. Much of the unsalabity in world markets was due to the efforts of many countries to pay higher for the factors of production than could be justified in a competitive world; and thus it reflected disequilibrium in world economy.

There are not enough buyers for world's productive capacity and colonial powers have decided advantage in the consequent scramble for markets. Sometimes the advantage is no more than the similarity in commercial practices and laws between the colony and colonial power, the security of its own administration and the prevalence of its own language in the colony. But it may sometimes be as much as to shut off cheaper goods from a competing nation and forming of closed economic bloc with the colonial country. It is often maintained that the economic blocs with which we have been familiar in recent years, were the result of unforeseen depression particularly in colonial products like rubber, tin and the restrictions were not only for mutual advantage but also for world's good in so far as a restoration of purchasing power was sought to be accomplished. But the pertinent question is whether it was just a temporary phenomenon as it is represented to be, or a lasting defeat in industrial competition, rigours of which were sought to be abated. It is pointed out that the prices of most of colonial raw products were unduly low, and restriction schemes benefited the raw material producer and were justified on that account. But one is led to think that these are mere symptoms of deep-seated disequilibrium in world economy.

In our day when capital can be so mobile, no wonder there is surfeit of jute or tea or tin when the labour in such production, often more skilled in his trade than a man in a rationalized plant in the U.S.A. turning a screw as it comes on the conveyor, is paid in a year what the latter earns in a month. One wonders what has called forth this provision of Raw Material Development Corporation in the U.S. plan, because there is no problem of under-investment in colonial raw materials. It may be a sop to satisfy the non-haves' in the post-war world so far as equalization of opportunities for colonial investments are concerned. But as investments are a matter of surplus resources the U.S.A. and possibly the Dominions alone would be in a position to invest in the post-war world, Britain, Germany, and Japan would be bled white before the war ends. So far in most colonial countries there have existed very little difficulty for foreign investments, though we need not lose sight of the political factor inhibiting risks in alien territory. In any case, as there has been no shortage of raw materials and as there has been no unreasonable prices the development of new supplies appears to have little urgency. Thus evidently the only practical utility of the Raw Material Development Corporation can be to secure fields for American and Dominion investments.

(To be continued)

The World Abroad

Social Security Programme

(From Our Washington Correspondent)

WASHINGTON, Sept. 14 (By Cable).

THE Washington Congress meets this week after summer adjournment and will be facing some of the most complicated economic problems since the advent of New Deal a decade ago. Economic issues will be temporarily subment and will be facing some of the most complicated while the legislators debate sundry measures designed to prevent drafting of fathers into armed services and consider various plans for increasing production by inducting labour into essential industries. The question of a fourth term for President Roosevelt and Republican political counter-drives will enliven proceedings. But after initial skirmishing on political front, committees and later full session of the House of Representatives and Senate will settle down to real business which is firstly combating inflation and secondly mapping the post-war position of the United States in the world family.

So far as Congress is concerned Anti-Inflation drive consists chiefly of enacting additional taxation and supplementing the third war loan of the Treasury, while its goal of 15 million dollars is apparently reached easily. The Congress must also formulate measures for control of cost of living, including subsidy legislation to assist to roll back the prices and stimulate food production. Other highlights in the congressional economic schedule include firstly amendment or repeal of Mr Smith Connelly's Anti-Strike Law which has been on the statute books for less than a year, but has already antagonized labour unions and even some industrialists; secondly the liberalization of Business Contract Negotiation Law to provide sanctions enabling amassing of reserves to aid post-war reconversion; and thirdly tighter controls over banks and other forms of credit.

The current war loan campaign for fifteen milliard dollars is surpassing all the anticipations of the Administration. It was feared that the news of Italian surrender, announced on the very eve of opening war loan books on September 9, would discourage subscription funds which are not contributable by Commercial Banks but only by Corporations and individuals. But already the response has been tremendous and the number of individual subscribers exceeds that in the second war loan of April last, thus presaging the attainment of goal of trapping individual spending power.

The tax programme of the Adminstration calls for raising twelve milliard additional annual taxation. Congressmen privately predict that the treasury will be lucky if it collects half this amount. High officials in the Government themselves differ over the methods of procuring additional funds. Many of the Congressional leaders advocate compulsory savings plan which is opposed by Secretary of the treasury, Mr Morganthau who favours Spendings tax designed to raise four and a half milliard dollars plus a penalty levy on salaries above $25,000 annually. Congressional quarters are giving cool consideration in advance to the idea of Spendings tax which was rejected last year by the Senate Finance Committee.

It is understood that treasury may suggest as substitute for Spendings tax of 5 milliard dollars proposed to increase social security, taxes to total 12 mililards whereof half would be paid by employers and half by employees. Such levy which would represent two per cent. from employers and 5 per cent., from workers constituted a major recommendation of the National Resources and Planning Board in its "cradle to grave" programme which Mr. Roosevelt recently sent to the Congress. Existing gross income from pay roll taxes for social security include one per cent. old age and survivors insurance plus three per cent. for unemployment compensation both paid by employers and one per cent. for old age insurance paid by employers.

The Treasury's recommendations about taxes will be submitted to the Ways and Means Committee of the House of Representatives on September 20, but the Committee has already been advised that the Treasury will approach with new tax bill "suggestions," leaving Congress to work out details and select specific methods for raising additional revenue. The Treasury will probably propose also, increased personal income taxes, increase in corporate income tax to 45 per cent. and sharp advance in excise taxes, particularly on distilled spirits, wines, beer and tobacco. If the Ways and Means Committee constructs a workable tax bill by November it will surprise observers in the capital although the Treasury hopes to have new taxes effective by January 1st.

Meanwhile the Administration is most delighted due to the progress of Government's battle against inflation, particularly the control over wholesale prices whose indices have been almost stationary for the past two months. Even though consumers pockets bulge owing to wartime earnings, there has been no recent rush to transfer money into merchandise. The national income payments currently approximate unprecedented annual peak of 142 milliard dollars. The consumers' expenditure in goods and services are estimated to be 88 milliards while personal taxes will be about 17 milliards. The balance of 37 milliards is generally termed as "Inflationary Gap" and it is this gap which the treasury is seeking to plug through the sale of war bonds and higher taxes.

Outlook of British Industrials

LONDON, Sept. 14 (By Cable).

JUDGING from the annual report furnished by the Stock Exchanges covering market values of all listed securities, it is evident that total war has proved rough on the ordinary British investors despite Press references regarding stock exchange boom.

Those who assume boom in the market point as evidence the strong rise in those leading securities which are chosen for inclusion in the daily indices of the stock market values. For example, the daily index of the *Financial Times* showing the average price of 54 leading industrial shares which stood at 96 points before the war is now 130.8, the highest since 1937. This shows a rise of 45 per cent. But the total figures of the Stock Exchange covering all issues—good, bad and indifferent—shows a total

average decline of 9 per cent. covering all sections outside Government stocks.

The summary of the Stock Exchange at the close of its financial year on March 24, shows 5,465 issues quoted on its official list with a nominal value of £19,556,991,350 and a market value of £19,982,401,109. In addition to this 4,420 issues that were quoted on the supplementary list had a nominal value of £1,174,164,498 and a market value of £1,527,292,184.

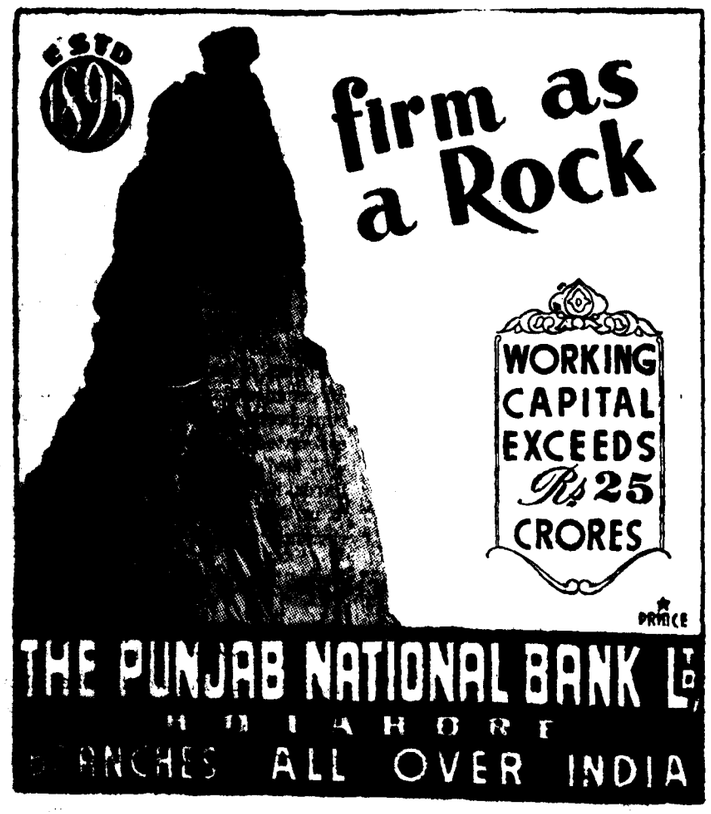
But these figures conceal two things—vast expansion in "British Funds" and severe decline in certain minor markets. Government stocks since year ending March, 1940—when Government financing started in real earnest—has risen from the nominal value of £7,213 million to £10,080 million, which is an increase of 31 per cent. and is quite sufficient to conceal weakness developing in other sections.

Moreover, if we take only Securities in the official list on the ground that they represent well-seasoned issues and deduct market value of Government issues from total we get £9,621,135,150, as compared to £10,531,615,081 in March 1940, when the investors were still "maginot-minded." The difference between two figures represents average decline of 9 per cent. in all markets outside that corner of Stock Exchange, known as "Consol Market."

For example, market value of coal, iron and steel companies' shares on both official and supplementary lists shrunk from £538 million to £420 million, which means a loss of about 22 per cent. The main considerations for this apparently, are the misgivings regarding post-war outlook in view of the enormous increase of steel making capacity in the United States, Canada, and Australia.

Blitz damages together with perhaps similar misgivings regarding post-war outlook caused similar drop of 22 per cent. in the market values of canal and dock company shares from £93 millions to £72 millions. The market value of Rubber Shares shrunk from £70,052,000 to £39,771,000, showing a loss of nearly 43 per cent. However, not all plantation shares have suffered. The market value of tea and coffee plantation companies has risen from £42 million to £48 million, showing an increase of 14 per cent.

From the standpoint of the community, as a whole, perhaps, the most serious loss is one which left the individual investors unharmed. This is the loss due to steady repatriation of the sterling loans by India, Dominions and some of the Colonial Governments. The number of Empire Corporation Loans have shrunk from 183 to 160, other Empire Loans from 150 to 127 and Indian Railways from 45 to 26. These were earning assets which furnished the United Kingdom useful income. These have shrunk nearly 20 per cent. from the grand total of £1,068 million to £863 millions.



Commodity Controls Section

II

Control in the Rice Trade

II

PRICE fixation and procurement bristle particularly with difficulties in the rice trade. In India even in normal times, there is no such thing as an average price of rice. Indian rice is unique in that the spread which separates the cheapest from the dearest varieties is enormous, and sometimes amounts to as much as 700 per cent. According to the *Report on the Marketing of Rice in India and Burma, any* examination of rice prices is handicapped by such factors as the existence of an enormous number of varieties, the complexities of consumer's preferences, the localization of production types, and the non-existence of any representative types and standards of quality. It is almost impossible to determine what constitutes 'fair' prices for these hundreds of varieties with any precision. The price disparities are based upon physical conformation, variations in grade, maturity, colour, method of dehusking and other factors not amenable to easy evaluation. It is not surprising, then, that the Provincial Governments were unable to recommend fair prices for the different types of the commodity, when the Central Government asked for the data.

The prevailing prices of rice in different centres in the country now are in any case too disparate to be accounted for solely by the foregoing factors. So long as there was free inter-provincial trade, and normal trade channels functioned, and transport facility available, supplies moved out from one part of the country to another under the stimulus of prices which were compounded of all the complex elements in regard to the consumer's preferences, and differences in qualities. If there was no All-India price for rice, there was at least an integrated price structure. But, under present conditions when there is neither free trade, nor transport facility nor the normal trade machinery, but there is a general feeling of insecurity in the mind of the grower and a Government purchasing agency to procure the grain in the market, the integrated price structure has been materially distorted. Rice prices now in each economic zone represent the sum of the effects of local controls and causes, and do not reflect reactions to conditions outside each zone.

In such a context, price control measures may aim at two purposes: (1) to narrow the disparities between different centres by moving grain from low price to high price areas, (2) to keep down prices in each area. The first depends for its fulfilment upon the degree of deficiency in an area and the assistance from outside it can secure. The second hinges round the ability of the Provincial Government to gain control over supplies through transport and movement control. Under the "Basic Plan" now in operation, if all the provinces are able to gain effective control over their domestic resources, and if the surplus provinces put the deficit areas in possession of the allotted quotas of grains, the abnormal price differences will naturally tend to decline, although even then it will be impossible to speak of an all-India price of rice or an integrated price structure. Also it will have the effect of checking abnormal rise in domestic prices in each area.

To attempt to keep down rice prices in such a way is one thing; to try to fix statutory prices in each area for enforcement in the market is quite another. In the previous article, we have referred to the practice of Madras, where control over rice prices has been effected in the surplus areas by an almost virtual monopoly of transport, and by insisting on ceilings at which merchants should buy if they required permits to export. But fixation of statutary prices suffers from some bad defects. In the first place, the enforcement of statutory prices is very difficult. In the hard conditions of scarcity prevalent in most provinces, the emergence of black markets is almost a certainty and supplies may be driven underground. In the second place, ceilings can be enforced more effectively and with less publicity by the purchasing officers themselves or through other agencies, whereas the statutory prices, flamboyantly announced, may remain only on the statute book. Ceilings can be revised often in the light of local conditions and costs so as to draw out supplies, whereas frequent revisions of statutory prices will have the unhealthy psychological effect of making the market expect further revisions.

Moreover, fixation of prices, statutory or otherwise must take account of the higher costs of cultivation, into which enter the increased cost of living due to abnormal rise in the prices of consumer goods, the higher prices of agricultural implements and manures, and the greater cost of working up the inferior lands. If this is not done, and if reasonable quantities of these commodities are not made available to the growers at fair prices, justice will not be done to them, and, they may be in no mood to sell their small surpluses, but eat them off, seeing that the cash is not worth the sacrifice. Statutory control of prices of wheat has proved so complete a fiasco in the past that Government should not lightly contemplate the same step in respect of the disorganized rice trade. Even in regard to cloth, whose production is well-organized and distribution is amenable to control, the enforcement of ceilings requires unremitting administrative alertness. As for rice, the very background of the failure of food control in the past has created in the public mind a prejudice that prices cannot be enforced. These fears are abundantly confirmed by the experience of Bengal today, where the supplies of rice have mysteriously disappeared immediately the control prices were announced. The dangers of premature measures of price control in an area where the administrative machinery is not competent enough to gain control over supplies cannot be minimised, especially where famine conditions demand instant relief. Empty threats cannot bring out supplies, and the way out of those difficult conditions is frankly to accept that price control measures should be subordinated to those of relief at any cost.

The procurement of large supplies of rice is no less easy. Physical control might be attempted at three stages: (1) cultivation, (2) assembling, and (3) milling. The quantity which can be obtained direct from the growers depends upon the customary proportion of the output retained in the villages. In normal times, for instance, in the years 1934-35 1936-37, the total amount retained in the villages for India as a whole was 16.88 million tons of rice, or 59.5 per cent. of the crop. The marketable surplus was 11.5 million tons or 40 per cent. The

proportion retained by the grower varies from place to place, depending upon the importance of rice in the local dietary, the indebtedness of the peasant, the method of payment of wages, etc. In Assam, where it is staple food, retention in the period was as high as 94 per cent., whereas in Baroda and Sind, where it is not so important an article of food, it was only 20 and 32 per cent., respectively. The marketable surplus of Madras and Bengal in the same years was 65 and 46 per cent., respectively.

These facts may be of some little help in procurement operations. But it is quite probable that in the last two years the proportion retained by the grower has gone up under the combined influence of reduced indebtedness, scarcity of consumers' goods, and the prevailing sense of insecurity, where, however, famine has not led to starvation. Government control of the supplies at the stage of cultivation may be feasible without being injurious in a compact administrative unit like Travancore and Cochin where the wholesale purchase of the crop above a reasonable subsistence minimum for the grower is proposed. But for large provinces of the size of Bengal and Madras, such a method is eminently undesirable. Compulsory methods of requisitioning, which may perhaps be employed with some success in regard to large landholders, will prove equally injurious in the case of the small grower. The best way of tempting the tiny surpluses of the small growers will be, as suggested earlier, to offer fair prices for paddy as well as supply consumers' goods at control prices.

Procurement in the assembling stage is difficult because the marketing is at once extensive and disorganized. Excepting in Madras Presidency and some other places there are no large conveniently appointed assembling markets for rice at which the agents can buy. Large quantities of grain never come to the markets at all, but are taken over by millers or their agents from the threshing floor.

Physical control through the mills has been attempted in some provinces, where the mills have formed a purchasing syndicate. But this method has limitations. Nearly 73 per cent. of the produce is handpounded, and the proportion of handpounded rice is 97 per cent. in Bengal and 93 per cent. in U.P. and 84 per cent. in Assam. For Madras and Sind, the figures are 38 and 10 per cent. only. The mills may know the sources of supply from which to buy, but if some sort of compulsory sale is attempted at the milling stage, the only result will be to scare supplies away from the mills.

The success of procurement depends not only on the stage at which it is attempted, but also the agency employed. In many provinces, existing trade channels or syndicates are employed on a commission basis under official supervision in regard to prices and prompt delivery. In Madras, grain purchasing officers do the job. In Sind, a syndicate is commissioned. In many provinces, there is a combination of official and trade agencies. Where, as in Madras, the land revenue administration is well-knit, the official agencies can perform the task efficiently and also keep down prices by strict control of transport. In those areas, where Government agency is not well-organized, the existing trade channels will have to be used; but even there Government must control transport and movement. Even then, control of prices will prove difficult, if trade agencies are made to supply quantities within a specified period, especially in areas like Bengal, where supplies will come out only at high prices. Considering the overall deficiency of rice in many provinces, the most feasible method will be for Government to utilize existing trade channels in the know of the sources of supply and to exercise regulation where gross hoarding and unfair profiteering are involved.

But the most efficient and strategic arrangements of procurement will fail of their purpose, viz., the assurance of a subsistence ration to every body, if production is left as it is. A certain percentage of basic scarcity has been accentuated by wartime causes, and Government cannot get the better of the market, until they are in command of that margin of supply with which they can operate on the market. That can be got only by greater production and imports, and to that end, steps should be taken. Not much success can come from specious statistical estimates which overlook the scarcity and shift the blame on to those in the trade.

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FROM THE PROVINCIAL ANGLE

Madras Letter

REVENUE PAYMENT IN KIND—MIRASDARS IN CONFERENCE—DEBTS WRITTEN OFF—A WHITE COMMITTEE.

(From Our Correspondent)

MADRAS, Sept. 12.

A REVOLUTIONARY change in the fiscal policy is under the consideration of the Government of Madras. At a Press conference held early this week, Mr. S. V. Ramamurthy, Adviser to H.E. the Governor announced that the Government have under consideration the desirability of arranging to collect land revenue in the shape of paddy after the next harvest, with suitable safeguards so that the small landholder may not be inconvenienced. The Adviser will be on tour in the Southern Districts of the Presidency in the next few days, during which he will hold conferences with officials and non-officials on this and other food matters. Preliminary reactions of the ryots to the new revenue policy of the Government now under consideration reveal that there will be no objection to the proposal for the duration of the war but the vital point in the scheme would be the price at which the Government would take the produce.

Landlords' Troubles

This week has been one of conferences of mirasdars and ryots in the districts. That everyone is keenly interested in the food problem and is producing more food is evident from the proceedings of these meetings. At every one of them it has been urged that the Government should revise their purchase price of paddy on a fair and equitable basis. The remarks of Mr. T. T. Krishnamachari, M.L.A. (Central) at a conference of the mirasdars of Tanjore, Trichy and South Arcot Districts are typical. "There has been a progressive rise in the cost of cultivation and the cost of living of the mirasdars. But the price level now fixed by the Grain Purchasing Officers does not take note of this fact," said Mr. Krishnamachari. The landholders now hope that they would get a fair price for their short term *kuruvai* crop, as the Government have decided to purchase all the surplus available in the Cauvery Delta. A price which has a bearing on the cost of living and subject to its variations will be certainly equitable both to the landholders and the Government. In the meanwhile, non-official estimates indicate that 2.6 millions of acres of fresh land have been brought under cultivation of food crops and the production is bound to improve substantially in the forthcoming big winter crop. The Government are no doubt providing certain irrigation facilities but there is a great handicap in manures. Chemical manures have not been available and even if available are prohibitively costly. Similarly, the price of cattle has also been soaring. It would be, therefore, useful if the Government would direct their immediate attention in solving these pressing and urgent problems.

Debt Relief in Ceded Districts

The smaller ryots of Bellary District now in the grip of adverse seasonal conditions will find great relief for they have become free from indebtedness to the Government overnight. Considerable sums of money were advanced under the Land Improvement Loans and Agriculturists' Loans Act from time to time to help the ryots in the district to recover from the effects of famine. But owing to a series of adverse seasons, the collections of instalments of loans so advanced were postponed repeatedly leading to the accumulation of large arrears. In view of the poor economic condition of the ryots and of the practical difficulties involved in recovering the arrears by the sale of land offered as security, the Government have now decided to write off the irrecoverable loans amounting to Rs. 13.31 lakhs. Ryots paying an annual assessment of Rs. 40 and below alone come under the benefits of this scheme. One should concede that the Madras Government have taken very great pains to relieve the distress in the Ceded Districts but for which we should have had a miniature Bengal in our Province. The Government's efforts have been warmly appreciated and the non-officials who have toured the areas have paid tributes to the Government. A few suggestions have recently been made to solve the unemployment in those areas and one is the formation of co-operative societies for hand-spinners to work in conjunction with the societies for weavers which have already been organized.

Baby Food

Trade and commerce seem to be canalizing into European hands. Recently I mentioned the case of an European firm given the monopoly in the transport of foodgrains in Madras City. Now a committee, it is understood, has been constituted here to control the imports of food products and baby food. The Committee was originally composed of the representatives of two European firms and later—probably as an after thought—a representative of an Indian firm was included. This committee will select dealers who will be authorized to import the products. The Committee's recommendations will very probably be accepted by the authorities. Grave doubts are expressed as to the working and recommendations of the Committee by this class of importers.

On the suggestion of the Madras High Court, the Madras Bar Council has approved that practising advocates should not act as promoters of trading companies. The Council has resolved to amend the existing rule so as to include this resolution.

Bombay Letter

TEXTILE CONTROVERSIES—MR. THACKERSEY EXPLAINS TO CRITICS—SPECIFICATION ANOMALIES—EGYPTIAN COTTON DEAL.

(From Our Correspondent)

BOMBAY, Sept. 11.

EVER since the Textile Control Board secured from the Textile Commissioner important concessions with regard to the de-hoarding order, there has been a very steady rise in prices and there have been complaints that cloth is not available even at the "ceiling" prices. One concession, for instance, is that the cloth would be taken over by the Government at the "ceiling" prices less a nominal rebate. As "ceiling" prices have only been notified for a very few items the cloth offered

to the Textile Commissioner would need to be scrutinized before its price can be arrived at. This would necessarily entail considerable delay which brings into the picture the second concession, *viz*: that the cloth dealer has the option to sell out the goods which have not been sold by him up to August 31. In effect, this means an extension of time which the Textile Commissioner said he did not want to give. That such a step would lead to the "ceiling" prices fixed by the Government becoming virtually the minimum price or "floors" was foretold in this letter. Developments since then in the cloth market have been such that the Textile Commissioner has now been compelled to give a very stern warning. He says: "Reliable reports have reached the Textile Commissioner that prices of cotton cloth and yarn have taken a definite and sharp upward trend during the last few days. Dealers in cotton piecegoods and yarn are warned that if immediate steps are not taken by them to keep prices within the general levels indicated by the Government of India Notification dated Sepetmber 4, the utmost rigorous of the provisions of the Cotton Cloth and Yarn (Control) Order will be forthwith imposed and all exemptions that have been recently granted will be immediately withdrawn."

Anxieties and Appeals

One's sympathy in this case can only be with the Textile Commissioner, but the developments that have now come about are directly the result of his loosening the grip over the market by the substantial concessions that he has given. With dealers being assured of "ceiling" prices and with a practical extension of time, it is the buyers who now have to be anxious to secure supplies even at "ceiling" prices. The anxiety, therefore, is now on the part of the market to secure supplies and not for the hoarders to disgorge.

A similar appeal has been made by Mr. K. M. D. Thackersey to the manufacturers not to charge more than the ceiling prices. He adds: "The contract must be at the ceiling prices all over and no extra price in the form of commissions or charges may be paid to the mill or to a third party in respect of cloth and yarn contracts." Reading between the lines there is a certain amount of significance in his words. The market is so anxious to get supplies that the contract prices are of course the "ceiling" prices, but the buyers are offering a certain amount of cash or commission in order to get supplies from the mills. Mr. Thackersey has now clarified the situation, but it is quite a different thing to enforce it.

The Chairman "Explains"

In another statement Mr. Thackersey, Chairman of the Textile Control Board, tries to show that the "ceiling" prices of cloth and yarn announced on September 4, are not unduly high and do not allow large margins to manufacturers. He takes as his base, prices ruling in the quarter February|March|April, 1942 and goes on to show that there have been increases in various charges from this quarter to the quarter of August|September|October, 1943 by as much as 100 per cent., whereas the increases allowed in the prices for the cloth vary from 80|90 per cent. Some of the points raised by him are not quite clear. When he takes the base period as February|March|April, 1942, it may be pointed out that the basis for cotton that is taken is the end-January, 1942, basis which was about the time of the fall of Singapore when cotton was at its lowest. When he takes the February|March|April, 1942, period, one does not know whether he takes the average prices of cloth ruling in this period or the margin in the charges allowed at the time of fixing the Supply Department's orders. Then again, as regards the prices of the quarter August|September|October, 1943, the basis price of cotton was that which was fixed about end-July when cotton prices were still on a much higher level. When however the "ceiling" prices for cotton were published on September 4, cotton had fallen very sharply by about Rs. 150|200 per candy and one wonders whether this fact is overlooked by Mr. Thackersey. The statistics given by Mr. Thackersey are not complete or detailed. In any case few outside the industry can have the exact data to verify or controvert the arguments advanced by Mr. Thackersey unless the mills themselves give the necessary data. However, the proof of the pudding lies in the eating and one wonders why the Chairman of the Textile Control Board does not reply to the argument of those who maintain that the "ceiling" prices of September 4 are too high. That argument is based on the fact that even after taking the most expensive cotton consideration, the margin in the prices of yarn alone is from As. 10 to As. 11 per lb. which is nearly Rs. 500|550 per candy. Why does he not tell us that the margin is not so much and prove it by statistics? The price of Punjab L.S.S. at that time was Rs. 560 and is now Rs. 590. Usually Punjab LSS may be used for 24s, but for the sake of argument one may use this as a basis for 20s cotton. Assuming that this is Rs. 600, this works out to As 12 per lb. Allowing for loss percentage on a very liberal basis, the cost would be As. 14 a lb. and putting charges and cost to spindle point at As. 4 a lb. the price would work out to Re. 1-2 per lb. which compares with the ex-mill "ceiling" price of Re. 1-12 per lb. for 20s cotton. The whole point is that after receiving such margins the mills should not grudge having to pay for cotton and one would hope that the mills would persuade the Government to accept the Cotton Sub-Committee's recommendations and "floor" at Rs. 500 basis Jarilla cotton and "ceiling" at Rs. 650 basis Jarilla cotton.

Technical Flaws

As regards cloth, one complaint is that in the "ceiling" prices the specifications used are lower than the standard specifications. For example, in "Dhotis" 70s|90s the reeds and picks have been specified as 64 and 56 respectively whereas normally these are much higher. Lowering of the specifications is an indirect way of getting a higher price. One should have imagined that when "ceiling" prices are fixed, the specifications used should be standard and as far as possible top specifications.

In the cloth market there has been more activity although the clearances are not still heavy. Upcountry centres after a long spell have taken up some of their needy requirements at the ruling rates. These interests seemed to have been awaiting the outcome of the dehoarding order, but now that concessions have been given there is no prospect of the market going down. In fact, the tendency has been from steady to firm. Leopard cloth 41 inches and 43 inches is reported to have been sold about Rs. 2-7 to Rs. 2-7-6 per lb.

Cloth Market Lethargic

The cotton market has been quiet and values have remained practically unchanged. In the spot market Punjab LSS has been sold up to Rs. 590, Sind NT old crop Rs. 560, Sind NT new crop Rs. 645, Punjab 289F new crop Rs. 675 and Jarilla 3|4" new crop Rs. 510.

With regard to Egyptian cotton, the latest advices are that licences will be issued for outstanding sales contracted before March 24. As regards the Indian Delegation headed by Mr. Ramachandra and Mr. Kasturbhai Lalbhai they have returned from Alexandria and Mr. Kasturbhai Lalbhai in an interview stated that the arrangements that have now been arrived at ensure a fair share to India of the new Egyptian crop. If this is achieved, there will be no fear that Indian mills may be starved of cotton for higher counts such as 80s, 100s, and 120s for which India relies absolutely on the Egyptian market. Then comes the question of the machinery by which purchases will be effected on behalf of India in conjunction with the British and the American Purchasing Commissions. This also seems to have been settled and both the market and the mills await with interest the publication of the full scheme by the Governemnt of India.

Bullion Stocks

On Monday morning the market opened quiet, satisfied by the week-end sales and a slightly nervous tone was in evidence, as the Reserve Bank had delivered Rand Refinery gold against some of its sales. Subsequently on a fair up-country demand the market advanced and as the Reserve Bank accepted bids at Rs. 70-6 the market settled down to steady business and further quite respectable amounts were bought for delivery on September 4. The daily upcountry offtake averaged almost 20,000 tolas per day. The stock is reported to be about 1,00,000 tolas. The news of the Italian surrender caused some nervousness but there was no substantial decline.

In the Silver section, prices were maintained at the level of about Rs. 115 to which they were pushed up last week by a bull operator who was temporarily in command of the entire meagre stock. The news of Italian surrender, however, brought down prices to about Rs. 112 but any substantial decline was prevented by the shortage of stocks of the metal in Bombay and the improbability of any large stocks of the metal being rushed to Bombay under the present circumstances. The stock is reported to be about 700 bars and the daily average offtake was about 80 bars.

The latest quotations are: Ready Gold Rs. 70-4; Ready Silver Rs. 115-12.

The 'Budla' Ban

The Government securities market was rather dull and there was hardly any change in the quotations of most of the securities. A fairly large business was done in the 3½ per cent. Government Paper slightly below Rs. 97, while the 3 per cent. 1963-65 changed hands at Rs. 96-14. On the 8th September, four provincial loans were floated and the issue prices of these loans were higher than generally expected by the market. During the week, fluctuations on the Stock Exchange reflected both increased control and increased ingenuity on the part of new entrants in the textile section. There were rumours of the probability of the revision of price "ceilings" for piecegoods and about the Government stepping in to make changes regarding the settlement period and specifically prohibiting "budlee" operations. Large-scale jobbing swayed the market, but the news of Italy's unconditional surrender led to a certain amount of general selling in the market.

Since then a Government Press Note published today states that in order to curb speculation on the Stock Exchanges Government have issued a new rule under the Defence of India Rules prohibiting with effect from September 24, all Stock Exchanges from permitting or affording facilities for "budla" transactions or making any contract other than ready. It is expected that this will lead to fairly heavy liquidation in the market and prices may ease in the near future.

Mill Magnates' Affairs

An event of considerable importance in Bombay is the selling away of agency rights by the E.D. Sassoon Group of which Sir Victor Sassoon is the Chairman. It appears that Sir Victor Sassoon has decided to terminate his business interests in India. Up to now 7 of his mills have been sold and with regard to the balance two, negotiations are still in progress. As regards the remaining one, this is stated to be under the management of a Trust. The latest sale is of 5 mills having a total of 250,000 spindles and 6,500 looms. The purchasers are a firm of Marwari millowners including Mr. Ganeshnarayan Onkarmal and it is stated that Rs. 4 crores have been paid for the shares as well as remuneration for the Managing Agency. About 12 years ago the position of this Group was critical and it seems that in Sir Victor Sassoon's opinion, this period represents the peak period and is the best time to liquidate his interests.

Rations and Nutrition

In a talk to the Food Rationing Conference held at Bombay, Dr. W. R. Aykroyd, Director, Nutritional Research Laboratories, said: "The rations allowed under schemes at present in operation in India are all low even when compared with the customary intake. The food shortage is likely to have a bad effect on public health, particularly in certain areas. Taking all the facts of the situation into consideration, I am of the opinion that one pound of cereal per capita might be adopted as a suitable ration. This assumes a normal age distribution of the population, aims at carrying the population through the shortage without too serious a lowering of dietary standards, and also assumes that some quantities of pulses, vegetable oil, sugar, etc., will be available in addition to cereals."

It is to be hoped that Mr. W. H. Kirby, Adviser of Food Rationing, Government of India, will give serious consideration to the above statement of Dr. Aykroyd as the ration standard in Bombay is barely enough while that in Poona is actually below the minimum recommended by this authority on nutrition.

Bengal Letter

OVERSHADOWING FOOD PROBLEM—EFFECT ON SOCIAL VALUES—PUBLIC CONSCIENCE SHOCKED—AGRICULTURAL INCOME-TAX—JUTE INDUSTRY'S TROUBLES.

(From Our Correspondent)

CALCUTTA, Sept. 12.

THE food problem continues to overshadow all other problems in the Province. Acute famine is a stark reality in the province as can be easily seen by anyone who strolls through the streets of Calcutta. The large mass of famished and emaciated humanity, consisting largely of women and children many of whom are dying in the streets through starvation, constitute now a characteristic, if also a ghastly feature of Calcutta's life. "Starvation cases" which refer to the unfortunate people who are found in the streets of Calcutta in a collapsing state due to prolonged starvation and have to be admitted to hospitals for treatment show a disquietingly high proportion. Total number of such cases undergoing treatment in the hospitals was 912 up till September 8 last. The total number of deaths due to

starvation over a week from September 2 to September 8 was 276. In an official statement it was pointed out recently that the total number of destitutes in the city comes to about 80,000. The state of things in the city is sufficiently appalling. But conditions in the villages are far worse. In fact most of the half-naked and "skin-and-bone" figures who hover around the 'relief-kitchens' and haunt the non-aristocratic quarters of the city are fresh arrivals from the villages, who have torn themselves away from the soil and come to the city in search of a few morsels of food.

The Disintegrating Family

It was inevitable that the stresses and strains of the grave economic conditions obtaining in the province should react on social stability. As the menfolk are out to work by day time, the womenfolk have to shoulder much of the shopping which consists in joining first the rice queue, then the sugar queue and then the kerosene queue. This is specially so in the case of the poorer and the lower middle classes. In order to ensure the occupation of the first places in the limitlessly long queue, many prefer to stay in the streets overnight or hurry thither in the small hours of the morning. Family life is necessarily upset and there are portents of grave social consequences. There are many instances where the cohesion of family has been loosened by the enormous economic pressure. The instance of a woman walking 12 miles daily to bring a cigarette-tin-full of gruel for a sick husband may be an ennobling one, but it would be only human if in a great many cases idealism and traditional values tend to crumble under the great strains. There is a perceptible increase in crimes and social vices. There have been many private, unco-ordinated and partial surveys of the grim social phenomenon we are witnessing today. For example, a recent sample survey of destitute people in Calcutta found waiting for their food at free kitchens, was undertaken by the Anthropology Department of the Calcutta University. These studies reveal a preponderance of dependents of landless labourers or those engaged in allied occupations and reveal further that in a great many cases the family has disintegrated under the stress of economic conditions. Manifestly, the cohesion of our society both in rural and urban areas, is passing a severe testing and especially at the lower end, our social fabric is getting alarmingly frayed.

Public Indignation

Needless to say, public opinion is much agitated and perturbed over the distressing developments that bear unmistakable testimony to the prevalence of famine conditions in the province. The principal grievance is that the Government have so far shirked the assumption of a direct and comprehensive responsibility for feeding the people. This has seemed all the more anomalous because at a time when acute scarcity has been causing so much distress and suffering, the Government have thought fit to enter the domestic market without accepting a clear-cut and definite responsibility to utilize the rice so purchased for the feeding of the hungry and destitute. Distribution of foodstuffs within the province is another matter which has lately aroused considerable public indignation. Reports have appeared in the Press saying that daily 1,000 tons of foodgrains are coming into Calcutta. Why has not this import produced any effect upon the market? It may be that the quantity is inadequate from the point of view of the aggregate requirements of the entire province, but it is a fairly adequate amount for Calcutta's population. At least some appreciable effect should have been produced on the Calcutta markets. Public indignation is steadily rising and there is an insistent demand for public inquiry into the transactions of some persons whose names have become notorious throughout the province.

Dr. Mookerjee's Open Letter

In the course of an open letter addressed to His Excellency Sir Thomas Rutherford, the new Governor, Dr. Syama Prosad Mookerjee has drawn His Excellency's attention to certain vital aspects of the food problem and to the ways and means of solving it. Dr. Mookerjee has urged in strong and emphatic language that the civil population must be fed not only because it is the duty of every civilized Government to do so, but also for military reasons. Indeed there is a general feeling everywhere that the situation in Bengal, grave as it is in itself, is graver still when considered with reference to far-reaching considerations of political and military strategy.

Dr. Mookerjee has demanded a proper political readjustment as a basic condition of the solution of the food problem. For any competent and adequate treatment of the urgent issues involved in the food crisis the Government require the co-operation of the public. A party-ministry such as exists in Bengal today cannot make a successful appeal to the people for their co-operation. The Ministry in fact lacks the confidence of large sections of people. Dr. Mookerjee also called for the determination of the minimum needs of the population. Without a clear determinaiton of the minimum needs it would not be possible to give any precision to Bengal's demand for additional food supply from outside.

Taxation of Agricultural Incomes

The session of the Assembly commencing on September 14, will consider *de novo* the budget which could not be passed in time before the old Government was dissolved and which could not be introduced in part in the following short session. Meanwhile, the Bengal Government have published the provisions of an Agricultural Income Tax Bill. The purpose of the Bill is stated to be to increase the revenue of the Government. A similar Bill had in fact been published in September, 1941 and was introduced in the Legislative Assembly but was thereafter quietly dropped. Quite evidently the Government have felt compelled to revive the Bill to meet the increasing strain of expenditure, arising out of war conditions, on Bengal's revenues. But no revenue could be expected from an agricultural income tax till 1944-45. The Government need not have been apologetic in tone in introducing the tax. Provincial tax system under the Constitution is very inelastic and the Government must tap new sources of revenue if it is to undertake nation-building activities on a large scale. There is hardly any objection in principle to the imposition of an Agricultural Income Tax. In fact the Bengal Land Revenue Commission had recommended such a tax in 1940, pending the execution of their scheme of State purchase of Zemindary rights. The Taxation Inquiry Committee opined as far back as 1925 that such a tax did not contravene the rights conferred under the Permanent Settlement. But the point at issue is the administrative cost of the tax and whether from the revenue point of view the tax would be sufficiently flexible and productive in view of the needs of the province. But even progressive opinion is critical of the new Bill because it violates an important condition that was laid down by the Land Revenue Commission. The condition was to the effect that the proceeds of the tax should be utilised exclusively for the benefit of the agriculturists. For this reason the new Bill has evoked opposition even from progressive quarters.

The Jute Industry

The outlook for the jute industry continues to be uncertain on account of the coal shortage. Most mills are drawing upon their previous stocks to carry on their work. As regards raw jute, some possibilities of larger export have emerged due to improvement in the shipping position. A noteworthy fact revealed in the August issue of the Indian Central Jute Committee's bulletin is that there was a decline of 12 per cent. in the price of raw jute as against 3 per cent for jute goods in the two months June and July. The July index for raw jute stands at 129 and that for manufactured goods at 190. (July 1914=100). The final review of the jute crop for 1942-43 shows the yield for the season at 90,61,565 bales. This reveals an increase of 47,435 bales over the final forcast figures of 1942.

U.P. Letter

GOVERNMENT PROFITEERING IN OIL AND OILSEEDS—BLACK MARKET IN COTTON TEXTILES—RAILWAY PRIORITIES AND CIVILIAN CLAIMS.

(From Our Correspondent)

THANKS to the War the Provincial Governments appear to have discovered an altogether new source of revenue through monopolistic inter-provincial trading. We have all heard of the huge profits made by the Sind Government in the sale of wheat, and of the huge profits made by the Sind Government in the sale of wheat, and of the accusation of the Punjab's Revenue Minister that the Bengal Government had pocketed all the profit in the sale of wheat flour made from the wheat sold to it by the Punjab Government. Nor are the U.P. Government to be outdone in this respect, and the system of sales through the Provincial Government has now been extended to *gur*, oils and oilseeds. On all these a handsome profit is guaranteed to the U.P. Government, and an optimistic view places a total revenue of Rs. 5 crores from all these transactions. The export of all these commodities is banned under the D.I.R., except with the permission of the Provincial Government, and for granting all such permits for export a share in the profits is charged by the Government. The implications of the Provincial Government using the D.I.R. to share in the trade profits of a number of commodities have not yet been examined by any of the country's Chambers of Commerce, and it is time they take up the question. Of course the Government's share in these trade profits is treated as part of the anti-inflationary drive and in furtherance of the post-war reconstruction plans. It would appear that the Provincial Governments' enthusiasm for anti-inflationary measures and for plans to tackle the post-war reconstruction problems has a very good incentive behind it.

Textile Control

It is now generally believed that a black market in the cotton textiles has come into existence in Cawnpore. The police and the local price control officials have already carried out a few raids which have only a nuisance value and are not likely to have a deterrant effect on the black marketeers. In one case a retail buyer carrying three pairs of dhotees was asked to produce a cash memo, and when he could not as he had not kept a duplicate of the memo, having contented himself with a *bahikhata* entry) the dealer was prosecuted. Another was prosecuted because he sold a certain quality purchased by him at Rs. 9 to a consumer at a profit of Rs. 2, it being held by the local price control officials that Rs. 2 profit was inordinately high, it being not clear as yet whether the Rs. 9 price paid by the retailer was the ceiling price fixed by the Government of India or less. In some cases it has been reported that undeclared goods have been sold at a premium of Rs. 200 per bale, over the ceiling prices, and in retail a margin of about Rs. 1-4 is reported to have been charged in case of certain quality dhotees. But these are only bazar rumours, though not quite baseless.

Rationing of Foodgrains

It is now learnt that the Government shops at which flour had been sold so far to the consumers on the purchase list might now sell wheat and gram instead . The mills in Cawnpore will also be selling to their workers wheat, gram, barley and rice instead of *atta* as soon as present stocks are exhausted.

The U.P. and Bihar Sugar Control Board is meeting at Lucknow on the 18th September, and on the previous date a meeting of the Indian Sugar Syndicate's Board of Directors will also be held in the same city. The Syndicate is likely to press for increase in cane prices for the coming year in the U.P. and Bihar, though the Sugar Controller, who attended the Syndicate's Board meeting in Cawnopre a month ago, had made it abundantly clear that he is opposed to any such move. In his opinion any increase in cane price would not be countenanced by the Government at the Centre or in the Provinces as it might adversely affect the Grow More Food Campaign, and further that the *Gur* control measures of the Government were likely to ensure a fair cane supply to the sugar industry. But the Syndicate view appears to be based on what would happen next year, that is, there will be little incentive for the cultivator to grow cane if he can realize more attractive profits by growing food grains. After the forthcoming meeting of the Sugar Control Board, the two Provincial Governments will announce the cane prices for the coming crushing season.

Railway Priorities

The members of the Merchants' Chamber met this week Mr. D. Y. Anderson, Deputy Regional Controller of Railway Priorities, at Cawnpore and placed before him their grievances in regard to the working of the revised system of granting railway priorities which came into force from August last. Though the revised system was considered to be an improvement by the Chamber they felt that too many snags were still continuing. The Chamber, *inter alia*, pressed for the recognition by the Railway authorities of the claims of the civilian population. The Chamber in the course of a memorandum have impressed upon the War Transport Department the need for meeting the civilian demand for essential goods as an indirect aid to the country's war efforts. The Chamber have also suggested the appointment of non-official advisory committees for deciding the priority of movement of civilian goods in every region. The preparation of classification lists should be done not by the Railways but by the Regional Controller of Railway Priorities or his deputy with the advice of such advisory committees on which the various trade and commercial interests would be represented.

Sind Letter

EXPORT OF FOODGRAINS TO BENGAL—BAN ON SUGAR EXPORTS—WOMEN LABOUR AND WELFARE SCHEMES.

(From Our Correspondent)

KARACHI, Sept. 10.

BENGAL'S distress continues to absorb the attention of the public as well as of the Government. Collections for relief are brisk. But the problem is not one of securing money but foodgrains, and finding necessary transport facilities for export. About 4 lakhs maunds of foodgrains have, up to the beginning of this week, been sent to Calcutta, which includes 85,000 bags dispatched by the Wheat Syndicate on behalf of the Government. In addition, 500 tons of rice, for export of which local business men have secured permission, have also been despatched. But the position has suddenly become discouraging, as the result of a statement made by the Premier yesterday. He pointed out that the Government of India had definitely fixed the quotas of exportable surplus of foodgrains from Sind to other deficit provinces, and unless there was a revision in this regard, Sind would be unable to send any more supplies to Bengal. Sir Ghulam Hussain added that whatever had so far been exported to Bengal had been "squeezed" out of the province's own quota for internal consumption. The position in Sind had itself ceased to be one of large surplus. "The existing stocks of wheat in the province would barely suffice to meet the needs of the province, and if any more wheat were exported, the people in Sind would themselves have to face difficult days in the next few months." In the meantime, the process of tightening the belt to spread stocks available in Sind for as long a time as possible continues. By the middle of October Karachi is expected to have rationing, not only of foodgrains but also of sugar. Rationing will also be introduced in five or six other towns in Sind. It has been felt that in anticipation of completely and watertight control by the Government over stocks and their distribution, the tendency to hoarding has increased. And Government are determined to take the sternest measures to combat this danger. The drive would comprehend not only business men but also private consumers who store large stocks, and would extend to the whole of Sind. Necessary instructions have accordingly been issued to all District Collectors.

Sugar Exports

Government have today issued an order totally prohibiting transport by rail of sugar of any quantity whatsoever from Karachi and suburbs, even as luggage of a bona fide passenger, as it had been found that large quantities of sugar had been exported to other places, resulting in a tight situation for the last two weeks, notwithstanding the protestations on the part of the Sugar Syndicate that sufficient stocks were being made available and so there was no reason for panicky buying. The Government have also prohibited the manufacture of "halva" by sweetmeat dealers, in order to avoid wastage of sugar. Another commodity the export of which has now been prohibited from Karachi is *thur dal*. Its wholesale and retail price has also been fixed. It is further added that all agreements for delivery or acceptance in unoiled *thur dal* which provide for the payment of a price higher than fixed under the order entered into before its issue, shall not be affected, unless the agreement is so revised by consent of the parties as to substitute a price not exceeding that fixed under the order for the price originally agreed. The price (wholesale) now fixed is Rs. 14-8-0 per maund including bardana, and Rs. 14-3 excluding bardana, and the retail price is 6 annas a seer.

Towards Prohibition

Prohibition by stages is the declared policy of the Government in regard to the drink evil. Foreign liquor will not, however, be touched. And in regard to country liquor it is said that already 50 per cent. of the shops dealing in it have been closed, and more will be closed in the near future. The Government have altogether stopped the sale of *charas*, and the sale of *ganja* is likely to be banned shortly. Some more restrictions will be placed on the sale of opium, though it is not intended to impose a total ban, as the Government feel that the drug has some medicinal value.

Women And Labour Welfare

A reference eliciting the opinion of women's organizations on the Government of India's scheme for health insurance of labour, with special emphasis on maternity and funeral benefits affecting women labour, has been made. The letter in this connection says that there is a suggestion that the Maternity Benefit Act prevalent in many provinces should be transferred to the health insurance scheme under preparation by Dr. Adarkar. The Hyderabad branch of the All-India Women's Conference has supported the idea of bringing maternity benefits under sickness insurance, because it would contribute to better advantage to women labour. They also express themselves in favour of giving benefit to a family in the event of the death of the insured, and opine that Rs. 50 will be enough for this purpose.

In this connection it is happy to announce that a Punjabi business man, Lala Jaswantrai, who for many years was actively connected with commercial life in Karachi, has instituted a trust of Rs. 20 lakhs for founding hospitals, maternity homes and industrial training centres for women. Ludhiana, the home town of the donor, Hissar and Lahore are the places which will directly benefit by the munificence. He, however, has added that Karachi would not be neglected. Lala Jaswantrai is a former chairman of the Karachi Indian Merchants' Association and was a Vice-Chairman of the Reception Committee of the Karachi Session of the Indian National Congress.

A DELHI DIARY

NEW DELHI, Sept. 16.

NO idea is yet available of the action which the Government of India propose to take in pursuance of the recommendations of the Foodgrains Policy Committee. According to present arrangements the Food Conference is to meet in the first week of October, by which it is expected that both the Government of India and the Governments of Provinces and States would have completed their examination of the committee's recommendations and also be ready with their *kharif* crop estimates for 1944. There are a number of controversial points to be settled at the coming conference, but in the meantime the Government of India will have to take up the question of the reorganization of the Food Department to meet present conditions. I learn from inquiries that the Foodgrains Policy Committee has not recommended the importation of any foreign experts. Of the two who arrived in the country during the past few months, Mr. Vigor has already returned to England owing to ill-health. The other, Mr. Kirby, who is a rationing expert, will have to remain in this country for some time longer to help in giving the final shape to rationing schemes in this country. What the committee appears to have recommended is, not the appointment of more foreign experts, but the recruitment of experts of the required standing and experience from the grain trades. The committee is reported to have suggested that the aim of the Food Department should hereafter be the proper working and supervision of the basic plan, formulation of general policies, collection of statistics, supervision and co-ordination of procurement and rationing operations, movements, etc., and the administration of the Food Control Order not procurement as such. It is likely that as a result of the recommendations of the committee, the Government of India will set up a Food Board and associate with it a number of non-official bodies like the Prices Advisory Committee and the Export Panel.

There are certain matters which are entirely within the province of the Government of India and need not await any decision of the Food Conference. For instance, there is the old question of improving agricultural statistics—a question which received some attention at the recent United Nations Food Conference. As there are already detailed proposals with the Government of India, all that remains is to pass final orders and give effect to them. Another question upon which there is no difference of opinion relates to the "grow more food campaign." It is within the power of the Central authorities to give immediate assistance, as recommended by the committee, to industrialists for importing plant and machinery for the manufacture of ammonium sulphate to the extent of at least 350,000 tons a year. Similarly in regard to the importation of tractors, agricultural implements, etc., it is the Government of India which can, and should take immediate steps. There is also the question of giving effect to the recommendations of the Central Food Advisory Council to prevent the indiscriminate slaughter of cattle which will seriously affect agricultural progress. As all these questions, including the speeding up of emergency irrigation and drainage schemes, have been given due prominence in the recommendations of the committee, it is expected that the Food Member will be able to give some assurances at the forthcoming meeting of the Food Conference. One difficulty is that some of these matters are dealt with by other Departments of the Government of India. If there is a Food Board in which representatives of the Transport, Commerce, Agriculture and Civil Supplies Departments are also present, it will be possible to secure quicker decisions.

There has been a good deal of speculation for some time on the subject of food imports from the Dominions, the United States and other countries. The statement made by Sir Ramaswami Mudaliar in Madras showed that the Government of India had already been moving in that direction. Evidently the matter had come up before the War Cabinet even before Sir Ramaswami Mudaliar left England. As the Foodgrains Policy Committee has also strongly recommended that the Central Government should constitute a Food Reserve of about 500,000 tons with the help of imports, it must be regarded as a proposal of immediate urgency. As the Governments of the United Nations who have themselves received large supplies from India in the past are fully aware of the gravity of the food crisis in the country, they are not likely to be indifferent to any appeals from the Government of India for help. If help is to come at all it should be available within the next two or three months. It is not likely that the system of Regional Food Commissionerships will be disturbed, for the committee is reported to have recognized its usefulness and even advised its extension. But it will be necessary to improve and enlarge the organization both at the Centre and in the provinces in order to secure complete coordination. On the subject of rationing, two different viewpoints have already emerged. The committee is said to be strongly in favour of introducing rationing in all urban areas, both in surplus and deficit provinces and States. Though no date has been fixed by the committee, the committee's idea is that before the winter crops come in, the rationing scheme should be in working order in all big cities and towns. The committee is also of opinion, I am told, that rationing should extend to all classes and sections of the population and cover all major foodgrains in general use. The view of certain provincial representatives, particularly the Punjab, is reported to be that there is no need for rationing in surplus areas. It is unnecessary, they think, for the Governments of these provinces to embark on the huge expenditure involved in rationing in areas where there is no fear of a deficit. The question will have to be fully discussed at the coming Food Conference in order to arrive at an agreed plan, but the Government of India are reported to have advised Provincial Governments to go ahead with arrangements for the introduction of rationing. It is the committee's view that the working of rationing schemes, the normal machinery of retail trade should be used though in order to act as a check on retail trade there should be a few Government distribution centres.

It has been announced that the Indian Road Congress will meet at Gwalior early next month. In addition to official representatives from the Provinces and the States there will also be representatives of industries connected with road-building. This coming meeting is important for two reasons—in the first place, as it has not met since 1939, it will have to deal with a number of war problems, and secondly, as war conditions themselves have brought to the forefront the importance of roads both for military and civilian requirements, its deliberations are expected to play a great part in shaping the Government's road policy.

ARGUS

NEWS PAGE

In view of the poor economic condition of the ryots and of the practical difficulties involved in recovering the arrears by the sale of land offered as security, the Government have sanctioned the writeoff of irrecoverable loans amounting to Rs. 13,31,680 advanced to cultivators who are paying an annual assessment of Rs. 40 and below in three taluks of the Bellary district in the Madras Presidency.

* * * * * *

The British Government has constituted a Colonial Economic Advisory Committee to advise on matters of general economic policy in the Colonial Empire. The Duke of Devonshire, Parliamentary Under-Secretary to the Colonial Minister, is the Chairman of the Committee and among the members are Lord Hailey, Sir Bernard Bourdillon, Sir William Goodenough, Sir John Hay, Mr E. F. M. Durbin and Prof. Lionel Robbins.

* * * * * *

According to a recent report the question of the industrial development of Burma with particular reference to the establishment of new industries is engaging the active consideration of the Reconstruction Department of the Burma Government now functioning in India.

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Under the revised hours of work regulations in Belgium no woman may be employed for more than five hours at a stretch; during breaks, women may not stay in the workroom unless work is completely stopped.

* * * * * *

It is understood that the Food Department has asked Provinces and States for estimates of surpluses or deficits in the *kharif* crop for 1944. On receipt of this information, it will be possible to make a first estimate of the new Basic Plan of distribution, and to have this considered at the next Food Conference which is expected to meet in New Delhi early in October.

* * * * * *

The U. S. Vice-President, Mr. Henry A. Wallace attacked "the evil forces of monopoly" in a recent speech. He accused big business in America of holding up U.S. defence preparations before Pearl Harbour by making available to Germany commercial secrets it withheld from the U.S. Government.

* * * * * *

Reliable reports having reached him that prices of cotton cloth and yarn have taken a definite and sharp upward trend during the last few days, the Textile Commissioner has warned dealers in cotton piecegoods and yarn that if immediate steps are not taken by them to keep prices within the general levels indicated in the Government of India notification dated September 4, 1943, the utmost rigours of the provisions of the Cotton Cloth and Yarn (Control) Order will be forthwith imposed and all exemptions, either general or individual, that have recently been granted, would be immediately withdrawn.

* * * * * *

It is learnt that the cotton crop in Egypt has been curtailed by nearly 50 per cent as a result of the grow more food campaign in that country.

* * * * * *

It has been officially revealed that the question of collecting land revenue in the form of paddy instead of money is being considered by the Madras Government. The conference of the mirasdards of the Cauvery delta which met recently in Tanjore had also no objection, during the pendency of the present crisis, to this idea, and presumed that such collection would be made on the basis of the prices fixed for the next crop.

* * * * * *

The British Ministry of Food anticipates that as the result of the withdrawal of Italy from the war, the Allies will have to supply her with some wheat and they in turn may be able to obtain supplies of oranges, lemons and grapefruits.

* * * * * *

Ships on the Indian Register will in the future need to take out licences for their employment. With this object in view, the Government of India have appointed a Controller of Indian Shipping at Bombay to exercise control over all vessels on the Indian Register.

* * * * * *

The British steamship companies, Cunard, Clan, Peninsular and Oriental, and Silver and Stanhope have acquired power to operate airlines after the war.

* * * * * *

A decision has been reached to give import licences for Egyptian cotton contracted for by Indian importers before March 24. Seth Kasturbhai Lalbhai who had gone to Egypt as a member of the Government of India delegation to discuss this matter says in a statement that questions of future policy have been decided whereby India's interests have been fully safeguarded.

* * * * * *

Reports say that in Germany the growth of the note circulation and public debt are far exceeding the inflow of genuine savings.



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Letter to the Editor

The American Currency Plan

SIR,—I have gone through, with interest, your article in the issue of the *Eastern Economist*, dated August 27, 1943, explaining the implications of the American Plan in so far as it deals with abnormal war balances and the consequent treatment of our sterling balances under that plan. I would, however, in this connection, like to draw your attention to the following remarks appearing in the analysis of the two plans given in the *Economist* (London), dated May 1, 1943, summarising the main provisions of the two plans:—

> "The American plan outlines a complicated scheme whereby the abnormal balances would, at the start, be taken over by the Fund, the creditor being reimbursed in its local currency. Thereafter, creditor and debtor would each repurchase, for gold, 40 per cent. of the original balances over a period of 20 years, the first 20 per cent. being cancelled by levies on creditor and debtor. The economic effect would be that the debtor would wipe off 90 per cent. of the debt in goods—50 per cent. out of its general trade, 40 per cent. by exports specifically to the creditor—while the remain- 10 per cent. would be forgiven by the creditor."

There is thus a reference to a provision for forgoing 10 per cent. of the balances by the creditor. In your analysis you do not seem to have covered that particular point. It is very necessary that you should throw fuller light on this particular aspect in order that the public and your readers may have a clear appreciation of the effect of the American proposal on our war-time balances.

Bombay. A. C. Ramalingam.

[There are two points here to be cleared up. The London *Economist* holds that the creditor must necessarily be reimbursed in its local currency. But section III-9 (*e*) seems clearly to indicate that the Fund will grant our request for foreign exchange, provided we genuinely want to purchase goods from abroad and have consequently an adverse balance of payments to meet. But the Fund will not help us to hoard in the form of gold or foreign balances (other than sterling balances). That our interpretation of this section is correct has been authoritatively confirmed by Dr. Harry White himself only a few days back. A press report of Dr. White's comments appears in another page in this issue.

Secondly, the London Economist interprets III-9 (*d*) to mean that the levy on the creditor and the debtor which is contemplated is equivalent to a total of 20 p.c. If this were so, the journal would be correct in holding that the "debtor would wipe off 90 per cent. of the debt in goods—50 per cent. out of its general trade, 40 per cent. by exports specifically to the creditor while the remaining 10 per cent. would be forgiven by the creditor." But Section III-9 (*d*) actually reads: "A charge of one per cent., payable in gold, shall be levied against the country selling its abnormal war balances and against the country in which the balances are held." We consider it far-fetched to interpret this as meaning that the creditor will pay ½ per cent. *per annum* and the debtor ½ per cent *per annum* for 20 years, thus making the levy total 20 per cent. This 20 per cent. of course, is the "gap in the multilateral circuit" to which we referred in our article. Our contention is also corroborated by Section III-9 (*g*) which contemplates that even after 23 years the Fund may have some residual war balances left with it. If the total levy is really equal to 20 per cent. (as the London *Economist* suggests) and since 40 per cent is repurchased by the creditor and another 40 per cent. by the debtor, there can evidently be no such residue left with the Fund after 23 years.

The correct interpretation, therefore, seems to us to be that the levy contemplated is a lump payment of one per cent. by the creditor and another one per cent. by the debtor. In addition to this, of course, both the creditor and the debtor will have to pay one per cent. *per annum* on their respective unrepurchased portions of the sterling balances. Assuming that we repurchase the balances at the minimum rate of 2 per cent. *per annum*, the levy on us becomes 1 per cent. of (40% + 38% + 36% + ... + 2%) = 4.2%. But if we repurchase our portion of sterling balances more quickly, it will be less than 4.2 per cent. It follows that the total cost to us of the scheme *cannot exceed* 5.2 per cent. of the amount of our sterling balances which we actually transfer to Fund in the first instance. This is the *maximum* amount which in the words of the London *Economist*, is "forgiven" by us. Actually, in our article we assumed that only Rs. 600 crores out of Rs. 1,000 crores will be transferred to the Fund in the first instance. In such a case, consequently, the *maximum* cost to us would be only 6|10 of 5.2% = 3.12%. If we repurchase our portion of sterling balances at 5 per cent. per annum, total cost falling on us would be reduced to only 1.68 per cent. This is our interpretation of the relevant sections of the American Currency Plan which, we hope, is correct. Nevertheless, in view of the importance of the issue, an authoritative clarification of the point would be welcomed by all,—not the least, by ourselves. Dr. White's recent comments on our article do not appear to have dwelt on the question of the aggregate amount of levies contemplated in the scheme.—Ed.]

Gleanings

DR. WHITE AGREES WITH "THE EASTERN ECONOMIST"

Dr. Harry D. White, author of the United States Post-War Monetary Stabilization Plan and Special Assistant to Mr. Morgenthau, referred to an article entitled "The White Plan and Our Sterling Balances" in the August 27th issue of the *Eastern Economist* of New Delhi, and said that an important aspect of the plan which should particularly be profitable to India is a provision for the orderly liquidation of her abnormal war balances, cables the Washington Correspondent of the *Hindustan Times*. Dr. White pointed out that India has very large war balances—the U.S. plan describes them as blocked balances. He stresses that the plan provides a means for India to free the blocked sterling whereas in the absence of an international stablization fund, India could free her sterling balances only through bilateral arrangements to which Britain might agree. Dr. White opines: "This plan will help India. It is not perfect but will help her." He acknowledges that all India's blocked sterling balances could not be freed immediately after the war, and adds that the Fund will purchase certain amounts of the blocked balances—in India's case this would be relatively liberal in view of her large sterling balances—and give foreign exchange in return which will be usable in any market.

Dr. White then draws the attention of Indian financiers to the probability that they would find the revised U.S. plan issued on July 10 more acceptable than the original draft on which their unfavourable reaction appeared to be based. Sub-section 9 of Section 3 in the original draft reappeared in Sub-section 8 of Section 5 of the new draft with an important provision added, namely, "the Fund shall determine from time to time the maximum proportion of blocked balances it will purchase under this provision provided, however, that during the first two years of its operation, blocked balances purchased by the Fund shall not exceed in aggregate 10 per cent. of the quotas of all member countries. At the end of two years of operation the Fund shall propose a plan for further gradual liquidation of blocked balances still outstanding, indicating the proportion of blocked balances which the Board considers the Fund can appropriately purchase." Dr. White emphasizes that after two years new provisions for the liquidation of abnormal balances can be made. He says that generally speaking the interpretation placed on the scheme by the *Eastern Economist* of August 27 was correct.

Elaborating Dr. White's plan, Mr. Edward M. Berstein, monetary expert of the Treasury Department, says that India need have no fear for the necessity to trade exclusively with Britain, because firstly, she will be able to acquire American dollars from the Fund; secondly, she will always have considerable exports to the United States from which dollars could be obtained; thirdly, the sterling balances will be gradually freed through repatriation of deposits in the Fund. He adds that it was true that large sterling balances initially will be frozen with the exception of those that the Fund will buy. He concludes that India can expect a liberal treatment because she has a large share in blocked balances.

THE HOARDING PROBLEM IN GREAT BRITAIN

With the Ministry of Food having bought up most of the essential foodstuffs and distributed them equitably throughout Britain, with rationing covering most of the purchasable articles, with the setting-up of price control that guarantees a maximum price for most of the essential wants of life, with retail shop transactions in fact having become as standardized as transactions in a post office, and with the rates of income-tax prohibiting extravagant purchasing, one would believe that there could be very little hoarding in Britain. But it appears that even as the best conducted families are not proof against accidents or actresses, the best controlled economic life in Britain has not been proof against "blacketeers" and their patrons. In a House of Commons debate on April 30, 1941, it was revealed that the Chairman of the North Midlands Food Prices Investigation Committee gave many "incredible instances" of profiteering in unrationed food, particularly tinned goods. About a year after, in March, 1942, the Parliamentary Secretary to the Ministry of Food, Major Lloyd George, reported to the House 40,000 black market and other food prosecutions in Britain in the course of the year. It may be said in this connection that large-scale producers and distributors have wholeheartedly co-operated with the authorities with the result that the accounts and destinations of stocks are at any time verifiable, and the hoarder can accordingly be detected with comparative ease. To mention only one instance, the earliest in fact of such co-operation, all the British margarine producers have entered into an agreement with the Government to arrange and guarantee an even distribution of their products.

Besides the non-official bodies, however, every locality has an official prices regulation sub-committee on which both consumers and traders are represented. These members are drawn from the public on the principle enunciated by Lord Woolton: "We believe, as far as possible, in letting people run their own shows." The legal measures that will be let loose on those who contravene the regulations are indeed very drastic. A gallup poll showed that 92 per cent. of the people favoured outright imprisonment of guilty blacketeers. The authorities took the cue forthwith and the penalty for proved offence was raised to 14 years' imprisonment *and* a fine the latter to equal three times the profit intended to be made. As if this were not enough, a vital principle of British jurisprudence was reversed and in the case of a black-market prosecution the onus of proving innocence was placed on the accused.

TEXTILE CEILING PRICES AND THE RETAIL TRADE

Referring to allegations that manufacturers and wholesale dealers of cotton textiles are contravening the provisions of the Control Order in respect of ceiling prices, Mr. K. M. D. Thackersey says in a Press statement that the contract price must be at ceiling price or lower and no extra price in the form of commissions or surcharges may be paid to the mill or to a third party in respect of a cloth and yarn contract.

"The retail prices have been fixed at a maximum of 20 per cent. (inclusive of freight charges, etc.) over the ceiling prices of mill contract prices, if the latter is lower than ceiling prices, and it is an offence to sell in retail at any higher level. It is reported that some of the first wholesale merchants at any rate have not been strictly following the condition and have been appropriating a large portion of the gross permissible margin of 20 per cent. to themselves, when parting with their goods to secondary or subsidiary dealers, who, in turn, sell to retailers. In order to clarify this position and in order that the public may be enabled to buy its requirements from the retail market at the ceiling prices (ex-mill) plus 20 per cent. including freight charges, incidental expenses etc., it is felt necessary to fix the

nett margins which wholesalers or retailers should be permitted to add to the ceiling prices at the different stages of distribution of cloth and yarn. This matter is at present receiving the consideration of the appropriate Committee of the Control Board, but pending final decisions, it is thought reasonable that the ultimate retailer, who sells to consumers in pieces or cut lengths, should be entitled to make a gross margin not exceeding 7 per cent. out of the permissible nett margin of 15 per cent. over the ex-mill ceiling prices allowed to wholesalers and retailer."

STABILIZING MONETARY DISEQUILIBRIUM

Writing in the quarterly *Economic Journal* (of which he is the Editor), Lord Keynes says that two complaints usually have been made against a rigid gold standard as a method of securing stable prices. The first and older objection is that it does not provide an appropriate quantity of money. This would be remedied by Lord Keynes's proposed International Clearing Union because it "operates through velocity rather than through volume of circulation." If fully successful the Union would discourage the hoarding of money and provide contingency reserves by overdraft facilities to such extent that only a small quantity of international money would be needed. The second complaint is that the gold standard attempts to keep internal prices stable by "the weapon of deliberately creating unemployment" which the world has decided to discard, but the problems of countries' domestic wage and credit policies getting out of step still remains. To this Lord Keynes suggests that if the disequilibrium becomes serious, the countries that move either too fast or too slow should in the first instance be asked to reconsider their policies "but if necessary, exchange rates will have to be altered so as to reconcile a particular national policy to the average pace."

Amplifying this point (which is the crux of the present differences of opinion between British and U.S. monetary experts) Lord Keynes adds that no international currency scheme should attempt to keep domestic prices and wages stable everywhere. It is impossible, or anyway undesirable, to impose stable price levels from without. "The error of the gold standard lay in submitting national wage policies to outside dictation. It is wiser to regard stability or otherwise of internal prices as a matter of internal policy and politics."

NEW METHOD OF TREATING RICE

A simple and new mechanical process for the treatment of rice before milling so as to strengthen the grain in a manner which gives most common varieties the same milling strength as the best, to preserve the natural vitamins which milling usually eliminates, and thus to improve the value to the grower, miller and consumer alike without extra expense has been discovered according to the special correspondent in London of *The Times of India*. He adds that it would appear that little or no interest is taken in the discovery in India, but in the United States of America both Government and business men have taken up the method with alacrity, and particulars are given in the *Rice Journal* of New Orleans. This shows that Government and University agricultural and nutritional scientists were specially studying the improvement of the American-grown rice supply when news of the discovery arrived. They erected a laboratory plant to test the claims made for the new process. Before their laboratory trials were complete business men resolved to exploit the new method and built a full-size commercial plant, largely out of second-hand materials of machinery, because war conditions made new equipment unobtainable. They proceeded forthwith to produce on a commercial scale results surpassing in quality those obtained in the official laboratory. Thereupon, Government contracted to take for the troops the bulk of the output of the new factory, which at the outset was 74 tons daily, and would have taken all had not other sale contracts already been signed.

SASSOON MILLS

Messrs. E. D. Sassoon and Co., Ltd., will shortly transfer their managing agency and control of E. D. Sassoon United Mills, Ltd. to a firm of Marwari millowners. This represents a major financial deal in the history of the Indian textile industry. The company whose managing agency now changes hands was floated in 1920 when the industry was at its zenith. It runs five cotton mills with 247,450 spindles and 6,475 looms in addition to one dye works. Indeed it is the biggest unit of the industry in this country.

Messrs. E. D. Sassoon and Co., Ltd. until recently controlled ten cotton mills and one woollen mill in Bombay. They have already relinquished the managing agency of three leading companies comprising seven mills, and now the firm will be left with the control of three cotton mills, namely, David, Edward Sassoon and Meyer Sassoon, in addition to the woollen mill.—*The Times of India*, 7-9-1943.

CREDITS FOR REHABILITATION

When economists of the United Nations met recently in Washington they recognized the need for the establishment—in addition to a world monetary stabilization fund—of an international machinery to provide easy and rapid means for the Governments of war-devastated areas to obtain the large funds which will be necessary for the reconstruction of the economies of their countries. A broad field for the utilization of the organization's loans would be the huge regions of China, India and Latin America, which have tremendous quantities of undeveloped natural resources. A country needing outside capital to rebuild bomb and shell-wrecked cities, power plants, docks, railway lines and industrial facilities would turn to this financial organization if it were unable to receive the necessary credit through ordinary financial channels. Only Governments could apply for credit and they would have to submit satisfactory proof that the projects for which the credit is desired show promise of self-liquidation, either in the sense that a power plant is able to repay its initial expenditure through receipts over a number of years, or in the sense that an undertaking is sufficiently valuable to public service that its financing is made possible through the promise of payment from future revenue receipts.

The original funds for such an international financial organization would probably be obtainable by member nations subscribing certain amounts compatible with their financial position. In the immediate post-war years, the loans which the various countries requested obviously would be directly tied up with their import needs. Therefore, liberal loans by the organization would serve not only as a stimulus to revive the economy of the borrower-country but would also serve to step up and strengthen international trade, thereby benefiting other countries.

MEETING THE COAL SITUATION

It is understood that, to meet the situation created by the increased demands for coal now being made for war purposes and for essential industries, the Government of India have under examination a scheme for rationing coal to the main consumers of coal. Other measures which will necessarily take time are also under examination, such as increasing the output of coal fields and transporting these coal by sea.

In order to secure maximum and speedy results, these measures will be supplemented by rationalizing the method of distribution with a view to effect wagon economy. The jute mills of Bengal have adopted modern fuel economy methods by which a saving of about 50,000 tons a year should be achieved. It is learned that the rice mills of C.P. have been able, by arranging to burn rice husks, to reduce coal consumption to an insignificant quantity. In view of the likelihood of reduced coal supplies, the development of alternative fuels, such as wood fuel and charcoal, is suggested for use, wherever possible, for domestic as well as industrial purposes. It is believed that there is considerable scope for economy in the consumption of coal by such methods.

The Eastern Economist

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CONNAUGHT CIRCUS,

NEW DELHI.

Investments

(From Our Correspondents)

NEW DELHI, Sept. 15.

The upsurge in prices which followed the fixation of ceiling prices for cloth and yarn has been checked and natural tendencies to reaction are evident, they are aggravated by special circumstances including the warning of the Textile Commissioner regarding possible downward revision of cloth prices, prohibition of *budla* transaction on the Bombay Stock Exchange and the collapse of Italy, which was interpreted as a bearish factor. Speculative issues in Textiles after recording see-saw movements declined sharply on heavy selling pressure. In Bombay Dyeings have met with heavy liquidation and on balance over the week's record a loss of over 100 points. Centuries were erratic, and so were Kohinoors and Swadeshis. In Calcutta, textiles fared no better. Rates are lower all round and the range of fluctuations is narrowed, Elgins being the worst sufferers. Locally, Delhi Cloths receded to Rs. 116 from Rs. 123, but again recovered to Rs. 120. Raza Textiles are firm around Rs. 69, Cawnpore Textiles at Rs. 12-4 and New Victorias around Rs. 8-4.

The issues of the Amrit Group of of Undertakings had an easy market, with prices showing considerable losses. Amrit Banaspati ordinaries dropped to Rs. 26-8 from the week's high of Rs. 29, Amrit Chemicals to Rs. 6-12 and Perfumery Ordinaries to Rs. 5-12.

The shares of the concerns under the managing agency of Messrs. Govan Bros., Ltd., which include, among others, Rampur Maize Products, Ltd. and Rampur Distillery and Chemical Works, Ltd., have of late caught the eye of the speculator and the investor alike.

CALCUTTA, Sept. 9.

The glorious news this morning of the unconditional surrender of Italy has come late in the week and, as we write, there has not been time for the market to adjust itself to this momentous change in the war outlook. Nevertheless, today's business has not been without its implications and the strong support which was immediately forthcoming for Jute shares may be taken as particularly significant. Earlier in the week the Coal and Cotton sections had figured prominently and there was a run on Sugar shares which lifted prices substantially in some instances. Tea shares too were more cheerful and Paper shares showed signs of recovery. Indian Iron and Steel and Steel Corporation shares, on the other hand, have, throughout, had a heavy appearance, prices, in spite of some large blocks of shares changing hands, moving little from last week's closing rates.

Government Securities.—Selling of medium-dated Loans has continued, but investment interest has been on a small scale and dealings in Gilt-Edge, as a whole, have not amounted to much.

Three and a half per cent. Paper remains steady at Rs. 97.

Preference Shares.—Further rises have to be recorded amongst preference shares and the undertone here continues to be one of considerable firmness.

Banks.—Imprial Fully-Paid and Contributory were in request up to Rs. 1,835 and Rs. 145, respectively, while Reserve were slightly higher, with buyers at Rs. 120-8; United Commercial registered a further advance to Rs. 15 premium, and a good business was put through.

Cotton Shares.—During the early portion of the week Cotton shares were a strong feature and prices advanced steadily. Subsequently, however, an easier tone has developed and quotations close in all cases well below the best.

Coal Shares.—A considerable business has been put through in Coal shares and prices have had an upward tendency.

Jute Shares. This group remained quiet until the news of Italy's capitulation, when buyers came out for a number of stocks, and prices developed an upward trend.

Engineering Shares.—Indian Iron and Steel are lower on balance at Rs. 34-15 and Steel Corporation at Rs. 26-10.

Interest in other Engineerings has been on a disappointing scale, with the exception of Kumardhubi, for which buyers were found at Rs. 8, and Indian Galvanizing which were asked for up to Rs. 40-8. Braithwaite, Jessop, Britannia Building and Burn and Company, on the other hand, had a dull appearance throughout.

Tea Shares.—The turnover here has shown definite improvement but quotations are, on the whole, not much altered.

Sugar Shares.—Cawnpore, Champaran, Balrampur and Ramnugger were strong inquiries during the early portion of the week but, later, prices came back under profit-taking.

Good business has passed also in Darbhanga, Ramnugger, United Provinces, Belsund, Raza and Buland at rates which show only small alterations.

Carew, after being marked up to Rs. 22-4 closed quiet round Rs. 21-6.

Miscellaneous.—Flour shares have again figured prominently, Bengal improving further to Rs. 20-8 and Hooghly to Rs. 24-12.

Titaghur and India Paper Pulp were the best amongst Paper shares.

In respect of other Industrials, there were good buyers for Aluminium Corporation, New Asiatic Insurance, Indian National Airways Ordinary, Frank Ross, Bararee Coke, Spencer and Company and Behar Rice.

Indo-Burma Petroleum were amongst the few shares which lost ground, the price receding to Rs. 70.

Mining shares were again active, Burma Corporation changing hands freely round Rs. 3-14, with Consolidated Tin at Rs. 2-10 and Indian Copper Corporation at Rs. 2-8.

Stock Exchange

MADRAS, Sept. 12.

The Stock Exchange was affected by the war news during the week. The Italian surrender and the developments in America were interpreted by the operators that the end of the war was in sight. Therefore, there was some slight selling and sentiment was disturbed. Prices after a firm tendency gave way and declines up to seven points were registered. In the textiles section, Cambodias were down to Rs. 38-8. Dhanalakshmis were lower at Rs. 522-8 c.d. Mettur Industries were done at Rs. 300 and Rajalakshmis at Rs. 284. Ranga Vilas were down to Rs. 208 but at the lower levels there was some covering. Saradas and Vasantas were quoted Rs. 274 and Rs. 345 respectively. The Planting section was also dull at the close and prices were marked down fractionally. Be Be Rubbers were put through at Rs. 13-12 and Cochin Malabars at Rs. 18-6. Midlands declined to Rs. 17 and Rajagiris were steady at Rs. 18-4. Coorg Rubbers were firm after the recent declaration of the dividend and resisted falls at Rs. 72-8 c.d. Amongst the tea and coffee shares, Fringfords declined by a point to Rs. 23-12 c.d. Periakaramalais were sticky at Rs. 32-8 c.d. Amongst the new issues Chandramalais were done at a premium of As. 4. Mysore Plantations had a fair turnover between Rs. 3-6 and Rs. 3-8.

There was a better volume of business in the Public Utilities section and the local electric companies figured prominently. South Madras had frequent markings. Amongst Bank shares, Reserves improved to Rs. 120-8. Indians big were done at Rs. 257. In the Miscellaneous section, the Mysore group of industrial shares continued to be active. Mysore Papers went up to Rs. 26 but declined to Rs. 25-6 with the general fall in the prices. Sugars and chemicals were as usual firm with a fair volume of business.

It would be remembered that sometime ago business was restricted on the Stock Exchange on the basis of cash delivery *i.e.*, delivery within seven days from the date of contract. The rule has now been relaxed and business can now be done on P.A.D. terms *i.e.*, delivery within 14 days from the date of contract.

Commodity Markets

BOMBAY, Sept. 11.

Seeds

This seeds market has received two new orders this week from the Government. The first is a ban on Futures trading in cotton seed, castor seed and sesamum. The prohibition came into effect after the close of bnsiness on September 6 by which time operators could voluntarily liquidate their contracts. All contracts remaining outstanding were to be settled at rates to be fixed by the Government. Another notification was issued whereby forward contracts for castorseed, cotton seed and sesamum of specific qualities or types and for specific delivery at a specific price, delivery orders, railway receipts or bills of lading against which contracts are not transferable to third parties, were exempted from the above order. Further, the Government of Bombay have amended their present order freezing stocks of cotton seeds exceeding 10 bags in quantity with the Bombay City and Bombay suburban districts. According to the amendment, the freezing order applies in the case of stocks exceeding "24 Bengal maunds" and not "10 bags" as mentioned in the original order.

MADRAS, Sept. 12.

Groundnuts

The groundnuts market continued to ride the high horse during the week under report. Calcutta interests continued to buy very heavily and anything offered was good enough for them. Business was particularly brisk during the early part of the week as the transport with the cargo was scheduled to leave during mid-week. The Calcutta buyers were also reported to be offering fancy prices for even the wet stock in the upcountry markets. The price went up to Rs. 97 in the local market. Holders were prepared to sell to these buyers rather than to the exporting firms as they find it profitable to sell to them even if they offer a lower rate than the firms, because the term do not include any clause relating to admixture, oil content, driage etc. The British Ministry of Food was not able to do any business and firms were able to buy only very small quantities at their limits of Rs. 87-8. The oil market was firm as here, too, large purchases were made for Calcutta for ready. It is stated that about 1,000 tons were booked during the week. The price of oil on the week's trading improved from Rs. 166 to Rs. 182. Cake was also very steady with good demand.

Hides and Skins

There was a fairly brisk volume of business in this market. Both local operators and exporters were interested and business was spread over in cow hides, sheep skins and goat skins. Representations made to America demanding a revision of their new ceiling prices have not been successful. Latest cable reports received show that there has been no intention on the part of the Office of Price Administration to revise their April 10 ceiling prices in regard to imports of East India tanned goat skins. The export trade in this line, as has been the case since that date, has continued to be at a standstill, except for sporadic sales on the new basis to keep up business connections. With the local market being firm and in fact on the ascendant and with the cost of production on the increase, the adamantine attitude of the O.P.A. is rather inexplicable. The demand for the various averages and proportions recently being insisted upon has also been discouraging export trade.

The following wholesale prices prevailed in the Madras Market on September 11, 1943 for the commodities noted below:

Groundnuts Rs. 97 per candy of 500 lbs. loose ex-Madras warehouse.

Tanned Hides: Rs. 0-13-6 to Rs. 1-3-0 per lb.

Tanned skins: Rs 1-9-0 to Rs. 2-5-0.

HAPUR, Sept. 13.

Juwar

Juwar market on the opening day of the week under review witnessed an upward trend, but later on it gradually declined under tired long liquidations and favourable crop reports. The market opened every day at higher rates than the previous closing rates on account of local speculators' purchases while the closing rates were marked with easier sentiment owing to gigantic sales by mofussil operators. The up-country traders were the main sellers here and the bull operators liquidated their transactions. The bear operators appear to be very cheerful and are taking keen interest in view of the excellent weather and crop conditions. Political news of this week could not wield any influence on the market. Juwar prices for Poos delivery opened at Rs. 6-15-3 and closed at Rs. 6-12-7½. The highest and the lowest levels touched during the week were Rs. 7-0-4½ and Rs. 6-10-7½, respectively.

Urad

The general trend in the local Urad market during the week under review was indefinite. The shorts and longs both took keen interest in the market and there was a regular tug of war between the two opposite sections. The crop conditions are quite favourable and the spot demand is now slackening. The spot rates for Dara Urad are quoted today at 3⅛ seers to a rupee. It is expected that the local traders would build Urad stocks in larger quantities. Urad Magh prices opened at Rs. 13-9 and closed at Rs. 13-5-6, touching the highest and the lowest Rs. 14-1 and Rs. 12-12-6, respectively.

Bardana

The tone of the market was steady owing to sporadic enquiry. The local stock is gradually decreasing. The general opinion on Bardana is towards weakness. The final report of Jute for the current year is estimated at 90,14,130 bales as against 54,74,015 bales last year.

GUR: Prices were firm following encouraging demand from outside stations.

WHEAT: The wheat market remained easy in sympathy with bearishness of other commodities and increased arrivals of maize. Arrivals averaged 300 maunds daily. Two Khattis of wheat were exported from here and the stock has come down to 206 Khattis. Last year there were only 11 Khattis in the market ain the petty consumers experienced shortage.

The following are today's quotations against those quoted last week:

	This week Rs. a. p.	Last week Rs. a. p.
Wheat	13 7 6	13 14 6
Gram	10 10 0	10 15 0
Barley	9 12 0	10 0 0
Peas	10 8 0	10 9 0
Arhar	10 0 0	10 3 0
Gur	10 0 0	9 0 0
Juwar Poos	6 12 7½	6 15 4
Urad Magh	13 5 6	13 12 0
Bardana Mangsir ..	59 14 0	38 8 0

CURRENT STATISTICS

BANK OF ENGLAND

(000's omitted)

	Sept. 8, 1943. £	Sept. 1, 1943. £	Sept. 9, 1942. £	Aug. 30, 1939. £
Total Bullion	1,725	1,690	1,401	263,700
Public Deposits	14,300	11,300	8,400	31,100
Other Deposits	193,600	209,500	185,400	129,100
Of which Banker's Deposits ..	140,400	156,000	139,800	90,100
Govt. Securities	185,000	195,700	136,700	113,100
Other Securities	17,600	17,500	21,100	31,000
Of which Discounts and Advances	2,400	2,600	5,100	6,400
Notes and coins	20,900	22,900	49,900	34,200
Notes in Circulation ..	980,000	978,700	831,500	529,500
Ratio of Reserve to Liabilities ..	10.07%	10.39%	25.61%	21.38%

U.S. FEDERAL RESERVE BOARD

(000's omitted)

	Sept. 9, 1943. $	Sept. 2, 1943. $	Sept. 10, 1942. $	Aug. 31, 1939. $
Resources—				
Total Reserves ..	20,375,000	20,388,000	20,789,000	14,660,610
Total Bills Discounted	71,000	69,000	13,000	6,190
Bills bought in open market	..	..	..	550
Total U.S. Government Securities ..	9,336,000	9,187,000	3,502,000	2,426,190
Liabilities—				
Federal Reserves Notes in actual circulation	15,111,000	14,960,000	10,326,000	4,609,280
Deposits — Member Bank Reserve Account ..	13,351,000	12,915,000	12,402,000	10,951,000
Ratio of total Reserve to Deposit and Federal Reserve Note-liabilities combined ..	68.37%	68.7%	85.8%	

RESERVE BANK OF INDIA

WEEKLY STATEMENT OF ACCOUNT AS ON SEPT. 3, 1943.

ISSUE DEPARTMENT

Liabilities	Rs.	Rs.
Notes held in the Banking Deptt. ..	9,56,17,000	
Notes in circulation	756,92,71,000	
Total Notes issued		766,48,88,000
Total Rs.		766,48,88,000
Assets	**Rs.**	**Rs.**
A. Gold Coin and Bullion—		
(a) Held in India	44,41,43,000	
(b) Held outside India	..	
Sterling Securities	623,80,90,000	
Total of A.	..	668,22,33,000
B. Rupee Coin	..	14,90,40,000
Govt. of India Rupee Securities ..	..	83,36,15,000
Internal Bills of Exchange and other Commercial Paper ..	..	..
Total Rs. ..	..	786,48,88,000

Ratio of Total of A. to Liabilities: 87.18 per cent.

BANKING DEPARTMENT

Liabilities	Rs.
Capital paid up	5,00,00,000
Reserve Fund	5,00,00,000
Deposits—	
(a) Government—	
(1) Central Government of India ..	4,69,95,000
(2) Government of Burma	64,92,000
(3) Other Government Accounts.. ..	13,11,91,000
(b) Banks	77,53,70,000
(c) Others	5,97,93,000
Bills Payable	1,91,45,000
Other Liabilities	4,15,21,000
Total Rs. ..	118,05,07,000

Assets	Rs.
Notes	9,56,17,000
Rupee Coin	9,11,000
Subsidiary Coin	1,71,000
Bills Purchased and Discounted	
(a) Internal	..
(b) External	..
(c) Government Treasury Bills	72,91,000
Balances held abroad*	96,11,62,000
Loans and Advances to Governments	1,12,00,000
Other Loans and Advances	..
Investments	7,79,45,000
Other Assets	2,62,10,000
Total Rs. ..	118,05,07,000

* Includes Cash and Short-term Securities.

ISSUE DEPARTMENT COMPARATIVE STATEMENT

(000's omitted)

	Sept. 3, 1943	Aug. 27, 1943	Sept. 4, 1942	Sept. 1, 1939
Held in the Banking Department ..	9,56,17	11,67,14	11,77,83	35,04,49
In Circulation ..	7,56,92,71	7,54,63,61	4,83,11,28	1,82,13,17
Total Notes ..	7,66,48,88	7,66,30,75	4,91,89,11	2,17,17,66
A. Gold Coin and bullion	44,41,43	44,41,43	41,41,43	44,41,46
Total of A. ..	6,66,22,23	6,63,23,66	3,61,20,60	1,03,91,57
B. Silver coin ..	14,90,40	14,68,11	28,25,17	75,87,11
Sterling securities ..	6,23,80,90	6,18,82,23	3,16,79,17	59,50,11
Rupee Securities ..	83,36,15	88,38,98	1,02,43,34	37,38,93
Silver bullion under Coinage ..	..	..	..	..
Percentage of Reserve to Liabilities ..	87.18	86.55	73.432	63.149

BANKING DEPARTMENT COMPARATIVE STATEMENT

(000's omitted)

	Sept. 3, 1943	Aug. 27, 1943	Sept. 1, 1939	Sept. 4, 1942
Cash	9,66,99	11,85,55	11,88,36	35,15,27
Balances held abroad ..	96,11,62	96,67,27	83,14,45	10,08,33
Investments ..	7,79,45	7,71,52	6,49,56	6,81,34
Bills discounted—				
(a) Internal ..	..	..	..	..
(b) External ..	..	..	..	..
Treasury Bills ..	72,81	1,09,64	19,98	1,15,67
Loans and Advances to the Government ..	1,12,00	1,12,00	1,14,00	31,00
Deposits—				
(a) Government ..	18,46,78	39,61,06	15,30,66	14,89,43
(b) Banks ..	77,53,70	60,57,14	69,24,74	26,91,42
(c) Other ..	5,97,93	4,62,87	3,91,99	1,24,37

STERLING PURCHASES

(000's of £)

	Total Amount Purchased.	Average rate.
1943:—		
January	8,132	1sh. 6d.
February	11,070	1sh. 6d.
March	17,779	1sh. 6d.
April	9,219	1sh. 6d.
May	8,721	1sh. 6d.
June	6,338	1sh. 6d.
July	7,036	1sh. 6d.

IMPERIAL BANK OF INDIA

WEEK ENDED SEPTEMBER 3, 1943.

Liabilities	Rs.	Rs.
Capital—		
Authorised—2,25,000 shares of Rs. 500 each	11,25,00,000	
Issued and Subscribed—2,25,000 shares of Rs. 500 each	11,25,00,000	
Called up—75,000 shares of Rs. 500 each, fully paid	8,75,00,000	
1,50,000 shares of Rs. 500 each, Rs. 125 paid	1,87,50,000	
		5,62,50,000
Reserve Liability of Shareholders—Rs. 375 per share on 1,50,000 shares ..	5,62,50,000	
Reserve Fund		5,75,00,000
Fixed Deposit, Savings Bank, Current and other Accounts		197,73,41,000
Loans against Securities per contra ..	..	..
Acceptances for Constituents	..	..
Sundries		95,66,000
Total Rs.		210,06,57,000

Assets	Rs.	Rs.
Investments—		
Government Securities	130,39,18,000	
Other Authorised Investments ..	2,08,56,000	
		132,47,74,000
Advances—		
Loans	11,56,76,000	
Cash Credits and Overdrafts.. ..	21,05,64,000	
Bills Discounted and Purchased ..	2,99,99,000	
		35,62,39,000
Liability of Constituents for Acceptances per contra		..
Dead Stock		1,71,98,000
Sundries		77,74,000
Bullion		..
Cash—		
In hand and with the Reserve Bank of India	37,16,99,000	
Balances with other Banks	2,29,73,000	
		39,46,72,000
Total Rs.		210,06,57,000

SCHEDULED BANKS

(In thousand rupees)

	3-9-1943	27-8-1943	4-9-1942	1-9-1939
Demand Liabilities in India	446,40,41	443,86,25	302,62,58	134,36,49
Time Liabilities in India	137,20,61	136,99,61	98,27,32	102,24,34
Cash in India	19,83,16	19,60,69	12,15,09	6,69,92
Balance with Reserve Bank	76,15,62	59,45,47	67,53,73	25,17,19
Advances in India ..	143,63,09	144,75,80	79,35,20	101,52,16
Bills discounted in India..	3,34,80	3,50,15	1,34,20	3,57,29

TENDERS FOR TREASURY BILLS

(In thousands of rupees)

Week Ending		Amount Tendered.	Amount Accepted.	Average Rate.	Intermediates	Sold in favour of Issue Dept.
June	4	11,88,00	8,00,00	1 1 0	3,90,25	6,57,75
,,	8	12,31,50	8,00,00	1 1 0	5,70,50	6,66,75
,,	22	11,11,00	8,00,00	1 1 0	4,11,50	6,83,50
,,	15	12,60,25	8,00,00	1 1 0	3,74,25	3,57,00
,,	29	9,07,00	8,00,00	1 1 0	1,20,75	7,82,00
July	6	4,81,25	3,12,25	1 0 0	40,50,00	3,15,50
,,	13	13,22,25	8,00,00	0 15 11	..	35,59,00
,,	20	15,93,76	8,00,00	0 15 9	..	10,64,25
,,	27	19,76,50	8,00,00	0 15 7	..	3,59,00
Aug.	3	13,83,00	8,00,00	0 15 0	..	3,47,00
,,	10	14,73,25	8,00,00	0 14 11	..	3,16,25
,,	17	12,36,75	8,00,00	0 14 10	..	9,50,00
,,	25	16,41,25	8,00,00	0 14 11	..	2,36,00
,,	31	18,95,75	8,00,00	0 14 0	..	4,92,75
Sept.	7	18,85,25	8,00,00	0 13 9	..	3,72,75

DATES OF MATURITY OF OUTSTANDING TREASURY BILLS

Date of Maturity.	Amount (000s of Rs.)	Date of Maturity.	Amount (000s of Rs.)
Bills maturing on or before 31st July, 1943, but not paid upto			
September, 1943—		24th ..	39,50
2nd ..	2,57,25	25th ..	7,89,50
3rd ..	16,25	26th ..	35,50
4th ..	8,42,00	28th ..	40,50
5th ..	2,47,00	30th ..	33,50
7th ..	8,00	October, 1943—	
9th ..	22,00	2nd ..	8,02,00
		3rd ..	5,00
10th ..	9,50	9th ..	3,12,25
11th ..	7,95,25	15th ..	1,25
12th ..	3,17,50	16th ..	7,98,75
14th ..	30,00	22nd ..	31,25
16th ..	62,50	23rd ..	7,68,75
17th ..	2,34,25	28th ..	4,50
18th ..	8,90,50	29th ..	5,00
19th ..	3,00	30th ..	7,90,50
21st ..	21,25		
23rd ..	15,75		

SUGAR POSITION FOR SEASON 1942-43.

(Figures in Tons)

Producing Areas.	Production upto 31-8-1943.	Despatches during the period 23-6-1943 to 31-8-1943.	Progressive total of despatches from 1-12-1942 to 31-8-1943.	Percentage of progressive despatches to production.	Physical stock as on 31-8-1943.
U.P. ..	6,13,324	15,636	4,42,499	72.2	1,70,744
Bihar ..	2,37,671	5,187	1,55,020	65.2	82,651
Bombay ..	77,221	988	60,553	78.4	16,668
Madras ..	32,982	611	24,209	73.4	8,773
Punjab ..	6,579	1	5,717	86.9	862
Bengal ..	16,537	1,091	10,653	64.4	5,884
N.W.F.P. ..	3,167	6	2,459	77.6	708
Orissa ..	2,092	..	1,675	80.1	417
Sind ..	2,008	51	1,215	60.5	793
Indian States.	81,604	1,580	66,417	81.4	15,187
Total ..	10,73,104	25,351	7,70,417	71.8	3,02,687

N.B.—(1) Balance physical stock of 1941-42 season sugar as on 31-8-1943 was 570 tons.

(2) Information received from Indian States is not complete.

(3) Only one factory was still crushing on 31-8-1943.

AGRICULTURAL PRODUCTION ABROAD

U.S. Official Estimates For 1943-44:

Wheat	834,956,000	bushels
Maize	2,985,267,000	,,
Oats	1,145,060,000	,,
Barley	333,282,000	,,
Rye	33,314,000	,,
Flaxseed	54,720,000	,,

Canadian Official Estimates For 1942 and 1943:

	1942	1943	
Wheat	593,000,000	292,000,000	bushels
Oats	652,000,000	500,000,000	,,
Barley	259,000	223,000,000	,,
Linseed	15,000,000	17,700,000	,,

WORKING CLASS COST OF LIVING IN INDIA SINCE AUGUST 1939.
(Base: August 1939 100)

	*Bombay				†Ahmedabad				‡Sholapur				Cawnpore				¶Nagpur				**Jubbulpore				¶Lahore				¶¶Madras		
	1939-40	1940-41	1941-42	1942-43	1939-40	1940-41	1941-42	1942-43	1939-40	1940-41	1941-42	1942-43	1939-40	1940-41	1941-42	1942-43	1939-40	1940-41	1941-42	1942-43	1939-40	1940-41	1941-42	1942-43	1939-40	1940-41	1941-42	1942-43	1939-40	1940-41	1941-42
Aug.	100	109	125	160	100	107	126	168	100	104	118	158	100	112	130	203	100	111	125	183	100	117	131	202	100	102	120	177	100	110	117	140
Sept.	101	107	123	162	104	108	126	160	100	103	119	162	105	113	133	202	100	111	125	183	107	124	138	202	103	108	125	183	105	110	117	149
Oct.	103	108	119	164	103	108	126	166	103	103	123	177	105	112	134	206	98	117	125	184	105	124	138	202	104	111	133	186	106	111	117	155
Nov.	104	108	120	170	111	111	129	188	108	103	130	196	105	112	143	224	105	114	131	190	107	124	141	214	123	115	143	191	107	112	120	159
Dec.	108	110	123	179	115	108	136	204	114	104	136	201	112	111	151	224	x116	113	136	208	x119	119	153	231	123	115	143	252	110	112	123	161
Jan.	109	111	130	193	111	108	130	237	110	105	132	201	114	110	145	225	111	111	138	212	112	119	148	228	109	113	143	264	109	110	119	164
Feb.	107	113	129	195	108	108	129	226	108	105	127	207	112	108	144	234	105	109	134	234	107	117	147	292	108	111	147	255	106	110	117	167
Mar.	105	113	130	198	107	108	132	237	103	108	132	219	109	106	150	246	105	108	133	262	109	121	155	278	110	109	145	254	107	110	117	173
April	105	115	131	214	107	111	136	256	101	107	136	226	110	107	149	268	106	113	138	291	110	124	155	279	110	120	148	267	108	111	121	176
May	106	116	135	216	105	112	141	..	103	107	142	..	109	108	155	299	111	113	145	317	112	122	158	309	101	113	155	..	109	110	123	177
June	106	116	145	..	110	114	152	..	104	111	149	..	108	114	175	336	109	116	160	361	116	126	178	317	100	109	162	..	109	111	131	183
July	108	120	160	..	108	121	160	..	104	115	153	..	109	126	190	341	108	120	181	..	119	134	199	..	102	114	166	..	109	115	136	..

* Base: Year ending June 1934. † Base: Year ending July 1927. ‡ Base: Year ending January 1928. ¶ Base: Year ending January 1927. ** Base 1931-35. ¶¶ Base: Year ending June 1936. x Revised figure.

Nagpur and Jubbulpore do not include housing.

INDEX NUMBERS OF WHOLESALE PRICES BY GROUPS OF ARTICLES

ALL-INDIA
(Prices for week ending 19th August 1939=100)

	Feb. 1943.	Jan. 1943.	Feb. 1942.
Food and tobacco ..	207.0	190.8	132.3
Other Agr. Com. ..	193.8	783.3	125.3
Raw Materials ..	172.0	171.5	158.0
Manufactured Articles ..	225.5	224.1	162.3
Primary Commodities ..	190.5	182.0	140.6
All Commodities ..	197.6	190.4	145.0
Chief Articles of Export ..	187.6	177.2	142.4

* Issued by the Economic Adviser, Govt. of India.

BOMBAY
(July 1914=100)

Commodities.	No. of Items.	Apl. '43.	Mar. '43.	Apl. '42.
Foodgrains	215	211	133	
Cereals	7	215	202	138
Pulses	2	273	244	117
Sugar	3	238	222	157
Other Food ..	3	259	253	141
All Food	228	222	138	
Oilseeds	5	185	156	102
Textiles (Cotton)	176	174	103	
Cotton, Raw ..	5	94	94	71
Cotton, Manufactures	6	313	307	156
Other Textiles ..	2	83	83	83
Hides and Skins ..	3	99	99	99
Metals	5	770	746	665
Other Raw Manufactured Articles	4	232	232	225
Non-food	284	274	228	
General Index	264	256	196	

CALCUTTA
(Prices in July 1914=100)

Commodities.	July 1943.	June 1943.	July 1942	Sept. 1939.
Cereals	498	447	153	86
Pulses	393	365	151	99
Tea	130	130	197	142
Other Food Articles	580	565	289	125
Oilseeds	284	272	162	106
Mustard Oil ..	207	192	95*	81
Jute, Raw ..	129	134	6	80
Cotton, Raw ..	183	199	10	15
Jute Manufactures	190	193	126	102
Other Textiles (Wool and Silk) ..	194	220	170	110
Hides and Skins ..	95	95	85	67
Metals	332	342	275	147
Other Raw & Manufactured Articles	207	199	248	95
All Commodities ..	332	319	198	108

* Average of 9 months.

BANGALORE*
(Base year 1914=100)

Particulars	April 1943.	March 1943.	April 1942
Foodgrains and Pulses ..	247	239	142
Oil and Oilseeds ..	265	257	120
Other Food Articles ..	282	269	130
Textiles	341	313	133
Others	293	161	178
Gen. Index Numbers ..	262	264	144

* Compiled by the Department of Industries and Commerce Mysore.

WHOLESALE PRICES OF PRINCIPAL COMMODITIES

Commodities	Grade & Quality.	Market	Unit.	This Week.	Last Week.	A Year ago.	Pre-war (1939)
				Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.
Rice (not in husk)	Kalma	Calcutta.	per md.	..	37 0 0	8 12 0	4 14 0
	Basmati Sela	Amritsar.	„	21 8 0	22 0 0	..	..
Wheat	Average quality.	Karachi.	„	7 15 5	7 14 5	5 15 0	..
		Hapur.	„	13 6 6	14 0 0	..	..
		Lyallpur.	„	11 0 6	10 10 0	5 1 0	2 5 9
Sugar	Marhowrah Crystal No. 1.	Cawnpore.	„	14 8 6	14 6 6	12 3 6	9 15 0
Sugar raw (Gur)	Chikna best quality.	„	„	8 0 0	8 0 0	..	..
Tea	For export.	Calcutta.	per lb.	0 15 0	0 15 0	0 14 7	0 10 5
Tea	For consumption in India.	Calcutta.	„	0 8 5	0 8 5	0 11 4	0 4 4
Potatoes	Great Scot (round)	Mettupalayam	per md.	7 6 0	7 8 0	..	..
Groundnuts	Bold.	Bombay.	per candy of 500 mds.	100 0 0	93 0 0	..	..
Groundnut Oil	Expeller	Madras.	Candy of 500 lbs.	180 0 0	..	..	..
Castor Oil	Average	Madras.	Candy of 500 lbs.	205 0 0	..	..	..
Cocoanut Oil	Average	Madras.	38 lbs.	16 4 9	..	..	..
Castorseeds	Average	Bombay.	per candy	93 0 0	..	..	..
Linseed	Bold.	Bombay.	per cwt.	15 4 0	..	11 7 0	7 2 6
Linseed	Small Grain.	Calcutta.	„	13 14 0	..	7 1 0	6 13 6
Rape and Mustard	Toria 9% admixture.	Karachi.		101 8 0	..	63 8 0	36 12 0
Cotton (raw)	**Fine M.G. 4-F (Punjab) R.G. Jarilla 34"	Karachi.	per candy of 784 lbs.	..	..	..	..
Cotton Piece-goods.	Grey Dhoti	Bombay.	44"×10 yds.	470 0 0	..	..	..
	Markin 1¼ lbs.		37"×38 yds.	7 12 9	..	..	..
	Grey Leopard		per lb.	26 6 0	..	..	..
				2 7 6	..	..	..
Cotton Yarn	No. 10s.	Bombay.	per 10 lb.	13 10 6	13 10 6	7 2 2	2 12 2
	No. 20s.	„	„	17 8 9	17 8 9	10 5 10	3 12 10
Jute	Raw Firsts.	Calcutta.		78 0 0	..	46 0 0	41 8 0
Jute Bags	B. Twills 2¼ lbs. 44×20½, 6×8.	„	„	65 6 0	..	41 14 0	28 13 0
Wool (raw)	Kandhar (cleaned)		per md.	55 0 0	55 0 0	50 0 0	32 0 0
	Indian quality.	Karachi.					
Hides and skin (raw)	Cow hides (Agras).	Calcutta.	per 20 lbs.	9 8 0 to 10 8 0	9 8 0 to 10 8 0	9 8 0 to 10 8 0	7 8 0 to 8 8 0
Hides and skin (raw)	Goat skins (good quality).		per 100 pieces.	110 0 0 to 130 0 0	110 0 0 to 130 0 0	95 0 0 to 115 0 0	100 0 0 to 115 0 0
Hides and skin (tanned)	Cow hides.	Madras.	per lb.	0 14 8 to 1 3 6	0 14 8 to 1 3 6	0 14 9 to 1 3 0	0 9 8 to 0 12 10
	Goat skin.	„	„	1 12 0 to 2 4 0	1 14 0 to 2 2 6	1 6 6 to 1 10 6	1 7 6 to 1 12 0
Shellac	T.N.	Calcutta.	per B. md.	71 0 0	71 0 0	64 0 0	14 0 0
Kerosene oil	Superior.	„	per 4 gallons in tin.	5 4 3	5 4 9	4 4 9	3 13 3
Coal	Selected Jharia.	„	per ton into wagon.	9 12 0 to 10 8 0	9 12 0 to 10 8 0	4 12 0 to 6 8 0	4 0 0 to 4 12 0
Pig Iron	Foundry No. 1.	„	per ton f.o.r.	94 0 0	94 0 0	94 0 0	80 0 0
Copra	Fair average quality.	Cochin.	per candy of 500 lbs.	..	..	115 0 0	43 8 0
Cement	Indian Swastika.	Calcutta.	per ton f.o.r.	60 0 0	60 0 0	44 0 0	..

STOCKS AND SHARES

BOMBAY (Sept. 13)—

GOVT. SECURITIES—		
2¾% 1948-52	99 12 0	99 12 0
3% 1949-52	100 12 0	100 12 0
3% 1951-54	100 1 0	100 1 0
3% 1963-65	97 2 0	97 2 0
3½% G. P. Note	97 0 0	97 0 0
3½% 1947-50	103 13 0	103 13 0
4% 1943	100 2 0	100 2 0
4% 1960-70	111 4 0	111 4 0
4½% 1955-60	115 0 0	115 0 0
3% 1946-55	106 4 0	106 4 0
3% 1944 Defence Loan	102 14 0	102 14 0
TEXTILES—		
Ahmedabad	505 0 0	505 0 0
Bombay Dyeing	1,927 8 0	1,977 8 0
Central India	425 0 0	451 0 0
Century	849 0 0	869 0 0
Colaba Land	227 0 0	245 0 0
Indian Bleaching	203 0 0	215 0 0
Gokak	335 0 0	347 8 0
Kohinoor	582 0 0	619 0 0
Phoenix	630 0 0	655 0 0
Sholapur	8,220 0 0	8,220 0 0
Simplex	274 0 0	291 8 0
Swadeshi	328 0 0	564 0 0
Finlay		349 0 0
Vishnu	2,775 0 0	2,700 0 0
MISCELLANEOUS—		
Alcock	512 8 0	512 8 0
Bombay Burma	385 0 0	380 0 0
Belapur Sugar	226 0 0	222 0 0
Bombay Burma New	137 0 0	140 0 0
Bombay Steam		362 8 0
Bombay Tramways	162 0 0	156 2 0
British Burma Petrol	2 0 0	2 15 3
Scindia Steam	33 2 0	34 0 0
Shivrajpur	63 0 0	65 8 0
Tata Power	1,815 0 0	1,810 0 0
Andhra Valley	1,677 8 0	1,675 0 0
Tata Hydro	196 0 0	196 0 0
Tata Steel, Ordy.	372 0 0	380 0 0
Tata Steel Defd.	1,897 8 0	1,895 0 0
Premier Construction	178 0 0	182 0 0
Indian Iron	34 10 0	35 0 0
Burma Corporation	4 0 0	3 12 0
Associated Cement	215 4 0	214 8 0
Tata Steel 1st Pref.	225 0 0	220 0 0
Indian Copper	2 7 0	2 7 6
Tata Steel 2nd Pref.	153 12 0	154 12 0
New Indian		70 0 0
BANKS		
Central	72 12 0	72 0 0
Imperial (Fully paid)	1,835 0 0	1,832 8 0
Imperial (Partly Paid)	447 0 0	430 0 0
Reserve	122 8 0	124 0 0
CALCUTTA (Sept. 13)—		
JUTES—		
Champdany	213 0 0	211 8 0
Anglo-India	392 0 0	
Belvedere		
Howrah		61 2 0
Kamarhatty	543 0 0	537 0 0
New Central		
Baranagore	160 0 0	149 0 0
STEELS—		
Bhartia Electric	14 12 0	14 14 0
Indian Iron	34 12 0	35 0 0
Steel Corporation	26 12 0	26 13 0
Britannia		
Jessop (Ordinary)	24 4 0	
Kumardhubi		
Kumardhubi Pref.		
Saran		
TEXTILES—		
Elgin	80 0 0	82 4 0
Cawnpore Textiles	12 3 0	12 14 0
Dunbar		281 0 0
Kesoram		15 14 0
New Victoria	8 4 0	9 1 0
New Victoria (Pref.)		
MINES—		
Burma Corporation	4 0 0	3 12 0
Consolidated Tin	2 7 0	2 11 0
Indian Copper	2 8 0	2 9 0
Equitable	40 13 0	39 12 0
SUGAR—		
Belsund		11 10 0
Darbhanga		
Ramnagar Cane and Sugar		11 5 0
Samastipur		13 12 0
Carew	21 7 0	22 4 0
MISCELLANEOUS—		
Dalmia		
Robtas		29 12 0
TEAS—		
Bishnauth		
Ethilbaria		
Hasimara		
Loobah	13 4 0	12 4 0
MADRAS (Sept. 13)—		
Deccan Big		30 12 0
Deccan Small		69 4 0
Indian Sugar Ord.	17 4 0	17 4 0
Cochin-Malabar	16 2 0	
Chembra Peaks	13 2 0	
High Produce		
Vellamalai		
Bangalore Wool		
Dhanalakshmi	515 0 0	522 8 0
Lakshmi Old	215 0 0	226 0 0
Mettur Industries	300 0 0	304 0 0
Cements		76 0 0
Mysore Chem. & Fert.		
Mettur Chemicals	21 8 0	23 0 0
Singareni		11 0 0
Spencer	10 4 0	10 2 0

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The Foodgrains Policy Committee Report

THE Third Food Conference which met early in July last under the deepening and spreading shadows of famine conditions all over the country, made certain short-term decisions to face the immediate urgencies and dispersed after constituting the Foodgrains Policy Committee to report on the formulation of a longer term and general food policy. Mr Vigor, the imported food expert could not preside over the sittings of the Committee on account of ill-health and in any case with the definite over-ruling of his cherished doctrine of free trade, even the limited utility of his services suffered a heavy discount. Accordingly, Dr. Gregory, the Economic Adviser, took over the chairmanship. The Gregory Committee has already circulated the report and the Food Conference will consider it early next month. Although the body of the report is not yet available to the general public, the summary of conclusions and recommendations has been published and it is possible to discern the general nature of its findings.

It is gratifying to note that at last the Gregory Committee has made a realistic approach to the food problem and have enunciated certain general principles which can be woven into the fabric of a comprehensive food policy. The Government of India, lacking a sensible food policy or the resources to execute it, have for long been fooling about our "good statistical position" and the so-called success of the Grow More Food campaign. We have so often been infuriated by the complacent and superior manners of Mr. Amery assuring us from time to time that there is no "widespread prevalence of shortage' 'and "no cause for alarm." In contrast, the Gregory Committee recognizes the grave deficiencies of our statistical knowledge and recommends immediate implementation of the pending proposals for the improvement of agricultural statistics. As for the present statistical position, it concludes that "there is nothing in the internal situation in India to suggest that, apart from the cessation of imports from Burma and the vicissitudes of Nature—which affected Bengal adversely in 1942 and 1943, and have also influenced the Madras position, the *absolute physical volume* of supply has been impaired. But it is not doubtful that (a) the amount actually available out of the physical supply has decreased and (b) that demand in relation to the availability of supply has increased." This is a more modest claim and a sensible appreciation

of the situation.

On the other hand, the Report rightly points out certain "accelerator gears" which have intensified the crisis out of all proportion to the basic physical realities. For example, a reduction in the marketable surplus may be disproportionate to actual changes in physical supply and in its turn has disproportionate effect on urban supply. The absence of imports reacts adversely on food situation as a whole quite disproportionately to the actual magnitude of imports. Food prices rise disproportionately to decline in supply. Again certain normally deficit areas have been deprived of a disproportionately large part of their normal supplies by the cutting off of Burma imports. If the normally underfed peasants eat only one *ounce* more per head per day,the food shortage increases by 3 million tons per annum. Again the psychological factor and the prevailing atmosphere of uncertainty and lack of faith in Government competence, themselves set up a self-propelling movement to aggravate the crisis. To understand properly this *modus operandi* of crisis is no mean gain, for the Government has so long been trying to convince us that the shortage in our food supply is only 5 per cent. and that although our stomachs may in fact be empty, they were in reality statistically 95 per cent. full.

In view of the absolute shortage in supply, the first category of recommendations naturally relates to measures to make the Grow More Food Campaign a really effective factor. It is very gratifying that the Committee has recommended the extension by the Government of all facilities to industrialists including importation of necessary machinery for the manufacture in India of Ammonium Sulphate to the extent of at least 350,000 tons a year. The Committee also urges the importation of agricultural machinery from abroad and also reservation of sufficient iron and steel necessary for replacement and repair of worn-out agricultural implements. It is also interesting to note that the Committee has recognized the evil effect of reckless slaughter of our cattle-power which supplies the motive force to our agricultural production. In view of our nominally large cattle population, some have poohpoohed the idea of a depletion of our cattle-power by the military demand for beef. This was done by the same arithmetical *tour-de-force* which led our Government to the complacent conclusion that our food shortage is only 5 per cent. The Committee makes a plea for vigorous measures to prevent the depletion of India's serviceable milch and draught cattle.

The Committee again emphasizes that the significance of imports has been under-estimated, firstly, by contrasting it with total production instead of marketable surplus, and secondly, by ignoring the psychological effect. The Committee boldly affirms that India must cease, for the duration of the war, to be a net exporter of food and no exports of rice should be permitted. As it says: "In no other way will it be possible to stop the crop of rumours which have exercised a dangerous effect on the country." On the other hand, the Committee urges the import of 500,000 tons of foodgrains to build up a Central Food Grains Reserve at the sole disposal of the Central Government as a safeguard against the possible breakdown of the machinery of the procurement, rationing and price policies. It also urges an annual import of 1 million tons of foodgrains. It urges this specially on the ground that Indian consumption cannot be reduced any further and that the strategic zones for impending military operations are also the most hardpressed as regards food supplies. The Committee's recommendations are realistic, but the only question is whether succour from abroad would be coming in time for the most critical 3 months immediately before us.

The Committee has also discussed the problem of Army purchases, but the impression left is that of a somewhat apologetic tone. Probably full repercussions of Army purchases have not been traced all the way down especially in their localization aspect and in any case the accelerator factor has to be reckoned with. Nevertheless, the Committee has done well in drawing the attention of the military authorities, as well as the Food Department, to the direct and indirect effect upon available food supply and upon prices of additional demands which may be involved in the strategic discussions now proceeding.

But the crux of the situation is the procurement machinery and the effectiveness and cohesion with which it can work. Although the Committee acknowledges that from the standpoint of principle, the only satisfactory solution would be a Central Government Foodgrains Monopoly, it pleads that the organizational problem would be great and time-consuming and hence it recommends the delegation of the task of physical procurement operations to the agencies set up by the provinces and States, subject to supervision and direction of the Centre. For this the Food Department will have a new branch charged with enforcement. Success will certainly depend on whether the Centre can keep the reins firmly in its own hands. The Committee also lays down the principle of eliminating competitive buying and the control of transport as an element in procurement machinery.

It is very satisfactory that the Committee has taken full cognizance of the warning we gave at the time of the last Food Conference against the grave dangers involved in directing the anti-hoarding drive against the farmers and the use of inquisitorial methods against them. The only safe method is to coax out the minute hoards of countless small farmers by making available to them increasing supplies of consumers' goods and precious metals. But the supply of consumers' goods should have preference over supply of precious metals, because the former involves increasing production facilities which entails not only a mopping up of a multiple amount of surplus monetary funds but also a welcome recurrent flow of consumers' goods. To meet the food crisis adequately, we need not only a drive in our agricultural production but also an energetic and concerted drive for maximum industrial production, especially in view of the imminent worsening of civilian supply on account of the prospect of early offensive operations in South-Eastern Asia. It does not appear, however that the Gregory Committee realize the urgency of an *industrial* production drive to meet the food crisis and they have failed to recommend the immediate maximum utilization of our sterling balances for the import of industrial machinery.

On the distribution side, a general rationing for the whole country is impossible. There can be no question that urban rationing should be introduced immediately. But as regards rural areas, the Committee urges that in famine or semi-famine areas Government must take action and must also generally supervise distribution in deficit areas. Rationing is indeed the only method of killing the queue and for effective rationing, we need not only adequate procurement machinery but also transport facilities. The Committee, therefore urges full mobilization of ancillary transport facilities. The Committee unanimously recommends that the ration of cereals per adult per day should *not be allowed to fall below the general* "flooring" of 1 lb., although the Government cannot guarantee to subserve the dietetic tastes and habits of the people. The examination of the possibility of individual rationing of sugar and of milk as well as other measures to ensure nutritional standard is also urged.

Finally the Committee opines that there is "decided room in India for austerity in consumption of all foods on the part of more favourably-situated members of all communities" and appeals to the public morale and conscience. The psychological effect of this cannot be over-emphasized, especially if the example is set by Government officials themselves, by studiously cutting down all sumptuous luncheon and dinner parties. The Viceroy himself has the opportunity of making a parting gesture in this regard to the people of India.

The Committee recommends statutory price control for all major foodgrains in all provinces, elimination of price disparities by a general levelling down, and drastic enforcement of the Foodgrains Control Order and of Anti-hoarding measures. A small Standing Prices Committee representative of the Centre, the Provinces and States, producers and the trade, would consider and decide on changes in prices with reference to the cultivators' cost of production, especially on marginal lands and their cost of living. These recommendations call for detailed comment which we reserve to a later occasion. It also suggests a tentative formula for the determination of surplus and deficits of the various regions. It also enunciates the principle that equality of sacrifice means not that all deficit provinces will be entitled to reduce their respective deficits by equal percentage amount, but that provinces with heaviest deficit will have prior claims until all get down to the average all-India figure.

The Committee discusses certain administrative aspects and recommends a re-organization of the Food Department to suit its new functions and also to give it more elasticity and efficiency. But the most important factor on which success will hinge is a complete redefinition of the relation between the Centre and the provinces. So long, the Centre has displayed a deplorable lack of courage and has been afraid to use the plenitude of power which resides in it. The Committee is correct in saying that public opinion will not any longer tolerate a "hands-off" attitude by the Centre. India must be taken as an indivisible economic unit and the autonomy of the provinces must be put in its proper setting. The remedy suggested by the Committee is a clear definition of spheres of authority and methods of procedure coupled with expert arbitration on all points of difference. The Centre will have the final say in regard to allocation, management of Central Foodgrains Reserve, conditions of rescue or special assistance operations and disputes arising out of details of administration.

With the submitting of the Report by the Gregory Committee, the Government has before it a clear agenda and a definite programme of action. In the Report we can recognize, for the first time, the definitive contours of a comprehensive food policy. The Report can indeed be criticized in details and it is also possible to press for some re-distribution of emphasis. But the general principles, the recognition of which we have been urging, have, in the main, been clearly enunciated and at this stage, carping finicality has no sense. But the formulation of a plan is no substitute for effective action. The Government has acted long enough awkwardly and loutishly, as if its fingers are all thumbs. But the situation clamours for speedy action. Sir Theodore has assured us that here is nothing in the Plan which cannot be put into operation immediately. The Government must forthwith set up its machinery, broom away all points of obstacles, and effectively implement the Gregory Plan without delay, the Government will be judged not by the beauty of the Plan but its effective execution--efficiency in procurement, distribution and price control. Above all the Government must not lose a single moment to secure the delivery of the recommended 1½ million tons of foodstuffs. Rightly has Sir P. Thakurdas warned the Government that this is the crux of the matter and the key to the solution. Today the United Nations have a surplus shipping tonnage of probably 6 or 7 million tons, but as soon as really large-scale offensive operations begin, the surplus will be converted into a deficit of 2 or 3 million tons. *Now* is the time for import, before it is too late. Meanwhile, the food situation in the country is daily worsening and the next two or three months are most critical. The Government must realize that the things that are in extreme short supply include not only foodstuffs, but also *time*. Time is indeed the essence of the matter, for the sands are running out.

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CONNAUGHT CIRCUS,

NEW DELHI.

Taxation and Industrial Policy

ENGROSSED as he is in devising so-called anti-inflationary measures the Finance Member apparently has little time or inclination to look ahead and examine the impact of high taxation on industrial development in the future. That the weight of taxation is extremely heavy and burdensome and will have adverse effects on enterprise and initiative in the future cannot be denied by anyone. Even those students of economics, who often institute comparison between India and Great Britain and U.S.A. in respect of the incidence of taxation without sufficient regard to the difference in their industrial and economic development will now concede that India compares favourably both as to the proportion which total tax revenue bears to total expenditure and that which direct taxation bears to indirect. As has been pointed out recently by the Governor of the Reserve Bank of India, "the proportion of tax revenue to total expenditure during 1942-43 was 50 per cent. in U.K., 55 per cent. in India; round these figures in other Empire countries and 26 per cent. in U.S.A. Of taxation again the increase in direct taxation has been far greater than in indirect taxation, so that the proportion of direct taxation to the total has undergone significant increase in many countries. In the U.K. this proportion has increased from 56 per cent. to 64 per cent. between the pre-war and 1942-43, while in India the proportion of total taxes on income to total tax revenue increased from 24 to 61 per cent. In Canada the percentage of direct to total taxation has increased from 37 to 64 per cent. and in U.S.A. from 50 to 73 per cent." The country bears the high taxation at present with fortitude recognising the inexorable demands of the war, but the responsibility upon the Finance Member to ensure that its evil effects are minimized is all the greater. One of the serious defects in our fiscal policy in the past has been a lack of balance between our fiscal development and economic development. An up-to-date and twentieth century tax system has been sought to be built upon a nineteenth century economic structure and on a scheme of public and social expenditure which is anti-deluvian and an anachronism. It has resulted in burdens without compensations, in taxation being merely restrictive and in ill-balanced expenditure. There is perhaps no other country where the scale of beneficent public expenditure is so low, as revealed by conditions of literacy, health, sanitation and medical aid.

High taxation is not in itself an evil but two conditions should be satisfied if it is to be acceptable. One is that it should be such as not to damp enterprise and industrial development and the other is that the proceeds of the tax should be spent in such a way as to strengthen the social and economic structure of the country. Today where the income and excess profits taxes take away nearly 94 per cent of the profits in business the question arises as to what would be the effect immediately and after the war of such high taxation. All taxes on profits have some adverse effect on the efficiency of production but the restrictive effect of excess profits is of course more considerable, because it falls with its maximum force upon extra profits i.e., upon the profits about which a business man would think twice whether it is worth while making the effort to earn them. In war-time when prices outrun costs and when inflationary prices are at work, the margins of profit continue to be high and production goes on. But there are two unwholesome results. In the first place there is a reduction in the incentive to economy and avoidance of waste. Where all profits that accrue go practically to the Government employers do not care to exercise any economy. Many wage increases, salaries and commissions are allowed which in other circumstances would not have been sanctioned. The second is more serious. Where the excess profits take away 80 to 100 per cent., the profits that are retained in the business are practically nil with the result that the reserves that can be built up for postponed renewals and repairs and for re-equipment after the war are intolerably low. No business can emerge without a serious loss in value of its working capital and fixed capital equipment. Renewals and repairs have necessarily to be postponed until after the war for lack of equipment. Plant has been over-worked resulting in serious depreciation. Depreciation of assets goes on rapidly but the costs of replacement are high. Similarly in in regard to working capital. To maintain the same volume of business and turnover at continually rising prices an unchanged volume of working capital would be insufficient; either more will have to be borrowed or business would contract. Thus a business that has to pay 80 per cent. of excess profits duty will find that both its working capital and fixed capital have declined in value.

This then is the first immediate major problem. What have the Government of India done about it? In so far as they have promised to return to industry a certain portion of the excess profits duty after the war, i.e. 13-1|3 per cent. of the E.P.T. it is a welcome step. But against the loss in value of working capital and the heavy depreciation of assets nothing has been done yet. It is well known that several industries work double and triple shifts. But the depreciation allowances for tax relief are pitifully inadequate. Not only should they be in proportion to the wasting of assets but in view of the high costs of replacement they should be raised to such a level that industry can safely replace its assets. If this is not done our competitive position will be weakened. The building up of strong reserves both for working capital and for renewals and extensions is an essential condition of industrial progress in our country. But the Government of India have done nothing to ensure it. In striking contrast to the position here, witness what the British Chancellor of the Exchequer has done to British industry. In a speech on the budget debate in April last, Sir Kingsley-Wood said: "With a view to considering the incidence of excess profits tax and income-tax on industry I invited the representatives of industry to enter into consultations with the Board of Inland Revenue. A series of discussions have taken place with representatives of the principal industrial and commercial bodies and they have covered many questions. They have been most useful and progress has been found possible on a number of matters." These covered the important question of (1) terminal losses—that is, the expenses or losses that may be involved in changing back from war-time to peace time conditions, and (2) repairs and renewals which have fallen due to be carried out but cannot be carried out now and are therefore being deferred until the end of the war. As regards (1) the Chancellor stated: "I think the industry is entitled to an assurance—which I give—that steps will be taken to see that all the expenses of a revenue nature which have been incurred in earning the excess profits will be allowed as a deduction in computing the liability of E.P.T." Similarly he also gave the assurance that the entire cost of changing from war-time to peace-time conditions in regard to the layout of factories would be allowed for taxation purposes. About (2) he promised that when the deferred repairs and renewals were in fact carried out the tax now collected would be remitted. What is wanted in India is a similar machinery of consultation between the fiscal authority and representatives of industry, a more liberal allowance for depreciation and replacement sufficient to replace the assets at their increased prices, and an assurance that full tax deductions would be made against terminal losses. Today as a result of the E.P.T. many businessses are unable to lay by any reserves at all. In some cases taxes payable have exceeded profits. A glaring case (one among many) was recently brought to light in a communication to *Capital*, Calcutta, by Messrs. Fraser and Ross, Chartered Accountants, Madras, in which they pointed out that the total of the taxes payable exceeded the actual profits by about Rs. 42,000 though a part was returnable. Such anomalies abound. The income-tax definition of profit is itself very different from that of a prudent business man, who will not reckon anything as profit until all provision is made for repairs, reserves, unforeseen contingencies, etc.

This is the immediate issue. Such anomalies should go. But of graver import is the relation between taxation and industrial progress. So long as we believe in the continuance of private enterprise, any tax system that hampers industrial development, checks enterprise and initiative and penalizes effort, deserves to be condemned. Of course if we opt for full-fledged socialism, the matter is different but even then the case for building up reserves and scrapping old plant and modernizing the machinery is as strong as ever. Only the methods of serving our end will differ. But for a long time yet we shall have to recognize the continuance of private enterprise. If it is to function in undiminished vigour and energy, the tax system should be such as will stimulate industrial development, afford incentives for expansion, promote research and inventions and speed up progress by scrapping old machinery and putting up new. Judged by these tests our fiscal system is very defective. Now look at the way our income-tax system works. Whether profits are distributed as dividends to persons or ploughed back to industry makes no difference as to the rate of tax leviable.

Now surely this ought not to be so. The method by which profits are set aside for employment in and further growth of business should be fostered and encouraged. This can only be done by making a big discrimination between the rates leviable on personal incomes and those on undistributed profits. Of course the tax on personal incomes derived from corporate enterprise will not be less heavy than, or different from those on other personal incomes. The only differentiation will be in favour of business reserves. In Britain this view was lately pressed on the attention of the Chancellor by Sir George Schuster (former Finance Member of the Government of India from whose book, may we hope the present Finance Member will take a leaf) and Mr. Benson with such success that the Chancellor has already set on foot a detailed examination of the matter. The United States has already adopted a system by which a lower rate is imposed on the incomes of industrial undertakings and a higher rate on personal incomes.

Again as regards obsolescence, our tax system is very rigid and treats it more or less as capital expenditure on which income-tax relief is not allowed. It is a pity that we should have adopted the British system which is unfavourable to progress. In America obsolescence is regarded as working costs on which full relief is granted. No wonder that Britain and India still stick to old methods and old machinery; whereas U.S.A. has shown extraordinary readiness to modernize her plants and install the latest improvements without loss of time. The relation between depreciation and obsolescence is partly a matter of social policy. The rate at which old capital should be scrapped will depend partly upon how much society is prepared to pay for new inventions and processes. A plant that is quite new and has not depreciated physically may become obsolete on account of the discovery of a new process or invention. Society will then have to decide whether the benefit of the early introduction of better technique offsets the loss entailed in premature scrapping and whether a delay would not lead to loss of the benefits of technique. Likewise the amount of reserves which an industry may build up and reinvest is a matter of public policy involving the right allocation of resources among all productive units. But these nicely balanced considerations are somewhat academic in the present context in India where both industry and Government have conspired to prevent even a sufficiency of depreciation reserves, let alone reserves for expansion and modernization. Our railways are a classic instance of the failure to build up a strong reserve. Many private industries are even today distributing dividends and are sowing the seeds of trouble for the future. It is, therefore, the duty of the Government to differentiate in favour of company reserves by using the fiscal machinery for the purpose. In Britain many have suggested that a difference of 5 shillings in the pound should be shown in favour of profits reinvested in industry.

As regards promotion of research and development similar considerations arise. Here again following the British practice the income-tax authorities have adopted a conservative procedure and do not allow deductions for research in respect of new and allied products treating them as capital expenditure. In certain other countries, e.g., Sweden the practice is different. The tax system treats the extra cost of replacing the existing installation with a view to introduce the new processes as a working cost and allows full income-tax rebate.

These are some of the problems which should immediately engage the attention of the Government of India. Unless they are tackled in a spirit of sympathy and co-operation with Indian industry, our industrial development would be arrested. The competitive capacity of Indian industry requires to be strengthened, not weakened by the fiscal policy of the Government. No one will be against high taxation of personal incomes provided the proceeds of such taxation are utilized in socially beneficent ways. But the present tax system which fails to give adequate relief for depreciation and reserves and which does not discriminate between dividends and reserves needs early revision. Will the Finance Member undertake an immediate inquiry by appointing an expert committee composed of persons acquainted with industry and commerce, accountants and income-tax officials? India has the right to expect its Finance Member to do here what the British Chancellor has done for Great Britain.

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The Week's Notes

PROVINCIAL LOANS

Public subscriptions to the Provincial loans last week disappointed expectations. While the small amount of Rs. 50 lakhs for the C.P. was over-subscribed within ten minutes, the Punjab loan had to be kept open for the whole day, and the Bombay and Madras loans had to be subscribed by the underwriters, one-third in regard to Madras and slightly under two-fifths in respect of Bombay. How is this to be explained? The suggestion that the subscriptions reflect the relative creditworthiness of the provinces and their individual merits may easily be dismissed, for the budgetary portion of Bombay, Madras and the Punjab is as strong as, if not stronger than that of the C.P. Nor will it be true to say that Government tried to take too much off the market. The total amount of applications for Treasury Bills in the week, though lower at a level of Rs. 14.91 crores than during the week preceding, indicates keener competition, seeing that the rate declined by 5 pies to as. 13-4. The continued sale of rupee counterparts and the summary assessment of E.P.T. have been in force for too long a time now to interfere seriously with these petty provincial loans. The underlying conditions of cheap money are in unabated manifestation, viz., the growth of sterling assets and note issue, and absence of keen business demand for movement of goods, or for fresh investment. The announcement of the "Save and Lend" campaign for mopping up Rs. 100 crores and the Bengal Budget deficit could not have prejudiced these loans. The provincial loans are generally meant for a different class of investors from those whom the new programme tries to cover. The heavy Bengal deficit hardly touches other provinces and does not certainly point to similar deficits to come elsewhere. Provincial tax measures, if any were contemplated, could make no difference to the abundance of funds in the market. If all these explanations are wide of the mark, what then is the real one? No rational explanation grounded on the facts of the financial situation seems available. We may perhaps ascribe it to the irrationality of investing psychology, or more probably, to the investor's indifferent state of mind when faced with a number of alternatives all of equal merit.

MEAGRE RATIONS

Rationing of foodstuffs has been introduced in a number of cities, and is likely to be extended speedily to other areas, as recommended by the recent Food Conference. The defects of present rationing schemes are coming to light, and it would be a pity if in the schemes yet to be outlined and enforced the authorities should omit to correct these defects. One glaring defect of present schemes is the wide disparity in the quantities allowed in the different centres. For instance, the Travancore State, not being assured of regular monthly supplies from outside, stated that it would be obliged to allot rice ration only 3 oz per head daily as against the rice ration of 1.27 lbs. or 2½ ollocks in Madras city and a mixed ration of about 5 oz per head daily or 1-1|3 lbs. in the city of Bombay, and yet it must not be forgotten that in Travancore arrangement has been made to purchase all stocks of rice above the minimum subsistence needs of the landholders. While there may be some justification for providing slightly more liberal rations to the hard manual workers in each centre, there is no meaning in permitting such disparate quantities in different centres, even where the habits of diet are not the same; surely Travancore cannot rest content with such pitifully meagre rations. A more serious defect is the absolute deficiency from which all the schemes suffer. According to Dr. W. R. Aykroyd, India's food expert, the rations allowed under present schemes are all low even when compared with customary intake and that those for children were inadequate. In his view, one pound of cereal *per capita* might be adopted as a suitable ration, aimed at "carrying the population through the shortage without too serious a lowering of dietary standards," assuming that some quantities of pulses, vegetables, oil, sugar etc., will be available in addition to cereals. Of how many millions of people out of the 388 in the country can it be said that they get even these rations which do involve some serious lowering of dietary standards. Do the authorities seriously contend that the present stocks in the country can offer these standards? Not much good will accrue from a policy which stops with distributing the deficit over the whole country and thereby creates a condition of universal underfeeding. The real remedy is to launch a food production drive and get the necessary imports, which will secure at least one pound of cereals for every one in the country.

ECONOMIC CONSEQUENCES OF MR. JINNAH

According to a Press report, in the current number of the American quarterly, *Foreign Affairs* which has not yet reached India appears an important article by Charles H. Behre, the Professor of Geology in Columbia University, bearing on the economic implications of Pakistan. The usual argument against Pakistan consists in some purely financial estimates based on the existing fiscal system. But this does not go to the root of the matter, for true economic potentiality of any region is measured not by its present current revenue yield, but in the final analysis, by its richness in natural resources and manpower. A region which is fully self-sufficient in natural resources, can, after a brief period of preparation, increase its national income almost at any rate it chooses. Prof. Behre points out that Hindusthan would possess most of India's coal, iron, ferro-alloys and other industrial raw materials, while Pakistan would possess only oil reserves. Of course, "Hindusthan would need some of Pakistan's resources. The latter for industrial life would desperately need greater quantities of Hindusthan's resources in a closed-trade system as otherwise Bengal, a Pakistan State, would, industrially speaking, die." We may add that the prosperity of the Punjab will also be hit for another reason. For much of this prosperity depends on the large defence expenditure (collected by taxation out of the rest of India) which has a Multiplier effect on the aggregate income of the Punjab. It is, however, true that Hindusthan will also be hit to some extent by the partition. For as we pointed out in our series of articles on the principles of planning, if the economic unity of India is disrupted and India is divided into a number of independent States, the degree of self-sufficiency in respect of natural resources of the individual States would diminish and consequently also the possible rate of economic development. As Prof. Behre says: "The pressure for industrialization is the pressure for unity in India as elsewhere," and also "India's decision regarding the term of her political future will determine whether advance towards industrialization will be relatively easy or difficult."

There are further considerations. Great landmasses like the Soviet Union (including Siberia) and China with their great natural resources would be making economic progress at very great rates. But if India is politically fractured, Southern Asia—from Arabia to Indo-China—would consist of a number of small States which individually lacking sufficient raw materials, would lag behind in economic development. This rupture of the balance of power would lead to complex economic and political problems.

If the vast majority of the Muslims in India really want Pakistan, the demand cannot probably be resisted. But they should at least clearly understand the full implications of their demand.

THE SUPERIOR RACE

Prof. Burgess a German-American professor wrote long ago in his heavy tomed book on *Political Theory* that the Anglo-Saxon race to which the British, American and German people belonged had alone the gift of political sense and that the peoples of the rest of the world must be guided and educated and controlled by the Anglo-Saxon. Even those of the British and Americans who have so sincerely condemned the theory of the superiority of Nordic race are not actually willing to act on any other basis when it comes to any specific issue. Mr Oliver Stanley, Colonial Secretary, when asked at a Press conference at Lagos (Nigeria) if the British Government envisaged international control of colonies replied that such control was considered inefficient and it might prove an actual handicap to the progress of colonies towards self-government. The Britisher is an adept at self-delusion and genuinely believes that he alone can rule over the colonies successfully and that the sharing of administration by other powers would not be in the interests of the people. Mr Oliver Stanley forgets very conveniently that international control would at least be a check on undivided autocracy by one power, however beneficent that power may regard itself to be. Again, asked if he could give a time-limit for the grant of self-government he is reported to have said that no country could be self-governing without being economically independent and that the time-limit depended on how the Africans got down to the job of achieving fundamentals. Every student of colonial history knows that under foreign control no colony could ever attain economic independence and by the criterion suggested by Mr. Oliver Stanley the Colonies would have to wait till the Greek calends to attain self-government.

A BOLD AND UNIFIED FOOD POLICY

While the Government is naturally pre-occupied with short-term measures to bring immediate succour and relief to the grim tragedy in Bengal and other worst affected areas, they must simultaneously go on with a clear formulation of a unified and comprehensive national food policy as well as ensure the effective execution of that policy. It is reported that the Food-grains Policy Committee has already circulated its report which would be considered by the Food Conference next month. The Government so far has failed to fulfil its primary function of feeding the people and the administration and distribution of the nation's food stocks have reached the proportions of a major scandal for any civilized Government. Unfortunately, the news of the measure of privations in India do not filter through the censor to the British public. But today the situation has reached such grim dimensions that even the staid London *Times* has been forced to say one or two harsh words. In an editorial on the *famine in India in* its issue of September 20, the *Times*, after recounting the harrowing tales in Calcutta and rural areas in Bengal where men, women and children are dying of starvation, says, "Failure to end such conditions is not only a reflection on British and Indian statesmen and administrators, but a grave disservice to the war effort, for the presidency is destined to become the base of the greatest military operation in Asia." There is no doubt an absolute shortage of food in relation to the growing population, but, as the London contemporary also avers, the situation would not have been so sombre today if the Governments had shown any evidence of foresight and resolution. However, recrimination over past omissions and commissions do not help and the Government must now definitely make up their mind whether they mean business. In this connexion, the London *Times* has come to three sound conclusions. Firstly, "something more and on a bolder scale is needed." Secondly, the food problem is essentially an all-India problem. And thirdly, if the autonomy of the provinces come in the way of an effective and unified food policy, the Central Government must not take shelter behind constitutional proprieties but take all necessary powers and over-ride the discordant provinces. In the forthcoming Food Conferences all provincial and sectional considerations must be thoroughly eschewed and a bold and unified policy initiated. After four years of war and two years of continuous bungling, it is certainly not too early for the Government to decide to make up its mind.

PATTERN OF ANGLO-AMERICAN HEGEMONY

The rapid consolidation of economic power by Germany since the close of the last century was even before the last war, steadily upsetting the balance of power in Europe on which rested British world hegemony. During the last war Great Britain, France and Russia combined were not nearly a match for such a gigantic industrial power like Germany situated in the centre of Europe. The miraculous growth in the economic power of the Soviet Union under the leadership of Stalin during the last fifteen years finally clinches the matter and it is now absolutely clear that a small country like Great Britain can no longer single-handed hold the nineteenth century balance of power in Europe and in the world. But it is not so easy for some to eliminate the thought-structure of hegemony and many politicians in Britain are toying with the idea of an Anglo-American partnership to ensure the hegemony. Many Americans are also tickled by the idea that they would be the senior in the partnership while some extremists go even to the length of sedulously spreading the cult of the "American Century." During his recent prolonged stay in America, Mr. Churchill did not forget to canvass some of his ideas. There is a degree of naiveté in such overtures from romantic imperialists like Mr. Churchill to whom everything from basic English to Boston tea party is grist to the mill. But the question will arise whether millions in China and Russia are making unmeasured sacrifices only to make the world safe for Anglo-American hegemony Mr. Churchill may succeed in his gallant quest for a stronger fulcrum for his imperialist lever, but such special alliances are bound to be suspect by Russia, China and India and so rapidly culminate in an international disaster. For although in economic power Great Britain and the United States have the advantage of a good start, Russia, China and India are today fully conscious of their power-potentiality by reason of their limitless man-power and natural resources. A considerable part of Russia has been devastated by the war, but she will take not thirty years (as many fondly imagine) but only one Five-Year-Plan to recoup, especially if she insists—as probably she will—on having the aid of the gigantic Germany machine-tool industry to repair the damages. For we must remember that barring residential houses, 80 per cent. of the things in modern Russia were built up within 13 years only. In that case within 10 or 12 years after the war the economic power of Russia will exceed that of the United States, Great Britain and the Dominions put together. China will also launch an ambitious economic plan and taking account of her inexhaustible man-power and natural resources, it is clear that within 20 years her economic power will far exceed that of the Anglo-American combination. Neither

will India for long lag behind her manifest destiny. Even a casual study of such elementary calculus of economic and military potentiality should put a lid on such irresponsible talk about the formation of racial *blocs* like the Anglo-American *bloc*. It could only envelop the world in disaster. Well might Miss Pearl Buck "shudder to think of that future" when "great industrial and military machines would be built up in China, Russia and India," thanks to the shortsightedness of romantic imperialists. Collective security must be based on a comprehensive base and not on bilateral alliances.

SIR MAURICE'S UNJUST SLUR

In some circumstances cleverness and logic cease to be virtues; indeed they may be the very opposite. Sir Maurice Hallet, Governor of the United Provinces is undoubtedly a good logician. According to him the total number of wagons available being given, and stocks of wheat and millets having been accumulated by Government sufficient to load them to full capacity, is there any case other than that of mere 'personal satisfaction' for private parties to seek to obtain wagons and send grain to Bengal? Infallible ratiocination this, on which the Governor of United Provinces deserves to be congratulated. But his reasoning is based upon assumptions which are questionable. In the first place, the number of wagons available to any one province is not a fixed quantity; it can be varied according to the order of urgency by the War Transport Board. If Sir Maurice Hallet were able to take advantage of the people's active desire to help Bengal by his personal efforts for more transport he might probably have succeeded. Again, he should not forget that the rate of turn-over of wagons can be speeded up. Why should he assume that the limit of possible turn-over has been reached? Secondly, the grains that now come out for transport are not such as would normally have become available to Government. They are the result of the deep feelings of sympathy which have been aroused and represent in some cases self-sacrifice and self-abnegation on the part of many poor sections of the population. In the circumstances, it would have been wiser on the part of Sir Maurice Hallet to have used the available wagons for the transport of the grains collected by the people and might have kept the Government stocks either as a reserve against future contingencies or for transport at a more suitable opportunity. Instead of adopting this course, which would have suggested itself to an ordinary man, it is a pity that the Governor should have gone out of the way to taunt men inspired by most worthy ideals as persons who only desire to gratify their 'personal satisfaction.'

FALL IN THE CONSUMPTION OF MILK

"The health of every child, and not ony the health but, to a very large extent, the intelligence of every child, and so the whole physical standard of India's millions depends largely on the quality and amount of milk available for children to drink. In fact, cattle are in a real sense the basis of India's economy." Thus did the out-going Viceroy express an obvious truth, recently in paying a glowing tribute to the work done by the All-India Cattle Show Society.. But what has been the actual record of achievement in the field of livestock improvement—a subject dear to his heart—during his own regime? The second edition of the Report on the Marketing of Milk in India and Burma, just issued by the Agricultural Marketing Adviser to the Government of India is revealing and exposes the scant attention paid by the Government in India to the basic problems vital to the very existence of our population.

The original report estimated the *per capita* consumption of milk at 6.6 ozs. on the basis of the 1931 census and the cattle census of 1935. The revised estimate based on the census figures of 1941 and that of the cattle census of the previous year, gives the reduced figure of 5.8 ozs. per head per day, *i.e.*, the *per capita* consumption of milk has fallen by nearly 12 per cent. It is also disclosed that the total cattle population has increased (cows by 7.8% and she-buffaloes by 5.5%) between 1935-40, the disquieting fact being that the increase has been in the inferior breeds, with a reduction in the number of good quality milch-cattle.

In the words of the Report itself, "the low milk consumption indicates a serious state of affairs, especially among the poorer classes who consume well below 5.8 ozs. a day while many have to go without milk or milk products altogether." To us the reduction in the consumption of milk appears really alarming taken in conjunction with other factors such as the increase in the population in the last decade, the widely prevalent famine conditions and the rate at which indiscriminate slaughter of prime cattle is proceeding since the outbreak of the war. Even the original estimate of 6.6 ozs. fell short of the minimum requirements of 8 ozs. calculated by Dr. Aykroyd as necessary for health. We have it on the authority of Dr. John B. Grant that malnutrition and nutritional diseases are omnipresent in India, that with a purchasing capacity of only about 2½ annas a day, the average Indian is only able to meet his energy requirements with cheap carbo-hydrate foods like rice and cannot afford sufficient protective foods and that malnutrition is one of the chief causes of the rapid exit of young human beings from the world so soon after their arrival in it. Thus the deficiency in and the importance of the provision of adequate protective foods for all the population in India have been emphasized from time to time and the best source of protective foods is only milk and milk products. It is, therefore, disconcerting to note the decrease in milk consumption, and necessary steps should be taken at once to increase the production and consumption of milk.

IMPROVEMENT OF LIVESTOCK

How can this be achieved? The Report of the Marketing Adviser suggests proper organization of the trade, cheaper transport and sanitary methods of handling and distribution for improving the position. We think that these steps by themselves, though necessary and important, cannot bring about an increase in the production of pure milk. What is urgently needed is an expert investigation into the problems of livestock improvement followed by a definite plan of action to conserve the cattle wealth of the country, to improve their physique by providing adequate pastures and other cattle-feed, which would result in a greater yield of milk and efficiency in work, and ultimately to increase the number of superior breeds by education and propaganda among the peasants. This programme should be fitted into a comprehensive plan of Agricultural Reconstruction. What is wanted is immediate action by the Hon'ble Member for Health, Education and Lands.

GOD AND THE RUSSIANS

"Religion is the opiate of the people," was Lenin's slogan since echoed shrilly over a quarter of a century by many a Communist "agitator" the world over. To the Communists religion was a defeatist dope as an attitude of mind, and an instrument of the capitalist State as an institution. The Church was disestablished in Russia in 1918, but anybody could profess any personal religion or do anti-religious propaganda. Much water has flown under the bridge since, and today one reads ecclesiastical vocabulary like "excommunication" and "defrocking" in telegrams from Moscow. The Archbishop of York, who is second in command in the hierarchy of the Anglican Church, the other day descended on Moscow in a plane and kissed the Metropolitan of Kiev! A couple of years ago such news would have been taken for a piece of confounded profanity and blasphemy. The Archbishop has gone to Russia "to exchange views and to establish contact" with those whom the bourgeois respectability of the Anglican Church regarded as "damned" bolsheviks only the other day. And in Russia itself the one-party State is allowing the Church to collaborate with it in matters political—a wedding simply unknown to Communist theory and practice. Thus the dignitaries of the Orthodox Church have appealed through the column of the *Izvestia* for every effort to protect the ideals of Christianity against Hitler and have threatened those collaborating with the Nazis in occupied territory with excommunication.

For all the *volte face* that the world has been accustomed to expect from Russia during the past few years, the present recognition of institutional religion in that country is of most fundamental importance. The others could be explained away in terms of politics and diplomacy but for this one the reasons must be cutting deeper. Has Russia recoiled from its unnecessary vindictiveness at institutional religion in the past? Or has it yielded to a craving of the "Godless" people for spiritual satisfaction, or is it a realization that no change ushered in through violence can be lasting?

POST-WAR CIVIL AVIATION

The subject of civil aviation after the war is gradually assuming considerable prominence. Our American friends are talking of the prospect of airplanes in the garages of future homes and popular advertisements are extending us lavish promises by way of "travel comfort" in post-war aviation. As in the case of rail transport and navigation the commercial side of civil aviation is of greater importance from the standpoint of economic organization. For example an enlargement of the range of goods that can be transhipped by air and the quantum of exports and imports that aviation can take might have far-reaching repercussions on the time factor in modern industry. Recently the Society of British Aircraft Constructors, which was formed during the last war and which is the representative body of the British aircraft industry and its ancillary trades has submitted a statement to the British Prime Minister and the Ministers of Aircraft Production and Transport, in which it discusses problems of international control of air transport. Chief among the Society's conclusions is that the single State-subsidized monopoly system should be abolished after the war. The statement points out that before the war European States adopted the system of subsidizing monopoly companies for reasons of prestige, security and disguised military development rather than to meet commercial and economic considerations. It goes on to add that aid to airlines in the future may be given in the form of payments for services rendered, as, for example, for the transport of mails, and not as direct payments by the State. The Society intends, in other words, that the operation of international air lines after the war should be thrown open to unsheltered competition like navigation. While the single State subsidized monopoly is no doubt indefensible, it does not follow that the alternative should be cut-throat competition between a number of companies, with the usual spectacle of rate wars, and scramble for patronage and shelter. International airlines are eminently suited to be a State enterprise. Now that they need to be reorganized on a larger scale than the present after the war, they can be taken over by the State for the purpose and it is really not necessary for them to pass through the phase of an intense private competitive enterprise. It is however gratifying to note that the Society has also suggested that "the right to operate international airlines might be restricted to those concerns which submit their operations to full audit and control." To talk of audit supervision as a form of control of industry is rather puerile, but on making the other 'controls' 'tight' will depend the usefulness of civil aviation to industry and commerce.

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SPECIAL ARTICLES

India and the Reconstruction of Burma

(Contributed)

THE Government of Burma are busy evolving a plan for the reconstruction of that country when it is liberated. The Reconstruction Adviser to the Government of Burma broadly outlined the Government plan. He envisaged a new and self-governing Burma "where there will be the four freedoms of the Atlantic Charter, a Burma of Peace and Plenty, with a peasantry free from debt, an incorruptible executive, a patriotic legislature, an enlightened and educated electorate and a reformed Budhist Church."

India has played a very important and useful part in the economic development of Burma. When Burma was a province of Greater India, over a million Indians used to live there. They continued to live in that country even after the 'Separation.' India's financial stake in that country has been equally large. Investments of Indians in Burma are quite substantial—their estimates range from Rs. 150 crores to Rs. 260 crores. The Burma Banking Inquiry Committee estimated the total Chettiars' capital invested in Burma at Rs. 75 crores. The non-Chettiar investments are roughly supposed to be about Rs. 15 crores. Value of Indian-owned property in Burma is calculated to be around Rs. 55 crores, and other assets may be put at Rs. 120 crores approximately. Thus, the large interests, which India has in Burma, the close relations that existed between the two countries, and finally the tremendous efforts which this country has put in the battle for the liberation of Burma—all these factors would entitle the people of this country to hope that they will be consulted in regard to all matters of common interest which will come for review in the planning of reconstruction of Burma.

In the reconstruction of the country, the revival and progressive expansion of agriculture, commerce and industry will and must occupy a place of priority. To the extent to which Burma is not able to find adequate resources—particularly capital resources—she will have to depend upon other countries; and in the search for these resources Burma will find it profitable to tap the financial potential of her nearest neighbour with which she is bound by the ties not only of age-old relations but also of a common currency. In the past, Indian capital and labour had played an important part in the economic development of Burma; and in the integrated interests of the two countries, this relation is bound to continue and best be strengthened.

The task of restoring the economic life of Burma will be very complex, particularly because the period of enemy-occupation will have brought in its wake many undesirable transformations which will need overhauling. For instance, it will be necessary to see that property and rights to property, which may have passed into the hands of other people, are restored to the original owners. In regard to compensation to those whose property has been damaged or destroyed, payments should be made only to the persons who are the rightful owners. The work of restoration should not be confused with that of redistribution which primarily is a problem of economic justice, nationally or internationally.

To facilitate the resumption of economic activity in general and commercial activity in particular, the Government of Burma shall have to see that traders and others rendering economic services are given initial relief. An organization for this purpose will require to be set up, and it must be seen that relief is distributed impartially. In the matter of relief to evacuees from Burma this principle has unfortunately been only partially applied and as a result the "evacuees' problem" has presented some aspects of racial and other discriminations. Furthermore, a proper satisfaction of the claims against War Risks Insurance is urgently needed. The manner in which the War Risks Insurance Board of the Government of Burma is disposing of the claims of subscribers to the Scheme, has caused considerable misgiving and the Board has failed to give a fair and square deal, particularly to the Indian subscribers. It is reported that quite a large number of claims of Indian subscribers are rejected, because the claimants are unable to prove that goods, that were insured, are actually destroyed. The burden of presenting such proofs has been thrown on the subscribers themselves although it is common knowledge that the circumstances in which they had to leave Burma were such that no evidence of actual destruction could have been collected or brought by them. Outright rejection of such claims is highly unfair, especially when the Government of Burma have got complete records of the goods insured under the War Risks Insurance Scheme. Those who have a claim against War Risks Insurance must have an assurance about their dues, if they are not to be left at the mercy of fate or of the relief-giving authorities. There is also the problem of compensation to be given for the goods and property destroyed under the 'Denial policy' of the Burma Government.

The slogan of 'Burma for the Burmans' had gained favour among the ruling class in Burma in recent years. But it would be in their own interest to examine the problem of foreign interest more objectively and not to introduce this principle by back-door methods such as by discriminating against any particular sections in the matter of giving compensations or restoring property and rights of ownership, or by tampering with contractual and other obligations. So far as India is concerned, the majority of Indians in Burma consists of big merchants, landlords, members of specialized professions, Government servants, railway and dock-labour and petty shopkeepers. Most of these had made Burma their Dun home. While everyone would agree that the economic conditions of the Burmans deserve improvement, it is necessary to rectify mistaken notions that were propagated in the Burman mind that foreigners with lower standard of living were depriving the Burmans of the means of decent livelihood. It is true that to a certain extent foreign unskilled labour did compete in the Burmese labour market, but even in this sector the Indian immigrants working in the rice fields of Burma brought with them a more different technique of rice-cultivation. This was mainly to the advantage of Burma herself.

The problem of Immigration into Burma must be studied in its proper perspective. The transition of the economy of Burma from the 'domestic agriculture' or 'subsistence farming' to the intensive "industrial agriculture" in the last quarter of the 19th century, was the main factor necessitating import of labour in Burma —and it was for keeping pace with this development, that an abundant supply of Indian labour was essential. While this process was bound to have its subsidiary effects of introducing Indians to Burma in other walks of life, there was plenty of room for Indian immigration

and Indian settlement in Burma. In fact, Indian immigration into Burma constitutes rather the measures of the rapidity and the quantum of the development of Burma's economic resources, than any real Indian penetration of Burma. This process was assisted by the fact that the Burman labour was not suited to the condition of labour in certain regions, particularly rice growing regions, and in certain categories of trade, as also by the fact that the Burman could not adjust himself to the exacting conditions required of an agricultural country supplying the needs of a commercial market. The correctness of this analysis is further strengthened by the fact of a continuous decline in the gross figure of immigrants from India to Burma since 1927-28, that is, during the severest economic depression in the world, particularly in the agricultural countries. If, therefore, the process of Burma's economic development is to continue and increase under the Reconstruction Plan, labour problem in Burma is bound to present the same historical features. Of course, it is necessary to take into account the long-term factor of increase in population in that country in future as well as that of increased education and training of the Burmans to suit the requirements of Burma's economic development. Nevertheless, needs of increased industrialization of agriculture as well as of rebuilding and extending railways, ports, dock and other construction would require a far greater number of skilled and specialized labour and until Burma is able to provide the same from the local source, immigrant labour will have to be relied upon.

The question, therefore, whether in the occupations in which Indians are mainly employed, they have displaced Burmans or could be replaced by Burmans, becomes less controversial. The whole history of the development of Burma suggests that there has been a general division of work between the two races and that Indian labour has been supplementary rather than alternative to Burmese labour. It must also be remembered that it was the political separation of Burma from India which seems to have changed the status of these Indian workers to something resembling that of foreign workers. It would neither be in the true interest of Burma nor fair to the Indian workers to treat this problem as though it were strictly analogous to the problem of other country; therefore, both Indians and Burmans need public re-assurance—Indians, that their status in Burma will be upheld, and the Burmans, that economic growth and welfare of the Burmans will be guaranteed.

Just before the war, in June 1941, Indo-Burma Immigration talks were held between the representatives of India and the Government of Burma. The Government representatives had arrived at a tentative agreement with the Government of Burma in regard to right of entry of Indians into Burma. This tentative agreement never came into effect owing to various reasons, among which the most prominent and fundamental was the serious objection and vehement opposition to the agreement in the country from all parties and interests. Thus, the Indo-Burma Immigration problem cannot be said to have been effectively and definitely solved by the two Governments. In fact, the problem was so controversial that any hasty action in that regard would have been unwise. The circumstances as well as the aspects of this problem have changed on account of the political and military transition and it is desirable that this problem should be discussed, considered and solved *de novo*. The people of India have always demanded that the status, privileges and rights of Indians in Burma should in no way be inferior to those given to British subjects. It is on that basis that the problem of Indo-Burmese Immigration can be solved.

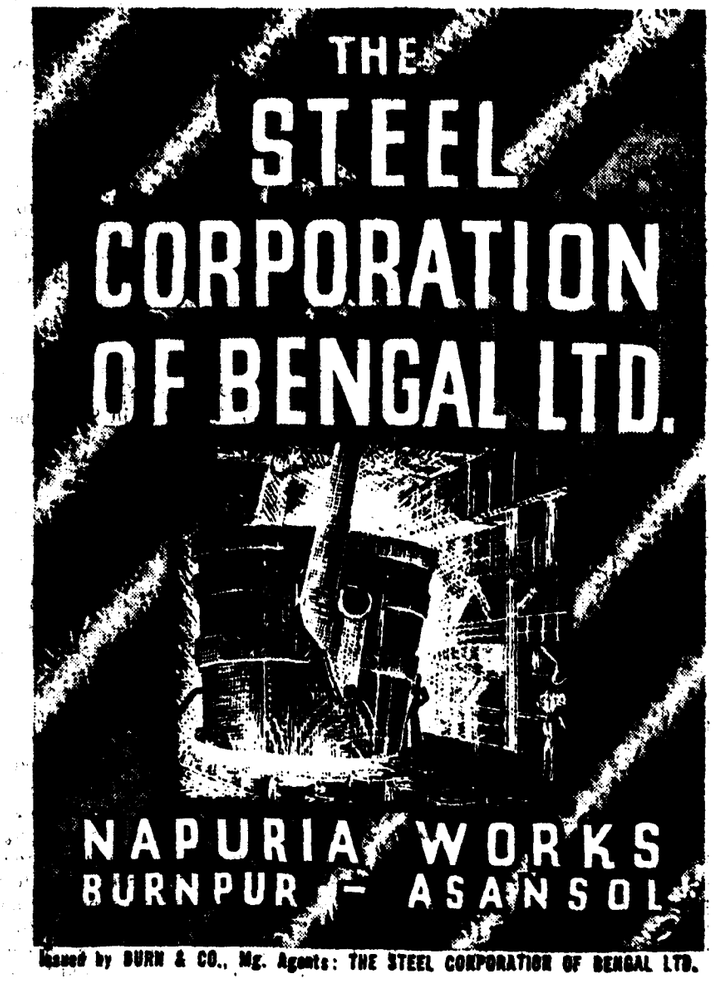
The question of Indo-Burma Trade relations is only next in importance to that of Indo-Burma immigration. The trade relations between the two countries are a subject of negotiations and bargaining. Of course when one party drives a hard bargain, it is bound to create some heart-burning in the other party. That was the situation when Indo-Burma Trade Agreement was signed in June, 1941. Indians had a particular grievance, which was directed primarily against their own Government who failed to drive a proper bargain with the Government of Burma. Before this Agreement came into being, there was free trade between the two countries, which had formed the basis on which the economy of the country supplemented that of the other. Both the countries have the same currency and this has facilitated the trade by guaranteeing stable exchange—absence of which had elsewhere in the world at times played havoc. At least in the immediate post-war perspective, export of essential and other commodities from India would play an important part in rehabilitating the economy of Burma. During that period, therefore, it will be desirable that Burma should not resort to import duties on the goods from India. Once the economic conditions in Burma are normalized, Indo-Burma trade relations can be reviewed in the light of experience of the rehabilitation period as well as in the light of long-term perspective.

It will be remembered that India occupied a very strong position in the Indo-Burma trade, as she accounted for more than 55 per cent. of the total exports of Burma, 80 per cent. of which was made up of rice, oil and timber. Position of these articles in Indian market is such that this trade is not vital to India, because these commodities can be procured from other sources. Export of rice from Burma formed only 5 to 6 per cent. of the total Indian yield. India has suffered much during the war, by neglecting intensive production of rice in India with a view to make her self-sufficient. Even before the war, the production of rice in Bengal had been influenced by the free export of rice from Burma, because Bengal's paddy cultivation is nearly 30 per cent. of the total area under rice in India and as it produced 37 per cent. of the total Indian rice crop. Free import of Burma rice had exercised a demoralizing influence on the price and production of rice and paddy in Bengal. The Inquiry Committee of the Bengal Government, in their report, submitted in September, 1939, had recommended the fixing of a free quota of Burmese rice and a duty of import exceeding that quota. As regards oils —kerosene, petroleum, mineral and duplicating oils— India used to absorb practically the whole of Burma's production, but this does not mean that India had to solely depend upon imports from Burma. India had to favour the Burma products because of the international cartels' arrangements between the Burma-Shell Standard, Socony and Dutch Oil groups. The outbreak of the war in the west and consequent cutting of the supplies from that source, had rendered the supplies from Burma very essential and helpful to India. But in normal times, world competition in oil is so very keen that, but for the help of the cartel arrangements and the preference of 11¼ pies (subsequently reduced to 9 pies in 1941) per gallon given to Burma oil over her Rumanian and Russian competitors, Burma would not have been able to maintain her position in the Indian market. It must also be realized that the advantage of the preference, which was given to the Burma oil did not accrue to the Indian consumer but to the British oil interests and virtually amounted to a subsidy from the Indian taxpayers' money. In regard to Burma's timber exports to India, Burma would be in a difficult position in the Indian market if it were exposed to unrestricted

competition with Siam's exports of the same. Thus Burma's exports to India may be helpful but not vital to India. On the other hand, Indian market is vital to Burma.

When we examine the position of Indian exports to Burma, it must be admitted that the free trade between the two countries, had definitely given a secure position to the products of a number of Indian industries. However, it must be remembered that India's exports to Burma constitute 50 per cent of Burma's import trade while it forms scarcely 7 per cent. of India's total export trade and as such is not of such vital importance to India. Of course, if it is open to Burma to reduce the tariff duties on foreign goods, which compete with the Indian goods, it would undermine the privileged position, which India might occupy in the Burma market. However, under the present Imperial economy, what Burma can do is to give preferential treatment to Great Britain and other Empire countries except India. But to what extent these countries might be able to offer something to Burma, which would be comparable to the advantages of an expanding market in India is problematical. In spite of all these factors, in the Trade negotiations in 1941, Burma drove a very hard bargain and it was primarily done to improve Burma's revenue receipts and not to protect any of Burma's industries. It was calculated that Burma secured a net receipt of nearly 1½ crores as a result of the customs levy, which she imposed upon Indian goods in Burma. Raising of revenue during the war-time through these measures might be legitimate, but we have yet to hear of a trade agreement being sought or concluded for the purposes of raising revenue. The Agreement became still more unfair to India when the Government of Burma imposed Rice Control Order and thereby sought to increase her revenues at the cost of the Indian consumers of Burma rice. If the Government of India were free to impose import duty on Burma rice, it would have at least secured the benefit of revenues to the Government of India and at the same time satisfied the demand of Bengal rice cultivators. All these factors shall have to be taken into account when Indo-Burma trade relations are reviewed.

From the point of view of India, the reconstruction of the economic system of Burma is a problem of stabilizing and reconstructing Indo-Burma relations in all its aspects. If the economic policy of Burma is such as to deliberately inflict injury on the interests of her neighbour which is primarily interested in Burma's prosperity, both the countries will be loosers in the long run, and Burma the greater looser since she depends more on India, so far as her export trade is concerned. The policy of the Burma Government, therefore, must be designed to help the achievement of healthier relations between the two countries and the policy of the Government of India should be to render maximum help to Burma in this objective so that the economic prosperity of both the counntries that were part and parcel of Greater India only a few years back—is facilitated.



Colonial Raw Materials

II

(Contributed)

THE fundamental problem that of world's underconsumption of raw materials on the one hand and under-consumption of manufactures by the raw material producers on the other, has not been sought to be solved at all by the present U.S. raw material plans. They are the two aspects of the same question, viz., world's ineffective demand and low purchasing power. The Federation of British Industries have put their finger on the real want of the age, viz., inadequate purchasing power. It is a question of establishing a balance between countries that are essentially producers of raw materials and industrial countries. It is a question of equalizing the position of a worker in industrial country with those in the raw material producing areas, so far it is consistent with economic efficiency and unrestricted mobility. A very small rise in the individual standard of life in the raw material producing areas would have a profound effect on the world economy. Vast areas in such localities are only affected in places by industrialization and have a standard bounded on the whole merely by the idea of satisfying the most elementary necessities of life.

Most of the foreign capital that has so far been invested in these areas have been devoted to facilitating transport, mining, and such like development for the provision of raw materials and foodstuffs for the rest of the world. In most cases the world has not been able to absorb the resulting production, or at any rate, not at prices which would help the producer towards prosperity. How much the world owes to unjust wages to raw material producers can be easily realised from the failure of the attempted tea industry in the U.S.A. The climate and soil of the U.S. is as good as that of China for tea, but the decent wages of the American do not permit its development in that country. Possibly the world would have to go without some of the essential commodities if decent wages were to be paid, for instance to the tea and jute worker; possibly Buna would be cheaper than real rubber. The raw material producing countries want therefore no Raw Material Development Corporation for raw material production but they need help to produce other things where decent wages can be had. Any corporation would be welcome for them if it helps their industrialization through an equitable system of lease and lend.

But even in this matter the choice regarding the pace and direction of industrialisation should rest with the colonial countries themselves. The familiar example of power development in China which is given as an instance of development which such corporation may undertake in spite of its being temporarily uneconomical, would be a positive harm to the colonial country, if the project is very much in advance of more pressing present needs. There is the apprehension of the precise lines of development being projected on the redundancy of particular kind of capital goods in the industrial country at any given moment, instead of its being planned upon a balance of immediate consumption needs and future capital needs in the colonial country. It is a matter of delicate adjustments between the industrialised and unindustrialized countries and is not a question which can be safely left to International Finance working through the International Bank.

Another obvious solution for removing the disequilibrium in world economy is the removal of all restrictions on migrations. Open door for labour to undeveloped countries and to places where wages are unduly high may be safely demanded as a counterpart for open door for industrial products and open door for the exploitation of raw materials and cheap colonial labour. It is a situation worth contemplating whether the world would not have cheaper American automobiles, if all race prejudice is buried in the post-war world and the valiant Chinese comrades-in-arms now, are allowed to go and work at Detroit and Chicago. Modern times have shown that there is no absolute relation between high wages and efficiency as was commonly supposed; otherwise there would be no agitation against the Indian labour in South Africa and no prohibition of cheap Japanese goods in so many parts of the world. Cheaper industrial goods would go a long way in solving world's disequilibrium and one way to accomplish it is free migration of capital and labour to most congenial environments. And this no part of the present U.S. plans for solving the raw materials problem seems to undertake.

Now let us analyse the work sought to be performed by the International Commodity Stabilization Corporation. Buffer stocks are sought to be maintained to supply essential raw materials at reasonable prices. The first difficulty that presents itself under such a plan is to be precise about what such essential commodities are, and in what state of working up and processing their prices are sought to be stabilized. Secondly, the industrial importance of particular raw materials is constantly changing and similarly are the relative importance of sources of supply.

The raw material question was raised by the Axis particularly with regard to colonial supplies but as a matter of fact the greater dependence of all countries for their raw materials is on sovereign powers themselves. The colonial products that are today needed by the world are the following:—

	Per cent.
Tin (Malaya)	28
Tin (Netherlands East Indies)	17
Chrome Ore (South Rhodesia)	23
Mica (India)	75
Cotton (India)	40
Jute (India)	99
Rubber (Malaya)	41
Rubber (Netherland East Indies)	33
Sisal (Tanganyka)	45
Sisal (Netherland East Indies)	26
Manila hemp (Philippines)	100
Lac (India)	80

Tea, copra, oil-seeds, groundnuts, sugar, palm oil are mostly colonial.

Monazite sand (India).

Now there are substitutes for all these commodities and without minimizing the importance of these commodities for world's industries it can be safely said that they are not indispensable to the industrial life of any country. It is not evident yet whether the supplies of more important materials lying in the sovereign territories for instance iron ore in the U.S.A., Sweden and Spain or oil in the U.S.A., U.S.S.R., East Indies and Middle East, are going to be matter of international control. If the scope of international control is going

to be as wide as to comprehend all raw materials from sovereign as well as non-sovereign areas, it would be a matter of unprecedented control and direction over a vast sphere of world's economic activity.

Confining the discussion to the colonial raw-material supplies and difficulties of operating their buffer stocks, it has to be noted that the prices paid for most of such commodities consist mostly of shipping and carrying costs. Further the conditions of production are very different in all the raw material producing areas. These difficulties have to be overcome before a single reasonable price can be stabilized on the basis of which we may imagine the stabilization corporation carrying on open market operations in commodities.

In order to prevent expansion of production in comparatively favoured countries at the prices fixed, quotas for maximum production would be soon called for. These measures are in the interest of producers in times of bad trade and are, therefore, workable; it would be a difficult proposition to maintain such a policy in face of rapidly increasing demand.

The lack of reliable and flexible standards for formulating a proper price policy would be a serious obstacle to permanent and continuous working of such control. No rigid standards beyond a rough adjustment of prices to costs are at all possible to set up. The usual method of relating prices to some element in the cost of production would be impracticable and may be highly objectionable if wages are sought to be internationally stabilized in this way. In any case the method of fixing the price sought to be maintained would be a highly empirical procedure. So far as industrial stability is sought through such stabilized prices it is bound to prove a misnomer as in the long run such partial planning in a planless economy is bound to throw impossible burden of readjustment on other elements in industrial life. Such cartellization would magnify the tendency towards rigidity which is so antipathetic in a system of private enterprise both to the full utilization of productive resources and economic stability. There would be similar difficulty in the fixation of quotas of production for want of suitable standards. Some countries are in international trade with the advantage of nearness to certain markets, others with high degree of productive efficiency, some with unusually cheap labour; and all may claim the higher share of world's production on very different standards of capacity to supply the world market. It may be apprehended that such stabilization would retard the introduction of new processes, hamper technical progress and perpetuate costs. The problem of eliminating internationally derelict producer would be a very formidable difficulty.

The plan of stabilization might have some important advantages to the raw material consumer countries inasmuch as stabilized prices will help them to plan their industrial production in advance. The stabilization of prices is in itself unnecessary for overcoming the difficulty of payments which has been the greatest problem in procuring raw material supplies. It is possible to think that the ideas of buffer stocks and stabilization have been associated with accessibility today because Britain feels her depleted resources after this war would put her at a considerable disadvantage in maintaining commercial stocks for her needs, and put her at the mercy of fluctuations similar to those felt by non-haves in the pre-war days. Britain may be in favour of such a plan particularly because much of restrictions in colonial possessions would not be tolerated by her major partner in post-war reconstruction, namely, the U.S.A. On the other hand the U.S.A. is anxious firstly that no country should have an advantage over herself in procuring materials as for example when Britain gained under her scheme of Empire preferences, and secondly, that her economic development should not at any time be impeded by lack of adequate materials. Further the most acceptable form of repayment for her colossal Lend and Lease obligations from all the world can be only the supply of her raw material deficiencies. This would make her the most important raw material consumer country. Thus the two consumer countries, U.S.A and U.K., with their ascendency in the International Bank would have effective control over the production and distribution of raw materials operating through the two subsidiary corporations that have been planned. One can not be sure that the price policy under the circumstances would be regulated in the best interests of the producers.

It can be reasonably expected that the purchasers of regulated commodities would take the buffer stocks into account in forming their market policies. This is to say that if the stocks are accumulated as an addition to existing stocks the price would tend to be depressed to a lower level than would otherwise be justified, since such stocks would be considered available. It may result in a reduction of the normal market stocks in consuming countries by an amount equivalent to the amount of reserve stocks held by the 'stabilization.' This would make the raw material supply position less elastic than before as some time must elapse before buffer stocks can be released wherever it is temporarily in abnormal demand. Another relevant apprehension is that a part or whole of the financial burden of such commercial stocks formerly held by consuming countries, might be shifted on to the producers in the name of stability, which would not be an unmixed good even when successful.

But even when we grant that a reasonable stability can be maintained through such international control as is planned and that adequate adjustment of supply to demand can be thus made universally, the question whether the world is yet fit for the sort of international control over the whole field of economic life remains doubtful. Partial planning in respect of raw materials alone, while the question of mobility of labour and prices of manufactured goods remain unregulated, would only add to the prevailing disequilibrium in world economy. It was apparent at the Hotsprings Conference that even in the post-war world the sole responsibility for standards of life and welfare is going to be only national. Such responsibility necessitates national planning of resources and no such national planning can be consistent with the degree of international control necessitated by these plans. Countries producing raw materials with the responsibility for their national economic welfare on their own shoulders can ill afford to open their doors to all forms of international regulation of their products.

Naturally enough, they want effective voice in the production and distribution of raw materials and the real solution and the only right solution in our imperfect world can be to raise the status of raw material producing countries to parity with the consuming countries. Every consumer can then depend on equal commercial access to raw materials of which there is a plenty and no scarcity in the present day world. Larger state units with more or less self-sufficiency in essentials of their life and industry is another solution. One can think of such units as the U.S.S.R., Europe, U.S.A., Britain and her dominions, a free India and China with well-balanced economy as between the production of raw materials and manufactures; such a state of affairs would naturally solve the problem of access to raw materials more or less permanently.

THE WORLD ABROAD

The U. S. Price Reduction Programme

(From Our Washington Correspondent)

WASHINGTON, Sept. 21. (By Cable).

ANOTHER struggle wherein farmers are arrayed against the U.S. urban sections of the population emerged in the controversy over food prices which was one of the important issues facing the Congress which was convened last week after the summer recess. The Administrators down from President Roosevelt seem determined to lower food costs as a part of the campaign of anti-inflation and hope to accomplish this through the use of subsidies. The Republicans contend that the subsidy plan will not only be wasteful but will be sadly ineffectual.

Meanwhile the American farmer is making more money today than ever in the history of the U.S. and is spending some but saving most. The survey conducted by the Department of Agriculture showed that the farm purchasing power in the form of demand deposits, in the banks serving twenty leading agricultural States, was sixty-seven per cent. higher in June, 1943 than at the close of 1941. Farmers have reduced mortgages but bankers say debt reduction has been much less than the sharply rising income would normally justify. One of the principal reasons for swelling deposits in rural areas is restricted outlets for spending due to shortage of manufactured goods. Bankers point out this trend reflects tremendous potential buying power among the farmers for post-war products.

Mr. Chester Bowles, General Manager, Office of the Price Administration, announced last week that the price reduction programme is designed to reduce the cost of living by 2.3 per cent. through lowering the retail prices of potatoes, lard, apples, oranges, and a few other products. He said that this goal is attainable by subsidies, crop purchases by Government and resale. He hopes eventually these will bring the cost of living to within 1.3 per cent. of the September, 1942 level.

The Congressional leaders of the Republican Party immediately assailed Mr. Bowles' proposal as impracticable declaring that hundred million dollars are inadequate to effect even a 2.3 per cent. reduction in the cost of living and asserting that at least one milliard dollars would be needed. The statisticians have noted that the hundred millions wherewith Mr. Bowles is presently operating, is less than 0.4 per cent. of the total United States food expenditures of last year. They have also pointed out that oranges, apples, potatoes, lard and other oils whereon Mr. Bowles is now concentrating are comparatively insignificant items.

Thus between September, 1942 and August, 1943, prices paid to the farmers for chickens and eggs increased by 16 per cent. Other percentage rises in major foods included dairy products 16, fruits 62, meat animals 3, grains 35, truck crops 20. These gains are due chiefly to Congressional reluctance to put ceilings on farm prices. The result is Government seeks to absorb increases through subsidies which naturally and must eventually be met by the taxpayers.

True, Mr. Perkins, the Secretary for Labour, was able to announce a third and consecutive monthly decline in the cost of living which amounted to 0.5 per cent. between mid-July and mid-August. Previous drops were 0.2 per cent. for May-June, and 0.8 for June-July. But food prices still remain nearly 47 per cent. above the prewar level and 9 per cent. above that of a year ago.

Although Mr. Bowles had hundred million dollars wherewith to inaugurate the price reduction programme he has admitted that he will occasionally have to ask Congress for authorization of additional subsidy funds if new pressures develop. The New York Journal of Commerce, typifying the general criticism of this procedure, remarked that it is "only the continuation of the Administration's patchwork price control policy which has plagued the effective administration of anti-inflation programme almost from its inception; they are still operating on the principle of plugging the dyke wherever leaks develop instead of building a strong dam."

Whether the subsidy plan will succeed in not only controlling prices but actually reducing them is a question answerable only in the future. But it is certain that Congressmen representing agricultural constituencies will continue the same effective battle against the imposition of price ceilings on major crops particularly grains. Farmers admit they are at present enjoying the greatest prosperity in American history but angrily rebuff the suggestions for lower prices by retorting that farm earnings cannot be considered for one single year only but must be averaged over a decade or more to compensate for lean years. Their argument also invariably includes reference to alleged swollen corporate profits and high wages.

Despite minor declines in cost of living economists are still perturbed over the inflation spectre. Thus Dr. O. M. W. Sprague of the Harvard University last week told the convention of American Bankers' Association that the inflation dangers are real and could be averted only through the continuation of war-time controls administered with increasing difficulty. Dr. Harold G. Mouton, President, Brookings Institution, at the same meeting stressed the inflationary threat of endlessly increasing public debt which rose to 64 milliard dollars in the year ended June 30, 1943.

The Revised White Plan.

(From Our London Correspondent)

LONDON, Aug. 26 (By Airgraph).

ACCORDING to cables from Washington a summary of the revised American currency schemes has been published there. When the White Plan was first published in this country there were many who read between the lines of a hidden attempt to restore the old rigid gold standard. The difference, they say, would merely be that in future New York would rule the roost while in the past it was London. The summary as cabled seems to indicate that the pessimists were right to a large extent.

The new proposals allow for a larger Stabilization Fund and to some extent compromise on the question of voting power. But acceptance of these proposals would also mean that countries with devalued currencies would, as of old, have no other recourse for correcting the disparity than by internal deflation. The ruin which followed those policies of deflation during the interval between the two wars is still vividly remembered here.

The following are the main points on which the revised version differs from the original plan. It is suggested that member countries should start with exchange rates as at July 1, 1943, in relation to the dollar unless this should be "clearly inappropriate." Rates, however, may be adjusted during the first three years by 10 per cent. either way or more with the consent of a simple majority of the International Board. After that alterations in the rate of exchange will only be allowed with the consent of 75 per cent. of the votes (in the original plan 80 per cent). Further, the maximum of the votes to be held by anyone country is reduced to 20 per cent. of all votes as against 25 per cent in the old plan. This will remove the power of absolute veto by a single country.

The gold value of the Unitas would no longer be unchangeable but 85 per cent. of the votes would be required for a decision to make a change. On this point, therefore, the absolute power of veto will remain with either of the largest voters. In other words, such a change could only be effected if the United States Treasury wanted it. The total fund which in the original scheme was fixed at $5,000,000,000 of which one half must be paid-up, may be increased to $8,000,000,000 if as many as thirty countries join the scheme. It is further proposed to increase the proportion of gold in the original contribution to the fund to 50 per cent. No definite provision is made for blocked war-time balances.

The fund may buy such balances in the first few years up to 10 per cent. of the quotas and the plan provides for new arrangements for the gradual liquidation to be proposed after two years. Yet an ever more peremptory demand for immediate abandonment of exchange restrictions except for capital transfers is made. The Board will place *conditions* on over-importers and demand additional gold from them; but persistent over-exporters will merely receive a 'report.'

It may be that when the full revised scheme is published there may be some small redeeming features not noted in the cabled summary; the salient points however are those already reported. Of these the City Editor of the *Manchester Guardian* writes: "Let it be said at once that no British Government could accept anything remotely like these proposals and remain in power beyond the first post-war election."

It is unfortunate for the future co-operation of the nations of the world that American and British notions on monetary matters are so far apart. To some extent this may be so because British opinion, both public and official, has had the benefit of much public debate of the problem during the last twenty years. Be that as it may, the fact is that public opinion in Great Britain is better prepared for facing the currency problem squarely than the American. Yet even in this country it is evident that few economists and politicians have thought the matter out deeply enough, to be able to put their proposals on a rock bottom foundation. Keynes and Durbin almost alone so far have grasped the idea that unless continuous circulation of currency and currency surrogates, such as bank balances, is achieved by it, no monetary system will be able to stand up to the demands made on it by modern trade and exchange. It is on this fundamental point where the Keynes Plan differs radically from the White Plan and its revised version. The latter, moreover, entirely omits any attempt to deal with this fundamental problem.

American critics of the Keynes Plan accuse it of being a system to fleece the American creditor. They entirely fail to see that a creditor, particularly a vendor-creditor has as much of an obligation, indeed as much of an interest, in speedily re-employing his liquid balances as has the debtor to fulfil his obligations. In a sense the buyer-debtor obliges the other by taking off the latter's goods and services since they were produced for no other purpose than sale. Thus the vendor-creditor, by not buying himself on receipt of the proceeds of his sale, makes it impossible for some debtor to turn his output into cash and with the latter to satisfy his creditors. If the holder of liquid balances cannot himself make direct use of them he will serve himself and the world if he brings those balances back into circulation by lending them. And this in the aggregate also applies to trade and monetary exchange between countries. If, therefore, the proposed Board shall have power to make

conditions for the over-importing (debtor country), it must also have power and make use of it to place appropriate conditions on the over-exporting (creditor) country.

Whether gold is or is not to play a part in the scheme is of little importance except to gold producers and gold hoarders. It is of paramount importance, on the other hand, *how* any such proposals would be applied. The large gold deposit demanded is decidedly a retrograde proposal but otherwise the linking of the Unitas to gold value may or may not be an impediment to the efficiency of the scheme. The crucial question is: On what basis will the evaluation take place and, will the gold-Unitas relation be changed whenever the price relation between gold and commodities changes? As such a change will require 85 per cent. of the votes it is more than doubtful that any such thing is intended in the revised scheme.

The first and main plank in any such scheme and which is entirely absent in either the American or the British plan should be a stipulation that both (a) the gold-Unitas valuation, and (b) the rates of exchange between individual currencies and Unitas must be based on a *purchasing power parity.*

Contrary to general belief, the orthodox gold standard had in fact this very postulate as its working basis. In the final analysis gold is worth as much as it can buy. And the fact that gold would flow to the country where it could buy most made a modicum of success possible for the gold standard. Gold helped to even out disparities in that it followed the positive disparity and thereby restored parity again. It failed in that gold production cannot be quickly and efficiently adjusted to the varying demands of international exchange. The same good results but without the drawbacks of the gold standard can be achieved by paper currencies based on the purchasing power of the individual currency unit. If a number of such currencies are co-operating in an international scheme, again, the international currency may consist of no more than a name and book entries, but it would be assisted by also having tangible tokens, in other words international currency notes. The latter could then be sent about in the same way as gold was sent about in days gone by. But if gold is retained as the token, let the token by the subsidiary instrument be governed by the true relations between individual currencies and the international currency. If all individual currencies are managed on a stable purchasing power level there must, automatically, be a stable rate of exchange in ordinary times. Such a system would at once lend help to the freeing of international trade all round. In fact any real progress in solving the problem of international trade is dependent on just such a system.

Thus far, unfortunately, all discussion about currency, exchange and international trade is being conducted in independent vacuums. Yet the main problem is simple enough once faced with intellectual integrity. As to the different currency and trade schemes now before the world, Keynes Plan and White Plan included, they all suffer from the same main defect. They are much too ambitious on the purely managerial side, yet they are all not ambitious enough on the fundamental side.

An Indian Ocean Security Commission

LONDON, Sept. 20. (By Cable).

INDIA, as the Headquarters of a vast post-war scheme of regional defence, covering all countries bordering the Indian Ocean or having interests there is sketched by an anonymous writer in the quarterly *Agenda* published by the London School of Economics and devoted exclusively to problems of post-war reconstruction.

Under the pen name of "Tabloid," the writer suggests a scheme which is on the one hand "looser than federation" and on the other hand inevitably embraces not only military but also economic and political problems; and this would not be any unnatural or artificial development "because of the history of habit and practice of co-operation left behind in the region."

The test of membership as suggested by the author would be whether a country's trade and interests are predominantly through the Indian Ocean including the Red Sea, the Persian Gulf and the Bay of Bengal. Thus Egypt, Sudan, and Palestine though bordering on the Red Sea would not belong to it; Iran and Siam also would not be included. On the other hand, Iraq, Soudi Arabia and former Italian East Africa would meet the test and Ethiopia, Afghanistan and Nepal might be associated as members. What differentiates this entire region so far as the problem of post-war security is concerned is the fact "In the Indian Ocean area the primary danger is not that of spontaneous combustion from within but external intervention and assault."

The writer proposes an "Indian Ocean Security Commission" with only advisory powers and not with any executive ones. A general council might be comprised from each of the following countries:—

India—one Hindu and one Muslim; Australia, The Union of South Africa, New Zealand—if it joined, together with Iraq, Ceylon, Burma, Malaya, Netherlands East Indies, Holland, France and Portugal.

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COMMODITY CONTROLS SECTION

III

Sugar Control

I

IT is fortunate for the sugar control scheme that since its inception it has had as Controller the same person who unlike controllers of other articles was not driven from pillar to post. This circumstance has given to the scheme a consistency in objects and methods not found in the same degree in controls of other articles. This is not to say either that the Controller has succeeded in convincing the industry with his control methods or the consumer with his view of success, but only that he has muddled through the preliminary difficulties and is now in a position to substantiate the claim that the responsibility for not ensuring 100 per cent. success rests on other people's shoulders than his own.

Sugar was among the first of the commodities subjected to wartime control and Mr. Mehta has been struggling almost for a year and a half by now to make sugar available to us at reasonable prices. On April 13, 1942, a Government *communique* announced that a control over sugar prices had been deemed necessary for the sake of consumers, and a measure to secure this came instantaneously into force on the 14th of that month. But the prices prevailing at the moment were not very high—it was Rs. 12-8 per md. for C-28 and the price sought to be enforced was Rs. 11-12, only twelve annas less—and the consumer was experiencing no unusual difficulties when the control came into existence. The control was introduced without consultation with the industry and without any well-formulated mechanism for replacing the existing wholesale and retail distributive agencies and enforcing the measure. It had many intrinsic defects that were remedied only after costly experience, and the controller had to spend much time and energy in circumventing the pitfalls of his own creation. The industry felt outraged at the manner in which it was left out of the picture in the working of the control and the way in which its offers of wholehearted co-operation were spurned. Many others doubted the purposes of the introduction of this measure in such hot haste and apprehended sinister motives, without justification.

There was, as a matter of fact, a clear case for control in this industry in the interests of the consumer and the measure was none too early. The fall of Java and the destruction of its industry, fundamentally altered the importance of Indian sugar supplies not only for the home market but for all the neighbouring Asiatic and African countries and the Allies. Almost overnight the problems of excess capacity and restrictions over production overshadowing the industry during the preceding years gave place to the brilliant prospect of increasing demand at home and abroad and maximum employment. While the industry suffered from the malady of excess capacity, the Government of U.P. and Bihar, the two provinces where the industry is highly localized, helped the producers to maintain remunerative prices and regulate production and distribution through their syndicate. But while the consumer had everything to rejoice with the producer in the changed outlook for the industry in the world market, he could not be confident that the price policy of this highly cartallized industry would be to his advantage under the altered circumstances. Local shortages were likely to develop owing to industry being localised in two provinces, during the stress of wartime transport and it could be reasonably apprehended that dealers and producers might make the most unfavourable use of such opportunities for the consumers. Producers argued that since the prices were not very high and far lower than those during World War I when they were nearly Rs. 20 per maund, to prove that price control was uncalled for. But the consumer might easily retort that, it was just to avoid such contingencies that he had nourished the industry by means of a protective tariff. Thus the case for control in this industry was made out, and indeed is unanswerable.

The Sugar Controller was in a much better position to make a success of his measure than those who were entrusted with other commodity controls. He had the necessary statistics to his hand; the high degree of localization of the industry made the control over stocks easy; there already existed the regulation of dispatches and adjustment of prices of sugar; and lastly the industry was already accustomed to elaborate Governmental regulations. The tasks before him were to secure the maximum production the capacity for the industry being 15 lakh tons, rationalize transport and devise a distributive mechanism.

We need 12 lakh tons at the pre-war consumption level for our home market, further 50,000 tons have been estimated to be the requirements of armed forces and thus we may afford 2½ lakh tons to secure markets in the neighbouring countries and benefit from the fabulous prices prevailing in those countries. The first task before the Sugar Controller was the encouragement of most extensive cane cultivation and its crushing to the utmost capacity of the factories. A sufficiently high price for cane as well as sugar was thus called for to meet these objectives.

His next task was to make enough transport available for carrying the sugar produced to the consuming centres. Though lack of adequate transport was the most serious difficulty experienced before control this was not a very difficult business to solve, for the space required for transportation of all our sugar is insignificant when compared to the total load carried annually by our railways. Our railways carry nearly 90 crores tons of material annually and total sugar carried is only about a thousandth part of it. So far this difficulty was experienced mainly due to the unco-ordinated nature of demand from the various factories and unreadiness on the part of railways to be of maximum service to the industry. So Central Government control could easily solve the transport difficulties.

The third task of forging out a distributive mechanism adequate to the task was the most difficult job which needed to be faced for the success of the control. There was ready at hand the distributive agency of the Sugar Syndicate most willing to help the Controller in the matter. This producers' organization had on the very face of it certain disqualifications for being entrusted with the operation of a price policy when there was scarcity instead of plenty. But it was not difficult to create some form of marketing organization through the co-operation of nominees of Government representing consumers' interests, with producers, and cane growers' representatives. This would have been a step in the direction of permanent solution of one of the most important problems of this highly regulated industry. But the Controller thought otherwise; he started with complete confidence in himself and rejected the offers of help made by the Syndicate. On the other hand the Commerce Member fully aware of the exceptional conditions for the success of control measures in this industry, threatened nationalization in case any obstructive policy emanated from the industry.

Now let us see the methods through which the Controller sought to meet his difficulties and attain his objectives. The Sugar Control Order which came into force at once on the 14th April, 1942, provided that no producer shall dispose of or agree to dispose of after 30th April, or in pursuance of any agreement entered into on or before that date make delivery of any sugar except to a dealer recognized by the Controller or to a person authorized by him to acquire sugar on behalf of Central or Provincial Governments. This placed the disposal of all factory sugar at the direction of the Controller. This order implied the creation of a class of privileged traders to handle distribution and 164 of such dealers were recognized. It was further provided that every recognized dealer shall comply with such directions regarding the sale and distribution of sugar as may be given to him by the Controller. Thus these dealers were to be the pivot of the system of distribution under control.

An impressive list of duties and responsibilities were laid on their shoulders. It was expected that they would (1) sell sugar only to bonafide traders and sellers of sugar for retail distribution, (2) not withhold stocks from the market, assist steady flow of sugar from factory to the consumer, distributing the stocks fairly and evenly among the various consuming markets, (3) shall sell at control price and see that the sugar is distributed at control prices and (4) abide by the directions of the Controller. The price of Marhawrah Crystal (C28) was fixed at Rs. 11-12 per maund initially and a schedule of price adjustment of all sugar manufactured through vacuum pan process was specified, to be maintained everywhere at ex-factory plus actual transport and other incidental charges approved by the Controller. This fixed price was to have retrospective effect for all existing contracts which had not been delivered.

Though the amount of responsibility to be apportioned to the provinces for the distribution of sugar was not provided in the control measure, it soon became obvious that the provinces were going to take it fully upon themselves. They soon began to fix the maximum retail prices through district officers and thus fix what incidental charges the several provinces deemed proper. There were several other minor defects which would not have occurred, even at the initial stages, had the control been operated through people who knew the trade better. There were two serious defects which threw the market at once into confusion, One was the fixation of a price which did not allow the payment of Annas 7 for cane which was due to the Bihar and U.P. grower under the deferred payment system. This mistake was rectified on May 5 and the schedule for price adjustment was now fixed with the price of C 28 at Rs. 12-3-6. Another mistake was the retrospective effect given to the prices fixed. This was subsequently revised to imply the scaling upward of lower contracts as well as scaling down of the higher ones. The wisdom recently shown in applying Textile Control which proceeded after due consultations with industry and fixed a day long in advance for the inception of the control prices, would have prevented the confusion resulting from this measure which drove stocks underground and at once created the black market.

The various amendments which this imperfect and hasty measure called for led to its supersession by another control order issued on June 29, hardly 2½ months after the first order. Its features were firstly the extension of controller's authority and direction over the grades and qualities to be produced by the factories, secondly bringing of all transports by rail of sugar in excess of one bag under his permit after August 1 and lastly, placing Khandesari sugar, bura sugar, palmyra sugar and gur sugar under control for transport purposes. Maximum retail prices were subsequently fixed in September at Annas 6 per seer for bura and 5 annas for Khandesari.

The political disturbances which occurred in the sugar surplus areas soon after the inception of the permit system did not permit it a fair trial. There was widespread shortage of sugar in all provinces and particularly in Bengal that was getting most of its sugar from North Bihar, and for this neither the controller nor his measure could be held responsible. It was possible only in September that the Controller could take the press into his confidence and indicate how he wanted to distribute sugar to the different provinces. An *Associated Press* message said that the Sugar Controller had divided the consuming regions into major importing, medium importing and minor importing areas for regulating sugar exports from the producing to the consuming provinces. Import quota to the first category amounted to 71.4 per cent., to the second 18.8 per cent. and to the remaining 9.8 per cent. Bombay, the Punjab, Bengal and Madras comprised the first, C.P., Rajputana, Central India States and Sind the second and Assam, Delhi, N.-W.F.P., Orissa, Baluchistan, Jammu and Kashmir comprised the third group of importers. Quotas had been fixed for the total dispatches to these areas for the period June 1 to November 30 when the new crushing season was to start. Naturally the dispatch position revealed was not satisfactory in September and people were paying fabulous prices and dissolving 'Batashas' in their tea cups even at many places in the surplus areas.

By degrees a workable system of control was being introduced. Detailed directions were issued fixing the incidental charges and profits for the wholesaler at 8 annas per maund and for retailer at Re. 1. These were at first revised to 5 annas and 10 annas respectively and again modified to 8 annas in each case. The factories were permitted 100 bags per month for their gate sales. The list of licensed dealers was revised and extended. More of retail and wholesale dealers were being licensed in the provinces. As an efficient system of conveying sugar from the factories to the provinces was being built up by the Sugar Controller it was also apparent that the provinces had no will to follow up any uniform pattern and were interpreting the control differently. It was apparent now that the Sugar Controller was not going to undertake the responsibility for the final retail prices at which the consumer got his sugar. Left to the provincial competence it now depended on the measures taken by them, and was a question of their efficiency in checking black markets and collaborating on a uniform basis.

(To be Continued)

IMPORT TRADE CONTROL

New Delhi, the 17th September, 1943.

Holders of 'prepayment' licences valid for import of goods from the United Kingdom up to the 30th June, 1943, are informed that, where shipment was not made against the licences will stand automatically extended to cover shipments up to the 31st December, 1943.

Y. N. Sukthankar,

JOINT CHIEF CONTROLLER OF IMPORTS.

FROM THE PROVINCIAL ANGLE

Madras Letter

NEED FOR A GEOLOGICAL SURVEY—SOUTH INDIA'S MINERAL WEALTH—HAND-MADE PAPER—GOVT.'S SCHEME

(From Our Correspondent)

MADRAS, Sept. 19.

THE prospecting licences for mines and minerals granted to certain companies in this Presidency and the appointment of a new member to the Board of Revenue to be in charge of post-war reconstruction work have brought to the forefront the need for a geological survey. Though such surveys have been made piecemeal now and then, it appears that several years have gone by since such a complete survey, as would ensure the greatest benefit to the Country, was made and the need for one is all the more important now, if post-war reconstruction work and research schemes should be regimented and canalized into proper channels. So far as this Presidency is concerned, the Government have found it necessary to appoint a full timed officer to be in charge of the post-war reconstruction work and Mr. C. H. Masterman, I.C.S., has been appointed to the post. What would be the nature of his work and what schemes he will draw up are not known just now, but directions to this end are bound to emanate from the Central Authority. South India is very rich in mineral wealth. Deposits of fire-clay have been found in certain lands in a village in Madura district, and it has been estimated that about 2,500 tons of the material would be available here. The samples have been tested and the material stands a high temperature very well and can be used in the manufacture of refractories for which colour is not important. The material is said to contain fifty per cent. clay and absolutely non-plastic even after washing. The industrial possibilities arising out of this seem to be immense. As stated at the outset, recently certain companies have been granted certificates by the Madras Government for prospecting mines and minerals for coal, copper, lead ore, iron ore, mica, gold, manganese, silver ores, gypsum, garnet, magnesite, chromite and barytes. Greater prosperity and consequently greater wealth are bound to accrue out of these schemes. Travancore State is also making rapid progress in these directions. The State seems to have met with an initial difficulty of complete lack of statistics and to obviate the difficulties, a Department of Statistics has been created. A magnetic survey of the mountains has been undertaken. The State is now producing its requirements of salt and is also producing refined salt equal to the white crystals from Liverpool. Gypsum now being imported is also to be made available in infinite quantities very shortly. It is stated that the sands on the shores of Travancore contain titanium and other elements which offer infinite possibilities of phospatic production.

Piece-rate Wages Scheme in Ceylon

It is somewhat strange and surprising that nothing has appeared in the Indian Press about the introduction of the piece-rate scheme of payment of wages by the Government of Ceylon, to the rubber tappers on the estates, as an emergency measure for increasing the output of rubber. The tappers being mostly Indian Tamils, this Province is naturally interested in the welfare of its subjects in Ceylon. The Piece-rate Wages Scheme, according to the reports received from the Island, came into operation on September 1 and is optional and alternative to the Minimum Wages Scheme. This was asked for by the planters themselves, but only in respect of 30,000 acres, out of 600,000 acres under rubber, applications for registration under the Scheme seem to have been received. A few estates seem to have applied since, but a few others who had applied for registration seem to have notified their intention to withdraw from the Scheme. While the new Scheme has been termed a failure by some in Ceylon itself, the Government of India have lost no time in lodging their protest against this Scheme, which is definitely detrimental to the interests of the estate labourers. The objection seems to centre mainly on the right of the Indian Government, under an agreement, to enforce the payment of Indian immigrant labour, according to the Minimum Wages Ordinance. Certain provisions in the new Scheme give powers to the management of an estate to pay rubber tappers wages below the minimum wage in respect of five per cent. of its labour force. The Government of India seems to have taken strong exception to these provisions and maintained that not a single labourer should receive wages below the minimum wage. It seems that the planters claim unrestricted authority for each superintendent of an estate to penalize labourers with whose work they were dissatisfied and the Government of India, it is stated, have expressed their strong disapproval of any such authority being granted. The most surprising part of the introduction of the new scheme seems to be that on a matter vitally concerning Indians, the India Government was not consulted at all.

Increased Prices for Paddy

Mirasdars and landholders in the Cauvery Delta are gratified at the announcement of Mr. S. V. Ramamurthy, I.C.S., Adviser to H.E. the Governor, that the Government would buy paddy at increased prices. There has been a rise of four annas to Rs. 3 ex-village in the price of the short-term crop known as *kuruvai* and the price of the *samba* paddy old crop has also been raised by four annas over the present level. The Adviser has also promised to consider sympathetically the question of raising the price of 1944 *samba* crop. These measures are expected to bring out substantial stocks of paddy held in the Cauvery Delta. Ways and means to improve the methods of Government purchase and collection of stock, methods of payment and freezing of stock where found necessary have also been suggested to the Adviser during his tour of the southern districts this week. As I indicated last week, the mirasdars and agriculturists have made it plain that they are not averse to the collection of *kist* in the form of paddy but have urged, in the interests of the small landholders, that it should be optional and where it was collected in kind, it should be at the price fixed for the next crop.

Production of Hand-made Paper

To relieve the acute scarcity of paper felt in the Province, the Madras Government have undertaken a scheme to produce hand-made paper. Under this scheme, four plants are to be erected, one in each centre and the first in the series has been located at Bezwada at a cost of Rs. 15,000. A recurring annual expenditure of Rs. 48,000 has also been sanctioned. The plant, it is stated, will consume 1½ tons of hay and is expected to produce half a ton of hand-made paper every day. At present there are about 40 private plants in the Presidency engaged in making hand-made paper. The Government's policy seems to be to encourage private enterprise in this direction and the necessary technical advice is to be made available by the Government experts.

Cost of Living Index

The working class cost of living index for Madras City for August 1943 remained stationary at 181. The index number for the food group rose by one point to 213 owing to a rise in the prices of rice, salt, garlic and sugar. The number for the fuel and lighting group fell by two points to 176 due to a fall in the price of kerosene oil. A fall in the prices of piecegoods had the effect of bringing down the index of the clothing group by ten points to 220.

Bombay Letter

PROHIBITION OF 'BUDLA' TRANSACTIONS—DIFFICULTIES IN INTERPRETATION—CLOTH PRICES FIRM—POOR QUALITY OF 'STANDARD' CLOTH

(From Our Correspondent)

BOMBAY, Sept. 18.

THE reaction that followed in all the commodity markets following the unconditional surrender of Italy was a shortlived affair and the markets attained normality soon afterwards. No sooner did the share market recover from this than came the announcement about the prohibition of "budla" transactions with effect from September 24. To a certain extent, this or some such action had been anticipated and discounted in the market. In fact, the prohibition of the "budla" revealed a considerable accumulation of short interest which came out to cover and the immediate result of the Government's order was an advance in the share market especially in textiles.

The Ban on 'Budla'

A good deal of confusion prevailed as to the exact interpretation of the Order and the Stock Exchange spent some time in getting legal opinion. The ban on the "budla" is not a new ban, but only gives effect to the promise given by the Stock Exchange last year to the local Government. The Bombay Government had contemplated drastic measures against the Stock Exchange, but were prevailed upon by the Central Government to stay their action on the promise that the Central Government would themselves act. The origin of the present prohibition is this. During the crisis of March 1942, following the Japanese victories, there was a sharp break in the Stock Exchange prices and the buyers were unable to take delivery. The Stock Exchange represented to the Government of Bombay that to allow the sellers their legitimate right of giving the delivery would be to bring about a severe crisis. The Bombay Government gave a six months' moratorium to the buyers giving them the option to square up their position by the end of September 1942. This the Bombay Government did on the clear undertaking by the Stock Exchange that transactions on the Stock Exchange after September would only be on a cash basis and that there would be no such thing as "budla." In fact a cash transaction would mean the disappearance of forward trading and with it its concomitant, the "budla." This undertaking was not carried out in actual practice and from January of this year even forward business began with fortnightly clearings. The "budla" of course was not allowed, but this difficulty was overcome by two separate contracts being made instead of a single contract for the carry-forward of the open position. Despite the protest of the Stock Exchange the prohibition of the "budla" is in fact the carrying into effect of the Stock Exchange's promise to the local Government last year.

There is criticism about the drafting of the Order. The definition of the "budla" in the prohibition is "if it is done in consideration of payment or receipt of interest or other charges." The question is: what if the "budla" is made at par? Even as regards the period of delivery, the Government order is not quite clear and the Bombay Stock Exchange propose to conduct the business on the basis of weekly settlement without any facility for carrying forward open position. It may be pointed out that whereas the "budla" has been banned, there is no restriction against jobbing which is one of the big activities on the Stock Exchange, but it is surmised that in view of the prohibition of "budla," the activity of the jobbers will be reduced.

Cotton and Cloth Prices

Values in the spot market remained steady. A feature of the spot market was the narrowing of the difference between old crop Sind N.T. and the new crop from about Rs. 100 per candy to very nearly Rs. 70 per candy. The cheapness of Sind N.T. old crop has attracted the attention of the mills. The quotation of new crop Sind N.T. is Rs. 658 for November|December delivery. New crop Punjab 289F is quoted about Rs. 25 to Rs. 30 higher. Other varieties remained steady. Punjab LSS old crop has been sold up to Rs. 595. Another point is the strengthening of the quotations of new crop Jarilla 3|4 inches. Business in new Khamgaon Jarilla has been done at Rs. 540 per candy. In the foreign cottons, Sudans imported on account of the Government have begun to move after several weeks of inactivity. As regards the arrangement to be made for the Egyptian cotton, Mr. Kasturbahi Lalbhai, one of the delegates, in an interview stated that Indian spinners' demand for the higher qualities of Egyptians will be satisfied.

In the cloth market there has been a considerable broadening of the demand and prices have ruled firm. There has been demand from the Punjab, Delhi, Cawnpore etc. and free buying at current rates is is reported for the above centres. The assurance of Government purchase of surplus stocks has left no incentive with the merchants to push sales. In fact it has brought about anxious purchases from upcountry centres to cover at "ceiling" prices. So complete is the reversal of the trend from that which existed about two weeks ago that the Textile Commissioner last week issued a stern warning against the merchants putting up prices above the "ceiling" levels. In view of the multiplicity in the varieties of cloth and the public not being aware of the "ceiling" prices of each variety of cloth of each different mill, it is more than likely that prices in retail will remain over the "ceiling" rates. Checking or supervision by the Textile Commissioner will only remain in name. The solution

of this has to be a gradual standardization and a sharp reduction in numbers of different varieties of cloth.

Standard Cloth

The Bombay Millowners' Association have decided for the time being to sell cloth in retail shops without any restrictions on quantity. This bears out the unpopularity of the "Standard cloth." It is stated that the specifications of the shirtings of the "Standard cloth" are so low that the cloth used as a shirt would not stand the strain of repeated washings. Half of the women's sarees have been in plain black borders one inch thick. Why this particular mourning colour should have been chosen is not clear. On inquiry it is understood that the Textile Control Board have told the mills that their orders for "Standard cloth" November|December|January are not to be understood as "pucca" but are liable to change. The specifications of the "Standard cloth" are laid down by the mills. The Government rely on the mills to guide them and the mills having a sure buyer in the Government do not have to worry about the "Standard cloth" once it passes the mills' gates. In other words, the "standard cloth" is nobody's child.

Bullion

Gold prices registered an advance of Rs. 3 to Rs. 4 on Monday and Tuesday as the Reserve Bank refused to sell further after offering a big lot on Monday at Rs. 73-2. This helped the bulls to boost up the prices. Considerable investment demand has also sprung up during the week. As long as the demand for ready gold continues to exist at its present volume, viz: 30,000|40,000 tolas a day and the Reserve Bank sales are adjusted to the demand as hitherto, bulls will be able to operate profitably taking up on the slack whenever necessary and demanding a steady, not unprofitable "budlee" difference of two to four annas twice a week. The week's trading ended with a slight setback in gold prices on rumours of the Reserve Bank coming out to sell further and the fear that the present high price level may invite Government interference. However, with the 15-day Shradh ceremony in the near future, a falling off in the demand is normally expected.

In the Silver section, opening at Rs. 114-12, the silver rate went up to Rs. 118-6 on Monday due mainly to the sharp rise in gold and the smallness of the stock position. Trading during the week was characterized by bouts of buying and selling, as opinion in the market was divided. The rumour that Government have recommended to the States to stop speculation in bullion and groundnuts oil in Kathiawar led to some heavy selling by bulls and Kathiawar operators. In this connection, it is interesting to note that owing to the closing of forward trading in Bombay in bullion Rajkot and Jamnagar have become important centres for this business, as delivery is to be given or taken every month instead of on every fourth day as in Bombay. It is reported that some of the Bombay business houses have transferred their head offices to Kathiawar.

The latest quotations are:

Ready mint gold Rs. 74; Ready Guinea Rs. 51; Ready silver Rs. 118-8.

Bengal Letter

A FAMINE BUDGET—BUDGET DEFICITEERING—AGRICULTURAL INCOME-TAX—CONFESSIONS OF MR. SUHRAWARDY—COAL TROUBLE

(From Our Correspondent)

CALCUTTA, Sept. 18.

THE new Bengal Budget for 1943-44 was presented in the Bengal Assembly on September 14. The most startling feature of the Budget is the stupendous deficit that it reveals for the year 1943-44. This deficit is of the order of Rs. 7 crores and 36 lakhs. The revenue receipts are at the high level of Rs. 18 crores and 44 lakhs (that is, one crore and 94 lakhs better than the previous year's receipts). But the expenditure is Rs. 25 crores and 81 lakhs, i.e. expenditure is Rs. 9 crores more than in the last year. A deficit of such huge dimensions is perhaps a record in the history of provincial finance in India. But this enormous deficit can hardly occasion any great surprise when it was viewed against the background of the unprecedented economic situation now prevailing in the province. It has rightly been characterized as a 'famine budget.'

Budget Deficiteering

Criticism of the Budget has centred round the question of the deficit. The deficit itself is not condemned. In point of fact it is felt that more far-reaching and comprehensive provisions, involving much higher expenditure, should have been made to meet the present emergency. As a matter of fact the 'control' shops and special grain shops through which the Government are supplying the foodgrains have been pitifully small in number to make an appreciable difference to the situation. It is also considered curious that the Government have sustained a loss of one crore by supplying cheap foodgrains to the handful of their employees, but for the whole population of Bengal they have to bear such loss to the extent of Rs. 2½ crores only.

To cover a part of the deficit the Finance Minister proposes the imposition of agricultural income-tax and enhancement of the Sales Tax. No indication is given in the Budget of the possible yields of these taxation measures. Indeed whatever the yields of these taxation measures, no benefit is hoped to be derived from them in the current year. The deficit is therefore sought to be covered by a large measure of borrowing. The net borrowing of the Government would amount to Rs. 10½ crores in the current year. Taken with the net borrowing of Rs. 3½ crores in the past year the total debt of the Government at the end of the present year would be of the order of Rs. 14 crores. Public feeling in regard to the taxation measures is that the present times are singularly inopportune for the imposition of a fresh tax and the enhancement of an existing one. It is strongly urged that since Bengal's present position is due in a large measure to war conditions the Central Government should come liberally to the aid of Bengal and by adequate cash subventions enable her to tide over the present crisis.

Agricultural Income-Tax

Opinion in Bengal has recently taken a more definite shape on the question of the imposition of an agricultural income-tax. The Bill embodying the proposal for this tax has already been introduced in the Assembly, and referred to a Select Committee. At a recent public meeting it was pointed out that in the present period of unprecedented crisis the imposition of the agricultural income-tax would be most ill-advised. The number of big zemindars in the province is small and those who would be hit by the tax would be middle-class people. The sufferings of people belonging to

this class have already increased beyond measure due to the high prices and acute scarcity now prevailing. The new tax would considerably add to the burden of such suffering and hardship. The fact that the exemption limit of the tax has been put at Rs. 2,000 only and not at a higher level is considered to be a further ground for serious objection to the Bill. The yield of the tax is not also expected to be of such an order as to justify the view that the tax is an emergency measure of considerable value from the point of view of increasing Bengal's revenues. The fact that the proceeds of the tax would not be spent on any nation-building project is also thought to be yet another demerit of the taxation proposal. Last but not least, it is pointed out that the potential revenue resources of the provinces should not all be frittered away at the present time. A portion of those resources should be conserved for the post-war period to be devoted to post-war reconstruction. Altogether, the postponement of the tax till the post-war period is strongly urged.

The Food Situation

The food situation continues to be critical as ever. The starvation cases are mounting up in the city of Calcutta, while the conditions in the mofussil show further deterioration as may be judged from all available accounts. On the food situation a lengthy statement was made by Mr. Suhrawardy in the Bengal Assembly. He revealed that the recent Calcutta Food Drive has shown that the stocks are neither considerable in the hands of consumers, nor of the trade, nor of the employers. Mr. Suhrawardy wanted to claim some credit for the price control measures, and he asserted that the stocks of rice, after an initial period of disappearance following upon the introduction of price control, are now reappearing in the market. But if one may judge from facts, this "reappearance" is not as patent a reality as Mr. Suhrawardy makes out. Indeed Mr Suhrawardy himself hastened to add that regrettably, in spite of all appeals, the trade has not responded to Government's policy of price control. Mr Suhrawardy also dwelt sorrowfully upon the causes of the present acute shortage. And yet until recently he was an ardent believer in the existence of sufficiency of foodstuffs within the province!

The Coal Difficulty

The shortage of coal continues to be felt acutely in the province. Inquiry in informed trade circles reveals that the present trouble so far as soft coke is concerned is due not so much to the lack of arrival of coal wagons as to faulty distribution. The wagon problem in its bearing upon coal supply has also been evoking interest. A recent proposal of the Controller of Coal Distribution to rationalize coal transport on the basis of curtailment of wagons to small collieries has evoked much opposition. It is pointed out that the large majority of collieries which would be affected by such a course of action are Indian-owned. It is also pointed out that the net saving of wagons on this account would be very negligible. An insignificant economy in wagons at the expense of Indian collieries has been strongly condemned.

Sind Letter

RELIEF FOR BENGAL—GOVERNMENT'S GESTURE —SCHEMES FOR INCREASED PRODUCTION.

(From Our Correspondent)

KARACHI, Sept. 17.

RELIEF for Bengal continues to be the main concern both on the part of the Government and non-official organizations. However, the attitude of the Government, as indicated in the Premier's statement last week, that Sind could ill-afford to send foodgrains to Bengal without soon imperilling her own position at home, found corroboration early this week from an official spokesman, who also made it clear that no private body was to be allowed to send foodgrains hereafter except the consignment of 500 tons already permitted for dispatch by the Central Relief Committee working under the auspices of the local Ramakrishna Mission. But the authorities, at any rate, appear to be more generous in the application of the general principle of prohibition, for it was authoritatively learnt yesterday that the Government had expressed their readiness to assign a further quota of 500 tons of rice from out of the exportable surplus permitted on their account by the Central Government for distribution in free kitchens in Calcutta through private agencies. Attempts are also being made to prevail on the Central Government to increase the quota fixed by them for Bengal from Sind. The quota now is 30,000 tons of wheat and 4,000 tons of rice. It is felt that Sind can easily afford to send more without endangering the position at home as she has had a bumper *rabi* crop this year. And as a result of high flow of the Indus and the timely attention paid to averting the locust menace and continuance of good *Abkalani* season, the *kharif* harvest is bound to be equally good. New *paddy* will reach the market by the middle of November, and the *jowar* and *bajra* crops are also likely to be plentiful, so that the strain on rice could be greatly relieved. Public opinion, as reflected in all sections of the Press, gives full support to the demand that extreme caution is unjustified at a time when there is starvation in a sister province. In the meantime, the Government themselves have represented to the Centre the need to implement as soon as possible the suggestion made by Mr. D. R. Sethi, Food Production Commissioner, for giving a practical shape to the "Grow More Food" campaign in the province. They have pointed out that if the schemes are to be put into effect for the ensuing season, the Government should take an immediate decision, for the sowing season for the next crop is fast approaching. The plans include the securing of improved seeds and more fertilizers at a cost of Rs. 60 lakhs, part of which the Centre will defray.

Spend Less: Save More

Sind has accepted a total target of Rs. 3 crores out of the Rs. 100 crores Savings Campaign to be launched country-wide under the direction of the Government of India as an anti-inflationary measure. The main object of the campaign is stated to be to get at the small men, and as a concomitant, to make the technical procedure for subscription as easy as possible. Out of Rs. 3 crores, it is proposed to take Rs. 1,35,00,000 out of the land revenue of the Province, which will have a marked increase as a result of the new scales of assessment which have come into force from August 1. And the balance is to be made up by collections from each district in the shape of subscriptions for defence savings certificates, defence bonds and defence loans. Karachi City has been assigned Rs. 30

lakhs. The District Collectors, in co-operation with the National War Front Organizations, have been urged to popularize the drive.

Future of Indian Banking

In the course of a special interview on the occasion of the opening of a branch of the United Commercial Bank Ltd., Mr B. T. Thakur, the General Manager of the Bank, explained how wise it was on the part of Indian financiers and business men to consolidate the existing favourable monetary situation in the Country by the organization of new banking ventures. He said: "India is today a creditor country with large capital means to improve the economic prosperity of the country. It is the imperative duty of leaders in business and finance to think constructively as to how best to mobilize the present advantageous position for the economic betterment of the country." He added that the monetary resources of the people having increased, there was scope for more first class banks to provide the necessary banking and credit facilities which always followed an increase in the quantity of money and deposits. While stating that banking was a delicate business, he expressed at the same time, his confidence in banks promoted by Indians, as they were alive to the needs and temperament of the people of the Country, and visualized a great future for Indian banking. The secret of success of banking, Mr Thakur observed lay in maintaining sufficient difference between the rate which the banks give on deposits and the rate which they earn on advances and investments. Failures of Indian banks in the past had been brought about by bad lending policy and taking of deposits at high rates of interest. In order that unhappy crises could be avoided in future, it was necessary for depositors not to have an eye merely on interest. He added that in the existing conditions and in view of the fact that Government investments and liquid advances yielded less than 3 per cent. per annum, no bank, consistently with efficiency and soundness, could afford paying on an average more than 1 per cent. per annum on total deposits, that is, taking current, savings and fixed deposits in the aggregate.

Corporation's Finances

Tenders for Rs. 24 lakhs towards the Karachi Municipal Corporation Water Works Debenture Loan were opened on Wednesday evening. The water works is expected to cost Rs. 189 lakhs, out of which the share of the Municipal Corporation has been fixed at Rs. 95 lakhs and the balance is borne by the Government of India and the Government of Sind. The present loan is the second instalment, the first one of Rs. 40 lakhs having already been raised in December, 1942. The loan is floated for a period of 40 years, bearing interest at 4 per cent. per annum, payable half-yearly. The loan is recognized as Trustee Security and is secured on the revenue and assets of the Corporation. The total amount offered in respect of the present loan was Rs. 58,29,000. Tenders above Rs. 106 per cent. were accepted in full and those at Rs. 106 were allotted approximately 32 per cent. The remaining tenders were rejected. Individual tenders below Rs. 10,000 at Rs. 106 per cent. were accepted in full for the benefit of small investors. Tenders were received from all over India. This is the third time during the last four years that the Karachi Corporation loans have been taken at a premium. The Corporation also has had a surplus budget for the seventh year in succession. The administration report for 1942-43 reveals that the total revenue and expenditure for the year amounted to Rs. 52,39,000 and Rs. 47,07,000 respectively, leaving a surplus of Rs. 5,32,000. On the revenue side, the Corporation had, due to the outbreak of war in the East and nearer home in Burma and consequent deterioration in the facilities and shipping services available for trade, budgeted a sum of Rs. 8 lakhs only as probable yield from terminal tax during the fiscal year 1942-43. But, due to a fortuitous set of circumstances, some of the cargo originally intended for Rangoon and other ports was diverted to the port of Karachi, resulting in a net excess yield of Rs. 2,42,000 in terminal tax as compared to the actuals of the preceding year.

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A DELHI DIARY

It does not look as if the Gregory Committee's report will have smooth sailing. The only information officially given is that the recommendations are being examined by the Food Department—and presumably by the Viceroy's Council also. But as the Viceroy is away in Simla and some important Members of the Government have gone on tour, it is not likely that any final decisions will be taken for some time. In the meantime the report has been circulated to Provincial and State Governments so that they may be in a position to present their viewpoints at the forthcoming Food Conference. From such information as is available there is reason to fear that there is going to be another battle-royal at this Conference between the Centre and some of the Provincial Governments. In dealing with the food crisis, despite the energy displayed by the new Member, Sir J. P. Srivastava, the Central Government appears to be still weak and supine. The only relieving feature in the situation is the report from London that the authorities in White Hall are seriously worried at the state of things in India and mean at last to intervene. As very soon Mr. Amery will be making a statement in Parliament, the public may expect to have some indications of what is proposed in pursuance of the Gregory Committee's recommendations. What is urgently needed is a promise of immediate wheat imports in a sufficient quantity to meet the crisis. Such a request has already gone to His Majesty's Government, but the required assurance can only come if His Majesty's Government is prepared to provide the necessary shipping space.

The arrival of the new Viceroy will probably coincide with the conclusion of the Food Conference. If the latter is able to come to agreed decisions it will make the task of Lord Wavell easier, but I understand that the new Viceroy is coming with certain definite instructions—some of them are reported to be very drastic indeed. In the meantime there is also a move in Assembly circles to advance the date of the coming session of the Central Legislature. According to the official announcement made it is to meet in the first week of November, but this is considered too far off to enable the members to deal with the present crisis. I understand, however, that there are practical difficulties in having an earlier session. Lord Linlithgow is not likely to disturb the announcement already made as it is more a question for his successor. Lord Wavell may be able to advance the date by a week or ten days, but even this is unlikely. The official view appears to be that it would be better to have the session of the Central Legislature after the Government have had time to consider the Gregory Committee's report in consultation with Provincial and other Governments at the forthcoming Food Conference and formulate their proposals. It is also necessary that the new Bengal Governor should have time to study the situation and make his recommendations.

I understand that originally it was proposed to transfer Sir Maurice Hallett to Bengal as Governor as a temporary measure, but the Governor of the United Provinces is reported to have been unwilling to leave his own province. The choice then fell upon Sir Thomas Rutherford who, as is well known, is in high favour both in New Delhi and Whitehall. According to talks in New Delhi, Sir Thomas has begun well in Bengal. At the same time, there is reported to be a move in London that if the Bengal situation does not improve, a man like Sir Roger Lumley should be appointed Governor of Bengal with new powers—semi-military, semi-political—to deal with the situation. As Lord Mountbatten will be in India in a few days and will have to start the offensive for re-taking Burma in sufficient time before the next monsoon, the danger of allowing economic conditions to worsen in this manner in Bengal—undoubtedly the most important area from the military point of view—is obvious. Something has to be done very quickly to set matters right in Bengal.

Still another question which will also have to be taken up by the new Viceroy is the South African situation. The High Commissioner, Sir Shafaat Ahmed Khan was in New Delhi this week and had discussions with the Viceroy and the Standing Emigration Committee. The latter body is understood to have stood out strongly for the application of economic sanctions against South Africa. So far as Sir Shafaat is concerned, I hear that in his discussions with the Committee he was not quite so strong and emphatic as in his speeches in South Africa. The Government of India have apparently not come to any decision about the measure to be adopted in defence of the Indian community in South Africa. They realize that having been a willing party to the Reciprocity Act, they would only be making themselves ridiculous if they do not enforce the provisions of the Act as soon as possible. But even if this measure is enforced with vigour, its effect is bound to be negligible. So far as the High Commissionership is concerned the Government of India seem to think that there is nothing to be gained by recalling Sir Shafaat permanently. According to present arrangements, Sir Shafaat is due to return to South Africa before the end of the year. And very probably before the end of the financial year a Trade Commissioner also will join his staff. The question of applying economic sanctions is presenting a ticklish problem. Whatever the Government of India's intentions may be, there is the inevitable objection that nothing should be done to hinder the war effort. For this reason, if no other, His Majesty's Government may hold up any proposals emanating from New Delhi for stopping exports from India to South Africa. When the Central Legislature meets there is bound to be a storm of protest at the Government's delay in making up its mind and enforcing the measures recommended both by the conference of leaders and the Standing Emigration Committee. Dr. Khare will not find it easy to satisfy the House if nothing definite is announced in the meantime.

The Central Government's revenue and expenditure figures are now available for the four months ending with July. In July alone the increase in revenue collections as compared with last year was nearly Rs. 9 crores. There has been a substantial increase under practically every head except salt. The increase in receipts during the four months is over Rs. 19 crores. The yield from excise duties has practically doubled itself—so also income-tax. There is little doubt that if the improvement shown in July is maintained the Budget estimate of Rs. 195½ crores will be exceeded by at least Rs. 20 crores so far as the year's revenue is concerned. On the expenditure side the position is that Defence expenditure is in the neighbourhood of Rs. 17 crores per month. The total increase under this head during the four months is Rs. 15 crores Civil expenditure has increased by Rs. 3 crores during these four months. On the whole the excess of expenditure over revenue during these four months is as much as Rs. 36 crores. The country will be on the [illegible] much larger deficit than was mentioned in the Budget statement.

ARGUS.

NEWS PAGE

The death occurred in London on September 21 of Sir Kingsley Wood, Britain's Chancellor of the Exchequer since 1940. He was a Conservative M.P. and had held many Cabinet posts before. He was aged 62.

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Sir B. N. Rau of the Calcutta High Court has been entrusted with an inquiry arising out of the dispute between the C.P. and Berar Government and the Reserve Bank of India as to who should bear the loss occasioned by the destruction of currency notes as a result of the disturbances at Ramtek in the month of August last year.

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The view that the present policy of discrimination between Indian and British shipping militates against the best interests of National Shipping has been expressed in a joint telegram sent by nine Indian shipping companies to the Commerce Member to the Government of India.

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The Government of India are considering proposals for the further expansion of indigenous production of ammonium sulphate. A conference of those interested is to be held on September 29 at New Delhi and it will discuss production, both from the point of view of immediate needs and those of the post-war period.

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The United States Selective Service System has now deferred a total of about six and a half million men as fathers. It is now revealed that about half a million fathers must be inducted this year if the manpower needs of the U.S. armed forces are to be met.

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The Textile Commissioner, Bombay, says in a Press Note that it is not possible to keep open indefinitely the Government's offer to purchase unmarked cloth and yarn in full bales from dealers, who were not able to dispose of their goods by August 31, 1943, and hence the Textile Commissioner, in consultation with the Chairman of the Textile Control Board, has decided that no application offering goods to the Government, which is posted or delivered by hand after September 25, will be entertained.

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Marine underwriters in London have continued the reductions in war risk rates which have been the feature of the last few days by reducing some of the rates for Ceylon and Indian coastal voyages. For voyages between the east and west coasts of India, the rate is now £4-10 per cent. compared with £15 in April 1942.

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It is stated that the arrangements made by the War Transport Department and railway administrations have enabled foodgrains to be dispatched to Bengal at the rate of over 2,400 tons a day since the beginning of September.

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A substantial increase is understood to have been sanctioned in the import quota of razor blades from the U.K. and U.S., and steps are to be taken to prevent the black market seizing them. The import of newsprint is also likely to improve.

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Reliable reports say that agriculture and industry in the occupied countries of Europe have deteriorated so much that in 1943 aggregate production in Western Europe will probably be 50 per cent. below the pre-war level.

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The Central Government has decided that the rate of premium payable under any policy issued under the War Risks (Goods) Insurance Ordinance, 1940, during the quarter beginning October 1, 1943, shall be reduced to two annas per month or part of a month for each complete sum of one hundred rupees.

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The German news agency says that Hitler has issued a decree establishing a housing service for persons rendered homeless by "enemy action." The leader of the German labour front, Dr. Ley, will be in charge of the new department.

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It is understood that the Madras Government have agreed to supply 16,000 maunds of potato seed, costing Rs. 2 lakhs, to the Government of Sind. This seed has been bought by the Sind Government in pursuance of its programme to intensify vegetable cultivation. Before the war, Sind used to get potato seed from Italy.

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Membership of the Transport and General Workers' Union (Great Britain)—the largest trade union in the world—now stands at 1,133,165, of whom 274,219 are women.

GLEANINGS

THE IMPLICATIONS OF PLANNING

The responsibility resting with economists and men of affairs to place before society the implications and the social consequences of the different types of planning they advocate for society's future is discussed by Dr. Karl Mannheim, one of the leading contemporary sociologists, in his recent work *Diagnosis of Our Time*:

"At the moment," writes Dr. Mannheim, "effort is needed to elaborate even more clearly the principles in which the pattern of democratic planning differs from the totalitarian forms. It is equally urgent fully to study how the scheme would apply those principles in concrete life. If e.g., one watches the trend of economic thought, one can easily detect different tendencies at work which more or less consciously move in one direction. The thoughts of those experts, theoretical and practical men, ought to be confronted, who realize that in the future a mastery of the keyboard of planned economy is necessary and inevitable, but who are equally keen on preserving scope for initiative wherever it is compatible with the general plan. This kind of focussing and confrontation of thought is extremely urgent, and the necessary differences and shades of opinion which will appear ought not to make us shirk the responsibility. We might, for instance, find that some thinkers will strive to modify as little as possible in the traditional system of market economy and insert measures of central control only where it is absolutely necessary in order to allay the devastating effects of the trade cycle. Others may believe that planning requires deeper inroads to be made into the economic and social structure..... Our economists, who are resolved to plan for freedom and not for total regimentation outright, should tell us which classes and groups will profit, which will lose most, if one scheme or the other is carried out. We are aware that Planning for Freedom has its price, and we have to be willing to pay heavily for it if it proves the only way to maintain human conditions of life and is not to be paid for by murder, concentration camps and the suspension of all liberties which make life worth living. If we know who will suffer most from any necessary alterations, it is possible to provide for them, to compensate them, to retrain them, to give them new functions in society. As long as the *cui bono* of a system is kept dark it can only cause anxieties which will ruin us all."

INDIAN CHEMISTS AND MODERN WARFARE

The outstanding contributions which Indian scientists are making to the Allied war effort are related by the American magazine *New Republic* in its current issue. The invention of unbreakable containers by Sir S. S. Bhatnagar has greatly aided Allied troops says the journal. Even liquids can be dropped in these containers from air planes on hard ground without their shattering. Many Indian scientists at present living and working in America have useful contributions to their credit. Dr. J. N. Sharma of Los Angeles, has carried out a new process which preserves cantaloupes almost perfectly while they are being stored and shipped, and this goes a long way when food is scarce. Dr. A. D. Singh of the University of Illinois has a hand in the deadly new flame-throwers which the American Army used against the Japanese at Munda. K. N. Katju, collaborating with Hexter and Shephard at Detroit, has made important contributions in the field of camouflage by developing green and other paints that cannot be told from surrounding vegetation, even under infra-red photography. Others doing valuable work are Drs. U. R. Kakatnur (Chemical Warfare), B. D. Saklatwalla (Metal Technology), S. K. Roy, Y. Subba Row and Prof. S. Chandrasekhar.

KEYNES GOES TO WASHINGTON

Lord Keynes is now in Washington for talks with Treasury officials there. There are no indications yet of any blend of the British and American draft plans for post-war currency stabilization being effected. But it may be recalled that both Lord Keynes and Dr. Harry White have insisted from the beginning that there are fields other than monetary in which agreement must be found. It is understood that one of these, the provision of investment aid, both medium and long-term, for countries which will need assistance from outside is an immediate subject of the present discussion. The formation of an international investment organization or "corporation" which might be active where private capital is hesitant has been mentioned. It is suggested that such an agency would be directly linked with the machinery of currency stabilization and this will reassure American expert opinion.

The remark of the Chancellor of the Exchequer that a scheme for handling current trade transactions should not be "waterlogged" with problems not directly related to it has been quoted in America with approval and a report of the American Banking Association, published this week, cites approvingly a warning of President Dodds of Princeton that however desirable some international institution may be, it "must not attempt to frame a super-Government so new and unfamiliar that men will not be prepared to participate in it." Whether, after separate agencies for the performance of separate functions were set up, there should be created a board with power of co-ordination, such as Lord Keynes suggested, does not seem yet to be a matter of general agreement in the United States.

MARKETING OF SKINS IN INDIA

The Central Agricultural Marketing Department has brought out a Report on the Marketing of Skins in India and Burma. India is the world's biggest producer and exporter of skins, but according to the Report a large part of her output is spoilt by faulty flaying and defective curing. Suggestions for flaying by licensed flayers and for improved methods of curing are put forward in the Report. The sale of Indian skins in mixed lots has led to a deterioration in the general standard, and so the creation of a Skin Inspectorate to control the grading and marking of skins before export is recommended by the Report. It considers that skins should be marked according to certain specified standards, the supervising authority being a Skin Inspector for each of five zones working under a Skin Supervising Officer attached to the Central Agricultural Marketing Department.

To facilitate the distribution of raw skins according to the needs of various areas and to ensure the primary producer as big a share of the ultimate price secured by his product as possible, it is suggested that accurate information as to prices, stocks and arrivals in all important markets should be publicized by a central organization. The prices paid for Indian skins in the U.S.A. affect the prices offered by shippers in India and should receive publicity. Certain suggestions for the protection of consignments of skins are also offered to the railway authorities in the hope that they may be adopted as soon as possible after the war.

"APPEASEMENT" IN AFRICA

"It almost seems as if the clash between the ideals of democracy and the claims of a 'Herrenvolk' will have to be resolved all over again in Africa, when the war in Europe is over," writes Rita Hinden in *The Fabian Quarterly* (Autumn 1942). "The tragedy of the the situation is that, just as Britain had so little that was bold and imaginative to offer as a counterblast to Nazi doctrine in Europe, so it is in Africa. While the European communities there pursue their claims with clarity and vigour, Britain compromises and fumbles. To 'settler' minds Lords Moyne and Hailey may appear advanced revolutionaries. In practice, the Colonial Office with Lord Moyne (and now Lord Cranborne) at its helm and Lord Hailey high in its counsels, has been submitting to encroachment after encroachment of the Africans' rights, in pursuance of an appeasement policy of its own. The revolutionary activities of the noble Lords as far as East and Central Africa are concerned have been confined to the enunciation of idealistic precepts bearing no recognizable relation to actual practice. They and many others in Britain proclaim the rights of all men to equality of opportunity. Even while they do so, the African's opportunities shrink and his European neighbour's swell."

EMPLOYERS' ASSOCIATION

There has been an attempt recently to bring together the two largest and most important of the industrial organizations of Great Britain, *viz.*, the Federation of British Industries and the British Employers' Confederation. "The fact that these parleys are taking place has given rise to a host of rumours and inuendos," writes the London *Economist* editorially in the matter in its issue of July 3. "Distrust, and even alarm, have been voiced in several quarters. Why should this be so? Why should the association of British industrialists in matters of their common concern be regarded as *ipso facto* perilous to the common weal? Association is part of the democratic process; and there was never a time when British industry more needed common standards of technique and behaviour than in the years ahead....But, in general, it is true that the great growth during the inter-war years (and especially in the second half of the period) in the number and authority of trade associations was accompanied by an equal growth in restrictive practices of all kinds. By the time the war broke out, British production and distribution were dominated from top to bottom by trade associations, and it was becoming increasingly difficult to find a price that was not fixed. At home, quasi-monopoly, with its maintained prices and restriction of entry, grew like a weed, and almost everywhere costs were higher than they need have been. Abroad, the attempt of the F.B.I. to strike a bargain with the Nazis were the economic counterpart to appeasement. During the war, the trade associations have dug themselves in and extended their power, and there is every indication that their peace-time influence will be greater than ever.

"Many of those who welcome this extension of industrial organization are sincerely puzzled when they find critics like *The Economist* taking so jaundiced a view of their proposals. Why should baser motives be imputed to them? To this there are two answers. The first, and more comprehensive, is that those who have the power to serve their own interests cannot be expected to refrain from doing so. It is obviously possible for a price-fixing, quota-distributing, entry-regulating trade association to harm the community's interests while advancing its own; and until the millennium arrives some safeguard against this natural tendency is needed. The second, and more direct, answer is to point to the record. The behaviour that the cynics predict for the self-governing association is only what its recorded actions have led them to expect. Moreover, the war has taught afresh the lessons of expansion. The misleading doctrines of the inter-war years, with their slogan that "the problem of production has been solved" or that "the world has already all the wealth it needs; the only problem is to distribute it," have been swept away, and it is now realized that only the most rapid possible expansion of the whole economic system will suffice to provide what the community demands for itself. Anything that savours of restriction is doubly damned. It is only natural that there should be alarm lest the war-time control of industry by the State should become the peacetime control of the State by industry, and lest those who bound British industry before the war should bind it again when the war is over."

FOODGRAINS FOR BENGAL

An estimate of the quantity of foodgrains carried to deficit areas, particularly to Bengal, in recent months is given in a Press *communiqué* issued by the War Transport Department of the Government of India. From April 1 to August 20, 1943, the total number of wagons (in terms of 4-wheelers) loaded with grains and pulses on the broad gauge railways of India amounted to 161,722, representing an increase of 14.6 per cent. over the figure for the corresponding period of last year. On the metre gauge railways the increase was 4.79 per cent. Preliminary reports show that in the first seven days of September, the E.I. Railway alone brought 1,219 wagons of foodgrains into Calcutta, which gives an average of nearly 3,500 tons per day. Over the same railway 3,082 wagons of foodgrains were carried to Calcutta and beyond during August, 1943 giving a daily average of 2,000 tons. The B.N.R. conveyed 11,800 tons to Calcutta during the same month. Besides foodgrains, however, many wagons were employed on both railways to carry additional foodstuffs to Calcutta, such as livestock, gur, sugar, mustard oil and seed and other miscellaneous requirements.

Foodgrains imported into Bengal wholly on Government account from all sources, according to the Bengal Government, amounted to 40,250 tons in August, 1943, and during the four weeks ended July 17, 1943, arrivals of foodgrains in Calcutta by rail and river amounted to 82,070 tons, as against 32,607 tons during the corresponding period of last year, the increase being about 160 per cent. Of this, grain and pulses amounted to 16,076 tons (14,930 tons) rice to 36,812 tons (7,965 tons), wheat and wheat products to 25,011 tons (9,701 tons) and *jowar* and *bajra* to 4,138 (11 tons). (The figures in brackets relate to imports in the corresponding period of last year). During July 80,761 tons of foodgrains were moved by rail from the Punjab and Punjab States to outside destinations. Out of this quantity 20,964 tons were dispatched to Calcutta. When it became clear that temporary restrictions on the railways into Calcutta would curtail the total volume of rail traffic into that area, immediate steps were taken to divert foodgrains to the sea route. By the beginning of September over 25,000 tons had been shipped and further consignments totalling nearly 13,000 tons will have been made by the middle of September.

IRISH TRADE

"Study of trade and other statistics suggests that the economic interests of Great Britain and of Ireland are complementary in the sense that every £100 credit to Eire, in respect of exports to the United Kingdom, will be expended in the United Kingdom for the purchase of raw materials, semi-manufactured goods, machinery and implements and (in a decreasing degree)

consumption goods," writes Sean Lemass in the July issue of *The Banker*. "There will, of course, be larger markets for the British exporter of capital goods elsewhere, but there will be few markets to which he will have easier access than the Irish market. Exports from Eire in the past have been, and no doubt will for sometime continue to be, principally agricultural produce. From every point of view, it is in the interest of the United Kingdom that after the war an increased volume of Irish foodstuffs should be consumed in Great Britain. From the Irish point of view, Eire's future prosperity is largely bound up with that of the agricultural community, and Irish agriculture can expand only through exports."

SILK CONTROL

The Government of Mysore have promulgated a Silk Control Order. Reviewing the circumstances that led to the promulgation of the Order, the Publicity Officer to the Government says in a Press Note that, to consider the situation arising out of the cessation of silk supplies from China and Japan, the Government of India convened a conference of all the silk interests concerned early in 1942. To enable the availability of raw silk at reasonable fixed prices, the conference decided that the prices of reeling cocoons should be controlled at a price remunerative and attractive to the mulberry cultivators. Accordingly the Government of Mysore in co-operation with the Government of Madras brought into effect a scheme for controlling the prices of cocoons on 15th June, 1943. Under this Cocoon Control Order the prices of cocoons are fixed every month on the basis of the cost of living index figure and the sericulturists have to sell their cocoons only in the cocoon markets established for the purpose. The filature companies which have been provided with facilities to instal and work 1,460 basins capable of producing over four lakhs of pounds of high grade raw silk in a year are under an agreement with the Government to supply all the silk that they produce for three years from the 1st July, 1943, at specified rates which would allow only a limited margin of profit The Charkha-reelers, however, being under no such agreement, but all the same being able to obtain cocoons at controlled prices were left free to make extra profits in a scarcity market for silk. Hence the Government has now decided to purchase all silk produced in the State at specified rates and then sell it in open auction which would provide a satisfactory means of distribution of profits to be made in a scarcity market to all sections of the industry. The main provisions of the Silk Control Order are: (1) Registration of all traders in raw and thrown silk. (2) Purchase by Government at specified rates of all silk produced in the State at the Depots to be started for the purpose in suitable centres. (3) Sale by open auction of all silk purchased by Government after reserving such quantities as may be required for meeting the requirements of the United Nations for war purposes and of the silk power and hand-looms in the State. (4) Distribution of profits realized among the sericulturists, reeling establishments and the industry, and (5) Regulating exports of silk to places outside the State.

BOOKS RECEIVED.

Report of the Industrial Survey Committee—Government of the Central Provinces and Berar. Part I, Vol. 1; Vol. 2; Sections I and II; Part II, Vols. 1 and 2. Copies to be had of the All-India Village Industries' Association, Wardha, C.P. Price As. 12 each.

Rabindranath Tagore on Rural Reconstruction By Sudhir Sen. Visvabharati, Santiniketan. Price Re. 1-8.

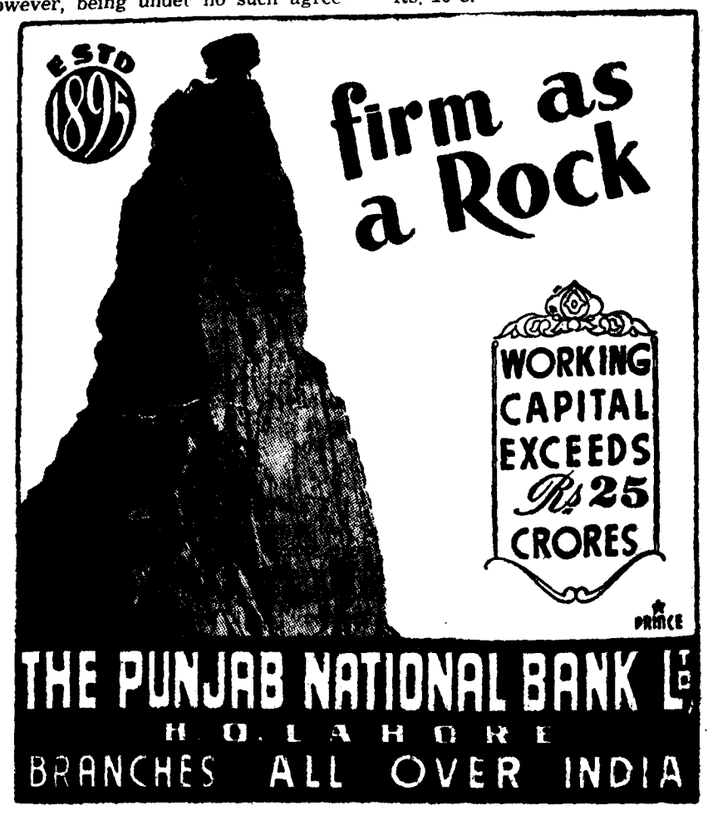
The Land and its Problems By Sudhir Sen. Visvabharati, Santiniketan. Price Rs. 5.

Indian Labour and Post-War Reconstruction By M. N. Roy, Radical Democratic Party, 30, Faiz Bazar, Delhi. Price. Re. 1.

The Aboriginals By Verrier Elwin. Oxford Pamphlet on Indian Affairs, No. 14. Price As. 6.

Substitute Materials in War and Peace By Cecil H. Desch, of R.S. The Royal Institute of International Affairs. Oxford University Press. Price 9d.

Wealth of Gujarat By A. B. Trivedi. Ichhashankar V. Dave, 122, Umarkhadi Road, Bombay 9. Price Rs. 16-8.



INVESTMENTS

(From Our Correspondents)

BOMBAY, Sept. 23.

Following the Government ban on *Budla* transactions, Stock Exchange settlement will take place every week. The Exchange authorities no doubt desire to co-operate with the Government in making the new rule as effective as possible. As far as one can make out, the Government ban applies to *Budla* transactions carried on the floor of the Exchange. Private arrangement could still be permissible for such transactions between parties themselves. The authorities could of course not recognize or take cognisance of any such dealings. The ban is thus fairly limited in its application. It will make speculative business more difficult and less worthwhile, but it cannot eliminate it. One can only hope that the desired result is achieved by reduced speculation. Otherwise, there is the danger that such *Budla* transactions, instead of being carried on in the ring, may increasingly become a matter of private arrangement. The difficulty regarding weekly delivery settlement relates first to such genuine business as is carried on with upcountry clients. Experience has shown that seven days is rather a short period within which a seller is able to deliver shares after complying with all the necessary conditions. Postal and telegraphic delay may further add to the difficulties. Another difficulty is experienced by the clearing house of the Exchange. Such large deliveries have to be handled that for many months past the clearing house has worked under very heavy pressure, and quite often it took a couple of days more before the periodical settlement was completed. With the settlement now on a weekly basis the pressure may still become heavier. The volume of transactions on the Stock Exchange has vastly increased in the last one year and the clearance of securities relates more to genuine investment business where actual deliveries are either received or given. The institution of clearing house is peculiar to the Bombay Stock Exchange; the authorities are doing their best to relieve the strain on the clearing house, but it must obviously be a matter of time before its working can be adapted to increased activity.

NEW DELHI, Sept. 22.

The money market presented the same conditions to which we have been accustomed for a long time now. The opening of the tenders for Central Government treasury bills on the 14th revealed this. Though the total amount of applications was lower at Rs. 14.91 crores as against Rs. 18.85 crores in the previous week, the rate was lower by 5 pies at As. 13-4. It will be recalled that there has been a continuous and progressive decline in the rate from Re. 1 in the first week of July to the current rate. Tenders for Rs. 50 lakhs of twelve months' Bengal Government Treasury Bills were opened on the 15th. Total amount offered was Rs. 50 lakhs. Tenders at Rs. 98-4-0 were accepted in full, the average rate being Rs. 1-12-0 per cent. per annum—a rate not too high in view of the loan being for one full year. The Bengal Government probably do not want to enter the market very frequently to get funds to meet their heavy deficit. It is doubtful whether they will put any loan on the market, with their heavy deficit and with the disappointing results of the four Provincial Loans.

The U.P. Government are selling Rs. 100 lakhs of three months' Treasury Bills and tenders close on the 22nd September. The question whether the Central Government will reduce or stop the weekly tender of Treasury Bills depends upon the success of the summary assessment of the E.P.T. and other deflationary measures. E.P.T. collections are coming in at the rate of Rs. 4½ crores a week and have totalled Rs. 45 crores so far. Even if these continue, it is open to question whether the Treasury Bills can be stopped and whether their non-issue would not deprive the financial institutions of their first line of liquid investment.

Reserve Bank

The statement of the Reserve Bank of India for the week ended 10th September, 1943, records a rise of Rs. 5 crores in note circulation from Rs. 757 crores to Rs. 762 crores, and a rise of Rs. 7.22 crores in the total note issue from Rs. 766 crores to Rs. 774 crores. Sterling securities have risen by Rs. 8 crores; but Rupee securities have gone up by Rs. 17 lakhs as compared with their decline by Rs. 502 lakhs in the previous week, and by Rs. 5 crores in the week ending August 27, 1943. The total amount of rupee securities stands now at Rs. 83.36 crores, and that sets the limit to which it will be possible for the Government to accumulate sterling without increasing the note issue. The statement for the scheduled banks for the week ended September 3, 1943, shows a good increase of Rs. 16.92 crores in cash, of which Rs. 16.70 crores represented increased balances with the Reserve Bank. This was reflected in the statement of the Reserve Bank for the same week which recorded a rise of Rs. 16.96 crores in the deposits of the banks.

Stocks and Shares

While the undertone in the market remains steady, the volume of business has shrunk, prices being, of course, maintained at high levels. Delhi Cloth Ordinaries registered business around Rs. 119. New Victoria Ordinaries moved between Rs. 8|8 and Rs. 8|11 and Preference between Rs. 10|8 and 10|10. Cawnpore Textiles had sellers around Rs. 12|8, while Raza Textiles were in demand at Rs. 68|8. In the Bank section there was brisk business. Bharat Bank Ordinaries were done at Rs. 97 and Deferred at Rs. 2|6. Bank of Jaipurs were steady at Rs. 11 premium and United Commercial Banks were asked for at Rs. 15 premium. The shares of the Hindustan Commercial Bank of Cawnpore which were at one time on offer at four annas premium suddenly shot up to Rs. 1|8 premium with buyers over. In the Miscellaneous section, the turnover was considerable. Amrit Banaspati ordinaries reported business round Rs. 27 and deferred round Rs. 8|8. Amrit Chemical ordinaries and deferreds were both lower and so were Perfumeries. Northern India Oils changed hands at Rs. 19|8 cum dividend. Western Hosiery had sellers at Rs. 27|8 and Tin Printing at Rs. 37. Delhi Flours had buyers at Rs. 19|12. Rampur Maize which had fallen to Rs. 85 again rose to Rs. 87|8 with buyers over. Rampur Distillery shares presented a weak market around Rs. 12 premium.

MADRAS, Sept. 19.

The Stock Exchange was definitely weaker due to a sentiment that the war may not last long and therefore most buyers have withdrawn from the market presumably to take stock of their holdings. The notification prohibiting *budla* transactions on the Bombay Stock Exchange had its effect on this market also. As a result of these factors, business turnover has dwindled to very small proportions. Quotations have also been marked down. It is probable that these conditions will continue and it will be some time before any return of confidence will appear. The textile section being the most speculative suffered in the general marking down of prices and a sagging tone was seen. Dhanalakshmis were down to Rs. 490 X.D. Rajalakshmis declined to Rs. 274-8 and Vasantas to Rs. 338 Mettur Industries were fairly steady around Rs. 300. Dhanalakshmis have declared an interim dividend of 25 per cent. which is 5 per cent. lower than their interim last year. Business in rubber shares in the Planting section dwindled considerably and most of the leading shares declined during the period under report. Cochin Malabars declined from Rs. 18-4 to Rs. 17-10. Be Be Rubbers lost about 12 annas and were done at Rs. 13. Rajagiris declined by a point to Rs. 17-4. Coorg Rubbers which resisted falls at Rs. 72-8 c.d. gave way and were quoting Rs. 72 cum the dividend. Tea and coffee shares participated in the general decline and the turnover was much lower. Fringfords were quoting Rs. 22-12 and O. Valleys Rs. 14-10. With the issue of a satisfactory report and balance-sheet Periakaramalais were steady round about Rs. 32-6 c.d. Most of the new issues have also lost proportionately. There was very little business in the Public Utilities section. South Madras alone attracted some attention and business was done at Rs. 14. There was an easier tendency in Bank shares. Reserves alone were firm and were done at Rs. 120. Indians big were quoting Rs. 257. A restricted volume of business was concluded in the Miscellaneous section. There was the usual volume of business in chemical shares and the Mysore industrial group. It was difficult to obtain good class fixed interest securities and the scrip on offer was small and business consequently was very restricted.

Three per cent. Madras Loan 1956 floated this week was subscribed fully only after a call on the underwriters, it is reported up to 30 per cent. The issue price of Rs. 99-8 was not favourable to the market and probably a price of Rs. 99 would have succeeded very well. The securities market was fully steady and a good volume of investment business resulted. Three and a half per cent. Paper was done at Rs. 97-2 and 3 per cent. Loans 1963-65 at Rs. 97-6. State Loans were firm and there was little scrip offering. Three per cent. Mysore Loans were done at Rs. 11-8.

COMMODITY MARKETS

(From Our Correspondents)

BOMBAY, Sept. 18.

Ready linseed is being sold at Rs. 15-6 per cwt., whereas the quotation for the stocks to arrive is Rs. 15-4. Argentine is the principal producing country in regard to linseed, and reports indicate an appreciable rise in the consumption of the commodity in that country. In view of the difficulties of getting mineral oil, the Government have asked Argentine crushers to increase crushing linseed into oil to be used as fuel substitute. The official estimate of local consumption of the seed has been raised from 2.15 lakh metric tons to 19.30 lakhs metric tons for 1942-43 season. The official estimate of the second crop plus the carryover has been placed at 31.03 lakhs metric tons and deducting from this the quantity needed for local consumption together with that exported till the end of April last, the balance available for further disposal has been estimated at 10.5 lakhs metric tons as against 18.04 lakhs metric tons up to this time last year. Very little business has been reported in castor seeds.

Groundnuts

It is reported that the Ministry of Food have about 10,000 tons of groundnuts for shipment from the East and the West coasts at £35-7-6, the shipment period being 120|180 days. Bombay Bold is being bought at Rs. 97 as against Rs. 96 a week ago. In the Bombay market, Khandesh quality on wagon condition was sold at Rs. 15-8. There were many sellers for the new crop. It is reported that the option market at Jamnagar for new crop has opened, the quotation there being Rs. 94.

Oil quotations are as under:

	(per qr.)
Groundnut oil	Rs. 11 4
Copra oil	Rs. 10 6
Linseed oil	Rs. 10 12
Castor oil	Rs. 11 6
Other quotations:—	
Cotton Jarilla 3|4 inches ..	
Spot	Rs.495 0
Leopard cloth	Rs. 2 6 6

MADRAS, Sept. 19.

The groundnuts market after being steady at the opening became dull towards the close. Calcutta buyers bought fair quantities of ready stock during the early part of the week but their purchases were very restricted at the close. This was probably due to the large-scale purchases made in the last two or three weeks and the absence of large quantities of ready stock available in the market. The buying limits of the Calcutta merchants also declined from Rs. 97 to Rs. 92. The British Ministry of Food was able to buy some stock at £35-17-6, but as the firms have further reduced their limits, it appears that the Ministry may not be willing to pay even the present price for the subsequent deals. According to reports received, there has been widespread rains in the districts and movement of crops may be in full swing shortly. The firms' limits at the close were Rs. 84-4 to Rs. 86 as against Rs. 90 at the opening. The oil market declined in sympathy with seeds, but there were fair spot sales and forward bookings during the week. Purchases have also been made on Calcutta account. On the week's trading, the quotation declined by Rs. 3 to Rs. 177. Oilcake was steady and there were inquiries from agricultural interests.

Piecegoods and Yarns

The piecegoods market underwent no important change during the period under report. Up-country merchants continued to buy in fair quantities, but these purchases can in no way be compared to those of former years which were then heavy. Mills are said to be not quoting for forward and are also not booking forward contracts. Therefore, an impression has been created that there will be shortage of goods, particularly in lines, *e.g.*, fancies for which ceilings have not been fixed and hence there has been a tendency for prices to rise. A brisk turnover resulted in the retail market where too prices have risen to a small extent. It is reported that the qualities of the standard cloth now being sold in the market will be improved and the price also will be raised slightly The week was very dull in the yarn market. There was no demand for lower counts from the weavers. Higher counts were silghtly active, on reports that production of these counts was being curtailed. Consequently, quotations also improved by about three annas per lb.

HAPUR, Sept. 20.

The juwar market began with a firm tone following higher advices from the markets of eastern centres and profit coverings, but later on prices gave way under speculative liquidations precipitated by ideal weather and crop reports coupled with bearish political news. Juwar Poos opened at Rs. 6-10-10½ and closed at Rs. 6-10-0¾, touching the highest and the lowest levels at Rs. 6-12-4½ and Rs. 6-7-3 respectively. The wheat market began easy and thereafter became firm. Arrivals averaged 250 maunds daily.

The following are today's quotations:—

	This week	Last week
	Rs.	Rs.
Wheat	13 10 0	13 7 6
Gram	11 0 6	10 10 0
Barley	9 11 0	9 12 0
Peas	11 0 6	10 8 0
Gur	10 8 0	10 0 0

CURRENT STATISTICS

BANK OF ENGLAND

(000's omitted)

	Sep. 15, 1943.	Sep. 8. 1943.	Sep. 16. 1942.	Aug. 30. 1939.
	£	£	£	£
Total Bullion	1,930	1,725	1,392	263,760
Public Deposits	9,000	14,300	8,100	31,100
Other Deposits	209,200	193,600	185,400	129,100
Of which Banker's Deposits	154,200	140,400	138,000	90,100
Govt. Securities	195,600	185,000	136,000	113,100
Other Securities	17,500	17,600	21,300	31,000
Of which Discounts and Advances	2,400	2,400	4,000	6,400
Notes and coins	20,800	20,900	50,300	34,200
Notes in circulation	981,100	980,800	831,100	529,500
Ratio of Reserve to Liabilities	9.54%	10.07%	21.38%	25.97%

U.S. FEDERAL RESERVE BOARD

(000's omitted)

	Sept. 9. 1943.	Sept. 2. 1943.	Sept. 10, 1942.	Aug. 31. 1939.
	$	$	$	$
Resources—				
Total Reserves	20,375,000	20,388,000	20,789,000	14,660,610
Total Bills Discounted	71,000	69,000	13,000	6,190
Bills bought in open market	..	..	..	550
Total U.S. Government Securities	9,336,000	9,187,000	3,502,000	2,426,190
Liabilities—				
Federal Reserve Notes in actual circulation	15,111,000	14,960,000	10,326,000	4,609,260
Deposits — Member Banks' Reserve Account	13,351,000	12,915,000	12,402,000	10,951,000
Ratio of total Reserve to Deposit and Federal Reserve Note-liabilities combined	68.37%	68.7%	85.8%	

RESERVE BANK OF INDIA

WEEKLY STATEMENT OF ACCOUNT AS ON SEPT. 10, 1943.

ISSUE DEPARTMENT

Liabilities	Rs.	Rs.
Notes held in the Banking Dept.	11,71,67,000	
Notes in circulation	761,98,95,000	
Total Notes issued		773,70,62,000
Total Rs.		773,70,62,000

Assets	Rs.	Rs.
A. Gold Coin and Bullion—		
(a) Held in India	44,41,43,000	
(b) Held outside India	..	
Sterling Securities	631,80,90,000	
Total of A.		676,22,33,000
B. Rupee Coin		14,11,97,000
Govt. of India Rupee Securities		83,36,32,000
Internal Bills of Exchange and other Commercial Paper		..
Total Rs.		773,70,62,000

Ratio of Total of A. to Liabilities: 87.401 per cent.

BANKING DEPARTMENT

Liabilities	Rs.
Capital paid up	5,00,00,000
Reserve Fund	5,00,00,000
Deposits—	
(a) Government—	
(1) Central Government of India	19,33,21,000
(2) Government of Burma	36,85,000
(3) Other Government Accounts	8,73,39,000
(b) Banks	71,53,12,000
(c) Others	8,52,67,000
Bills Payable	2,27,89,000
Other Liabilities	6,50,51,000
Total Rs.	127,07,04,000

Assets	Rs.
Notes	11,71,67,000
Rupee Coin	9,53,000
Subsidiary Coin	3,03,000
Bills Purchased and Discounted	
(a) Internal	..
(b) External	..
(c) Government Treasury Bills	72,91,000
Balances held abroad*	101,21,57,000
Loans and Advances to Governments	34,00,000
Other Loans and Advances	2,00,000
Investments	7,79,45,000
Other Assets	2,90,88,000
Total Rs.	127,07,04,000

* Includes Cash and Short-term Securities.

ISSUE DEPARTMENT COMPARATIVE STATEMENT

(000's omitted)

	Sept. 10, 1943.	Sept. 3. 1943.	Sept. 11, 1942.	Sept. 1. 1939.
Held in the Banking Department	11,71,67	9,56,17	10,27,06	35,04,49
In Circulation	7,61,98,95	7,56,92,71	4,88,63,36	1,82,13,17
Total Notes	7,73,70,62	7,66,48,88	4,98,90,42	2,17,17,66
A. Gold Coin and bullion	44,41,43	44,41,43	44,41,43	44,41,46
Sterling securities	6,31,80,90	6,23,80,90	3,34,79,17	59,50,11
Total of A.	6,76,22,33	6,68,22,33	3,69,20,60	1,03,91,57
B. Silver coin	14,11,97	14,90,40	27,26,48	75,87,11
Rupee Securities	83,36,32	83,36,15	1,02,43,34	37,38,98
Silver bullion under coinage	..	..	..	..
Percentage of Reserve to Liabilities	87.401	87.18	71.603	63.149

BANKING DEPARTMENT COMPARATIVE STATEMENT

(000's omitted)

	Sept. 10, 1943.	Sept. 3. 1943.	Sept. 11, 1942.	Sept. 1. 1939.
Cash	11,83,23	9,66,99	10,39,40	35,15,27
Balances held abroad	1,33,24,57	98,11,62	78,12,90	10,08,33
Investments	7,79,45	7,79,45	6,52,13	6,81,34
Bills discounted—				
(a) Internal	..	..	..	..
(b) External	..	..	..	..
(c) Govt. of India Treasury Bills	72,91	72,91	34,98	1,15,67
Loans and Advances to the Government	54,00	1,12,00	1,57,00	31,00
Deposits—				
(a) Government	28,43,45	18,46,78	14,18,29	14,89,43
(b) Banks	71,53,12	77,53,70	64,99,21	26,91,43
(c) Others	8,52,07	5,97,93	3,89,09	1,24,37

STERLING PURCHASES

(000's of £)

	Total Amount Purchased.	Average rate.
1943:—		
January	8,132	1sh. 6d.
February	11,070	1sh. 6d.
March	17,779	1sh. 6d.
April	9,219	1sh. 6d.
May	8,721	1sh. 6d.
June	6,336	1sh. 6d.
July	7,006	1sh. 6d.

IMPERIAL BANK OF INDIA

WEEK ENDED SEPT. 10, 1943.

Liabilities	Rs.	Rs.
Capital—		
Authorised—2,25,000 shares of Rs. 500 each	11,25,00,000	
Issued and Subscribed—2,25,000 shares of Rs. 500 each	11,25,00,000	
Called up—75,000 shares of Rs. 500 each, fully paid	3,75,00,000	
1,50,000 shares of Rs. 500 each, Rs. 125 paid	1,87,50,000	
		5,62,50,000
Reserve Liability of Shareholders— Rs. 375 per share on 1,50,000 shares	5,62,50,000	
		5,75,00,000
Reserve Fund		198,39,19,000
Fixed Deposit, Savings Bank, Current and other Accounts		..
Loans against Securities per contra		99,91,000
Acceptances for Constituents		..
Sundries		
Total Rs.		210,76,60,000

Assets	Rs.	Rs.
Investments—		
Government Securities	134,35,67,000	
Other Authorised Investments	2,08,97,000	
		136,44,64,000
Advances—		
Loans	11,38,73,000	
Cash Credits and Overdrafts	20,76,86,000	
Bills Discounted and Purchased	2,23,69,000	
		34,39,28,000
Liability of Constituents for Acceptances per contra		1,72,04,000
Dead Stock		83,59,000
Sundries		..
Bullion		
Cash—		
In hand and with the Reserve Bank of India	34,92,86,000	
Balances with other Banks	2,44,19,000	
		37,37,05,000
Total Rs.		210,76,60,000

SCHEDULED BANKS

(In thousand rupees)

		10-9-'43.	3-9-'43.	11-9-'43.	1-9-'43.
Demand Liabilities in	India	450,63,80	446,40,41	305,48,71	134,36,49
Time Liabilities in	India	138,71,22	137,20,61	98,76,77	102,24,34
Cash in	India	19,88,40	19,83,16	12,34,06	6,69,92
Balances with Reserve	Bank	70,75,19	76,15,62	65,12,58	25,17,19
Advances in	India	144,30,18	143,83,09	78,30,40	101,52,16
Bills discounted in	India	3,46,39	3,34,80	1,44,92	3,57,29

TENDERS FOR TREASURY BILLS

(In thousands of rupees)

Week Ending		Amount Tendered.	Amount Accepted.	Average Rate.	Intermediates	Sold in favour of Issue Dept.
June	4	11,88,00	6,00,00	1 1 0	3,90,25	6,57,75
,,	8	12,31,50	6,00,00	1 1 0	5,70,50	6,66,75
,,	22	11,11,00	8,00,00	1 1 0	4,11,50	6,83,50
,,	15	12,80,25	8,00,00	1 1 0	3,74,25	3,37,00
,,	29	9,07,00	8,00,00	1 1 0	1,20,75	7,86,00
July	6	4,81,25	3,12,25	1 0 0	40,50,00	3,15,50
,,	13	13,22,25	8,00,00	0 15 11	..	35,59,00
,,	20	15,93,76	8,00,00	0 15 9	..	10,64,25
,,	27	19,76,50	8,00,00	0 15 7	..	3,59,00
Aug.	3	13,83,00	8,00,00	0 15 0	..	3,47,00
,,	10	14,73,25	8,00,00	0 14 11	..	3,16,25
,,	17	12,36,75	8,00,00	0 14 10	..	9,50,00
,,	25	16,41,25	8,00,00	0 14 11	..	2,36,00
,,	31	18,95,75	8,00,00	0 14 0	..	4,92,75
Sept.	7	18,85,25	8,00,00	0 13 9	..	3,72,75
,,	10	14,91,25	8,00,00	0 13 4	..	3,54,00

DATES OF MATURITY OF OUTSTANDING TREASURY BILLS

Date of Maturity.	Amount (000s of Rs.)	Date of Maturity.	Amount (000s of Rs.)
Bills maturing on or before 31st July, 1943, but not paid upto			
September, 1943—		24th ..	39,50
2nd ..	2,57,25	25th ..	7,89,50
3rd ..	16,25	26th ..	35,50
4th ..	8,42,00	28th ..	40,50
5th ..	2,47,00	30th ..	33,50
7th ..	8,00	October, 1943—	
9th ..	22,00	2nd ..	8,02,00
		3rd ..	5,00
10th ..	9,50	9th ..	3,12,25
11th ..	7,95,25	15th ..	1,25
12th ..	3,17,50	16th ..	7,98,75
14th ..	30,00	22nd ..	31,25
16th ..	62,50	23rd ..	7,68,75
17th ..	2,34,25	28th ..	4,50
18th ..	8,90,50	29th ..	5,00
19th ..	3,00	30th ..	7,90,50
21st ..	21,25		
23rd ..	15,75		

SUGAR POSITION FOR SEASON 1942-43.

(Figures in Tons)

Producing Areas.	Production up to 7-9-1943.	Despatches during the period 1-9-1943 to 7-9-1943.	Progressive total of despatches from 1-12-1942 to 7-9-1943.	Progressive despatches to production.	Physical stock as on 7-9-1943.
U.P. ..	6,13,243	11,098	4,53,597	74.0	1,59,646
Bihar ..	2,37,671	4,521	1,59,541	67.1	78,130
Bombay ..	77,221	714	61,267	79.2	15,954
Madras ..	33,150	275	24,484	73.9	8,666
Punjab ..	6,579	13	5,730	87.1	849
Bengal ..	16,537	498	11,151	67.4	5,386
N.W.F.P. ..	3,167	3	2,462	77.7	705
Orissa ..	2,092	2	1,677	80.2	415
Sind ..	2,008	12	1,227	61.1	781
Indian States	81,604	1,207	67,624	82.9	13,980
Total ..	10,73,272	18,343	7,88,760	73.5	2,84,512

N.B.—(1) Balance physical stock of 1941-42 season sugar as on 7-9-1943 was 553 tons.

(2) Information received from Indian States is not complete.

(3) Only one factory was still crushing on 7-9-1943.

AGRICULTURAL PRODUCTION ABROAD

U.S. Official Estimates For 1943-44:

Wheat	834,956,000	bushels
Maize	2,985,267,000	,,
Oats	1,145,060,000	,,
Barley	333,282,000	,,
Rye	33,314,000	,,
Flaxseed	54,720,000	,,

Canadian Official Estimates For 1942 and 1943:

	1942	1943	
Wheat	593,000,000	292,000,000	bushels
Oats	652,000,000	500,000,000	,,
Barley	259,000	223,000,000	,,
Linseed	15,000,000	17,700,000	,,

WORKING CLASS COST OF LIVING IN INDIA SINCE AUGUST 1939.

(Base: August 1939=100)

	*Bombay				†Ahmedabad				‡Sholapur				Cawnpore				¶Nagpur				**Jubbulpore				¶Lahore				¶¶Madras			
	1939-40	1940-41	1941-42	1942-43	1939-40	1940-41	1941-42	1942-43	1939-40	1940-41	1941-42	1942-43	1939-40	1940-41	1941-42	1942-43	1939-40	1940-41	1941-42	1942-43	1939-40	1940-41	1941-42	1942-43	1939-40	1940-41	1941-42	1942-43	1939-40	1940-41	1941-42	1942-43
Aug.	100	109	125	160	100	107	126	166	100	104	118	158	100	112	130	203	100	111	125	183	100	117	131	202	100	102	120	177	100	110	117	140
Sept.	101	107	123	162	104	108	126	160	100	103	119	162	105	113	133	202	100	111	125	183	107	124	138	202	103	108	125	183	105	110	117	149
Oct.	103	108	119	164	103	108	126	166	103	103	123	177	105	112	134	206	98	117	125	184	105	124	138	202	104	111	133	186	106	111	117	155
Nov.	104	108	120	170	111	111	129	188	108	103	130	196	105	112	143	224	105	114	131	190	107	124	141	214	123	115	143	191	107	112	120	159
Dec.	108	110	123	179	115	108	136	204	114	104	136	201	112	111	151	224	116	113	136	208	x119	119	153	231	123	115	143	252	110	112	123	161
Jan.	109	111	130	193	111	108	130	237	110	105	132	201	114	110	145	225	111	111	138	212	112	119	148	228	109	113	143	264	109	110	119	164
Feb.	107	113	129	185	108	108	129	226	108	105	127	207	112	109	144	234	105	109	134	234	107	117	147	292	108	111	147	255	106	110	117	167
Mar.	105	113	130	198	107	108	132	237	109	108	132	219	109	106	150	246	105	108	133	262	109	121	155	278	110	109	145	254	107	110	117	173
April	105	115	131	214	107	111	136	256	101	107	136	226	110	107	149	266	106	113	136	291	110	124	155	279	110	120	148	267	108	111	121	176
May	106	116	135	214	105	112	141	..	103	107	142	..	109	108	155	299	111	113	145	317	112	122	156	309	101	113	155	..	109	110	123	177
June	106	116	145	216	110	114	152	..	104	111	149	..	108	114	173	336	109	116	160	361	116	126	178	317	100	109	162	..	109	111	131	183
July	108	120	160	..	108	121	160	..	104	115	153	..	109	126	190	341	108	120	181	..	119	134	199	..	102	114	166	..	109	115	136	..

*Base: Year ending June 1934. †Base: Year ending July 1927. ‡Base: Year ending January 1928. ¶Base: Year ending January 1927. **Base 1931-35. ¶¶Base: Year ending June 1936. xRevised figure.

Nagpur and Jubbulpore do not include housing.

INDEX NUMBERS OF WHOLESALE PRICES BY GROUPS OF ARTICLES

ALL-INDIA

(Prices for week ending 19th August 1939=100)

	Feb. 1943.	Jan. 1943.	Feb. 1942.
Food and tobacco ..	207.0	190.8	132.3
Other Agr. Com. ..	193.8	783.3	125.3
Raw Materials ..	172.0	171.5	158.0
Manufactured Articles ..	225.5	224.1	162.3
Primary Commodities ..	190.5	182.0	140.6
All Commodities ..	197.6	190.4	145.0
Chief Articles of Export ..	187.6	177.2	142.4

*Issued by the Economic Adviser, Govt. of India.

BOMBAY

(July 1914=100)

Commodities.	No. of Items.	Apl. '43.	Mar. '43.	Apl. '42.
Foodgrains	215	211	133	
Cereals	7	215	202	138
Pulses	2	273	244	117
Sugar	3	238	222	157
Other Food ..	3	256	253	141
All Food	..	228	222	138
Oilseeds	5	185	156	102
Textiles (Cotton) ..	..	176	174	103
Cotton, Raw ..	5	94	94	71
Cotton, Manufactures	6	313	307	156
Other Textiles ..	2	83	83	83
Hides and Skins ..	3	99	99	99
Metals	5	770	746	665
Other Raw Manufactured Articles	4	232	232	225
Non-food	..	264	274	228
General Index ..	..	264	256	196

CALCUTTA

(Prices in July 1914=100)

Commodities.	July 1943.	June 1943.	July 1942	Sept. 1939.
Cereals	496	447	153	86
Pulses	393	365	151	99
Tea	130	130	197	142
Other Food Articles	580	565	289	125
Oilseeds	264	272	162	106
Mustard Oil ..	207	192	95*	81
Jute, Raw ..	129	134	6*	80
Cotton, Raw ..	183	199	10*	75
Jute Manufactures	190	193	126	102
Other Textiles (Wool and Silk) ..	194	220	170	110
Hides and Skins ..	95	95	85	67
Metals	332	342	275	147
Other Raw & Manufactured Articles	207	199	248	95
All Commodities ..	332	319	198	108

*Average of 9 months.

BANGALORE*

(Base year 1914=100)

Particulars	April 1943.	March 1943.	April 1942.
Foodgrains and Pulses ..	247	239	142
Oil and Oilseeds ..	265	257	120
Other Food Articles ..	282	269	130
Textiles	341	313	133
Others	293	161	178
Gen. Index Numbers ..	282	264	144

*Compiled by the Department of Industries and Commerce, Mysore.

WHOLESALE PRICES OF PRINCIPAL COMMODITIES

Commodities	Grade & Quality	Market	Unit	This Week.	Last Week.	A Year ago.	Pre-war (1939)
				Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.
Rice (not in husk)	Kalma	Calcutta.	per md.	32 0 0	..	8 12 0	4 14 0
	Basmati Sela	Amritsar.	,,	21 8 0	21 8 0	..	..
Wheat	Average quality.	Karachi.	,,	8 0 5	7 15 5	5 15 0	..
		Hapur.	,,	13 12 0	13 8 6	..	..
		Lyallpur.	,,	11 3 9	11 0 6	5 1 0	2 5 9
Sugar	Marhowrah Crystal No. 1.	Cawnpore.	,,	14 8 6	14 8 6	12 3 6	9 15 0
Sugar raw (Gur)	Chikna best quality.	,,	,,	8 0 0	8 0 0	..	..
Tea	For export.	Calcutta.	per lb.	0 15 0	0 15 0	0 14 7	0 10 5
Tea	For consumption in India.	Calcutta.	,,	0 10 1	0 8 5	0 11 4	0 4 4
Potatoes	Great Scot (round)	Mettupalayam	per md.	8 10 0	7 6 0	..	..
Groundnuts	Bold.	Bombay.	per candy of 500 mds.	98 0 0	100 0 0	..	..
Groundnut Oil	Expeller	Madras.	Candy of 500 lbs.	176 0 0	180 0 0	..	..
Castor Oil	Average	Madras.	Candy of 500 lbs.	210 0 0	205 0 0	..	..
Coconut Oil	Average	Madras.	38 lbs.	16 6 9	16 4 9	..	..
Castorseeds	Average	Bombay.	per candy	..	93 0 0	..	..
Linseed	Bold.	Bombay.	per cwt.	15 10 0	15 4 0	11 7 0	7 2 6
Linseed	Small Grain.	Calcutta.	,,	..	13 14 0	7 1 0	6 13 6
Rape and Mustard	Toria 9% admixture.	Karachi.		101 0 0	101 8 0	63 8 0	36 12 0
Cotton (raw)	**Fine M.G. 4-F (Punjab) R.G. Jarilla 3/4"	Karachi.	per candy of 784 lbs. per candy	..	..	..	..
..		Bombay.		..	470 0 0	..	..
Cotton Piece-goods.	Grey Dhoti		44"×10 yds.	7 12 9	7 12 0	..	..
	Markin 11 lbs.		43"×38 yds.	26 6 0	26 6 0	..	..
	Grey Leopard		per lb.	2 7 6	2 7 6	..	..
Cotton Yarn	No. 10s.	Bombay.	per 10 lb.	13 10 6	13 10 6	7 2 2	2 12 2
	No. 20s.	,,	,,	17 8 9	17 8 9	10 5 10	3 12 10
Jute	Raw Firsts.	Calcutta.		..	78 0 0	46 0 0	41 8 0
Jute Bags	B. Twills 2¼ lbs. 44×20½, 6×8.	,,	,,	..	65 6 0	41 14 0	28 13 0
Wool (raw)	Kandhar (cleaned)		per md.	55 0 0	55 0 0	50 0 0	32 0 0
	Indian quality.	Karachi.					
(raw) Hides and skin	Cow hides (Agras).	Calcutta.	per 20 lbs.	9 8 0 to 10 8 0	9 8 0 to 10 8 0	9 8 0 to 10 8 0	7 8 0 to 8 8 0
Hides and skin (raw)	Goat skins (good quality).	,,	per 100 pieces.	110 0 0 to 130 0 0	110 0 0 to 130 0 0	95 0 0 to 115 0 0	100 0 0 to 115 0 0
Hides and skin (tanned)	Cow hides.	Madras.	per lb.	0 13 6 to 1 3 0	0 14 3 to 1 3 6	0 14 9 to 1 3 0	0 9 3 to 0 12 10
	Goat skin.	,,	,,	1 9 0 to 2 5 0	1 12 0 to 2 4 0	1 6 6 to 1 10 6	1 7 6 to 1 12 0
Shellac	T.N.	Calcutta.	per B. md.	..	71 0 0	64 0 0	14 0 0
Kerosene oil	Superior.	,,	per 4 gallons in tin.	5 4 3	5 4 3	4 4 9	3 13 3
Coal	Selected Jharia.	,,	per ton into wagon.	9 12 0 to 10 8 0	9 12 0 to 10 8 0	4 12 0 to 6 8 0	4 0 0 to 4 12 0
Pig Iron	Foundry No. 1.	,,	per ton f.o.r.	94 0 0	94 0 0	94 0 0	69 0 0
Copra	Fair average quality.	Cochin.	per candy of 500 lbs.	155 0 0	..	115 0 0	43 8 0
Cement	Indian Swastika.	Calcutta.	per ton f.o.r.	60 0 0	60 0 0	44 0 0	..

STOCKS AND SHARES

	This week Rs. a. p.	Previous week Rs. a. p.
BOMBAY (Sept. 21)—		
GOVT. SECURITIES—		
2½% 1948-52	..	99 12 0
3% 1949-52	..	100 12 0
3% 1951-54	..	100 1 0
3% 1963-65	..	96 15 0
3½% G. P. Note	..	97 0 0
3½% 1947-50	..	103 8 0
4% 1943	..	111 4 0
4% 1960-70	..	115 0 0
4½% 1955-60	..	106 2 0
3% 1945-55	..	102 6 0
3% 1944 Defence Loan	..	100 0 0
TEXTILES—		
Ahmedabad	410 0 0	505 0 0
Bombay Dyeing	1,987 8 0	1,927 8 0
Central India	435 0 0	425 0 0
Century	876 0 0	840 0 0
Colaba Land	225 8 0	227 0 0
Indian Bleaching	203 0 0	203 0 0
Gokak	342 0 0	335 0 0
Kohinoor	612 0 0	592 0 0
Phoenix	637 8 0	630 0 0
Sholapur	8,350 0 0	8,220 0 0
Simplex	274 0 0	274 0 0
Swadeshi	555 0 0	528 0 0
Vishnu	2,675 0 0	2,775 0 0
MISCELLANEOUS—		
Alcock	497 8 0	512 8 0
Bombay Burma	385 0 0	385 0 0
Belapur Sugar	225 0 0	225 0 0
Bombay Burma New	142 8 0	137 0 0
Bombay Steam	532 8 0	..
Bombay Tramways	159 4 0	162 0 0
British Burma Petrol	2 15 0	2 0 0
Scindia Steam	33 14 0	33 2 0
Shivrajpur	62 0 0	63 0 0
Tata Power	1,837 8 0	1,815 0 0
Andhra Valley	1,878 12 0	1,877 8 0
Tata Hydro	197 0 0	196 0 0
Tata Steel Ordy.	378 0 0	372 0 0
Tata Steel Defd.	1,867 8 0	1,837 8 0
Premier Construction	178 0 0	178 0 0
Indian Iron	36 8 0	34 10 0
Burma Corporation	3 15 0	4 0 0
Associated Cement	217 12 0	215 4 0
Tata Steel 1st Pref.	220 0 0	225 0 0
Indian Copper	..	2 7 0
Tata Steel 2nd Pref.	150 8 0	153 12 0
BANKS—		
Central	121 4 0	72 12 0
Imperial (Fully Paid)	1,845 0 0	1,835 0 0
Imperial (Partly Paid)	455 0 0	0 0
Reserve	121	122
CALCUTTA (Sept. 21)—		
JUTES—		
Champdany	216 0 0	213
Anglo-India	393 1 0	392 0
Belvedere	97 0 0	..
Howrah	62 2 0	..
Kamarhatty	554 0 0	543 0 0
Serhaagore	149 0 0	..
STEELS—		
Bhartia Electric	15 2 0	14 12 0
Indian Iron	35 10 0	34 12 0
Steel Corporation	27 0	26 12 0
Jessop (Ordinary)	24	24
Kumardhubi	17 15 0	16
Saran	12 0	..
TEXTILES—		
Elgin	80 0 0	80 0 0
Cawnpore Textiles	12 7 0	12 3 0
Kesoram	25 15 0	..
New Victoria	..	8 4 0
MINES—		
Burma Corporation	3 15 0	4 0 0
Consolidated Tin	2 9 0	2 7 0
Indian Copper	2 9 0	2 8 0
Equitable	..	40 13 0
SUGAR—		
Belsund	11 8 0	..
Darbhanga	23 0 0	..
Ramnagar Cane and Sugar	11 7 0	..
Samastipur	19 0 0	..
Carew	..	21 7 0
MISCELLANEOUS—		
Dalmia	18 0 0	..
Rohtas	29 14 0	..
TEAS—		
Bishnauth	40 8 0	..
Loobah	..	13 4 0
MADRAS (Sept. 21)—		
Deccan Big	30 12 0	30 12 0
Deccan Small	69 12 0	69 4 0
Indian Sugar Ord.	17 4 0	17 4 0
Cochin-Malabar	17 12 0	18 2 0
Chembra Peaks	12 10 0	13 2 0
High Produce	44 0 0	..
Vellamalai	25 4 0	..
Dhanalakshmi	..	515 0 0
Lakshmi Old	..	215 0 0
Mettur Industries	..	300 0 0
Cements	..	78 0 0
Mettur Chemicals	..	21 8 0
Singareni	..	11 8 0
Spencer	..	10 4 0



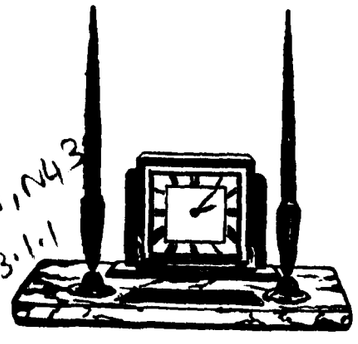
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